ANNUAL REPORT 2017

NORWAY ROYAL SALMON
1992 2017

Layout and print: Skipnes Kommunikasjon AS

Photos: Berre, Jacob Buchard, Ingar Næss, Jørn Adde, Øyvind Sætre, Frank Rune Isaksen

COMMITTED
BY NAME

Retrospective

CONTENTS

Message from the CEO

In 2017 we celebrated the 25th anniversary of Norway Royal Salmon (NRS), the anniversary year also puts its mark on this annual report. The company has been through an exciting journey. Through these 25 years, NRS has evolved from a small sales company to become a major salmon farming and sales company in the aquaculture industry of Norway. In the anniversary year, the group achieved good financial results, and several key figures show that NRS is constantly evolving. Norway Royal Salmon had a record turnover of almost NOK 5 billion, and both the harvested volume of 31 918 tonnes and sold volume of 77 799 tonnes were record high.

Norwegian salmon also had a record year, and experienced another year in which the export value increased compared with previous years. The global supply growth was 6 per cent in 2017, and the demand for salmon has been good in most markets. It is gratifying that we continue to see an improvement in trade relations with China, this provides basis for optimism. The reopening of markets and good underlying market growth mean that we have a positive market view for Norwegian salmon ahead. We are optimistic because salmon is both healthy and good, and meets the trends we see today well. There is an increased focus on a healthier lifestyle and the environmental impact of the food we eat. The salmon we produce is good both in an environmental and health perspective and is a good contributor to a more sustainable food production in the future.

The aquaculture farms of the future

Over the few last years the industry has come closer to a technological change. A change where we not only focus on continuous improvement of all factors with today's technology, but a clear technological leap. We believe new technology will provide new growth opportunities, salmon should be produced in the ocean and that offshore farming will be an important contribution in the future. New technology can secure control of the industry's challenges such as lice and escape. The authorities' introduction of development permits has been an important contribution to this. Through the development permits scheme, NRS was recently awarded 5 990 tonnes of MAB for our project Arctic Offshore Farming. This is a major step towards realizing the aquaculture farms of the future. A substantial effort has been made to develop Arctic Offshore Farming. The result is a facility that will increase area utilization as it is dimensioned for harsh areas where current equipment cannot be used. We had a great cooperation with Aker ASA on the project, but they have chosen not to participate in the realization phase. Arctic Offshore Farming will therefore be a 100 per cent NRS project. An exciting and future-oriented venture.

Our strategy is to develop from a medium to a large salmon farming company and be the most profitable farming company in Norway. Arctic Offshore Farming will be a good opportunity for further growth for NRS, but as important is to continue developing the 35 licenses where we produce today. We have been through a period of very good salmon prices, but we have also been through a period of increasing costs both on industry level and on company level. We are not satisfied with this development and will not sit idle. We work daily to improve our operations and exploit the growth potential of the Group. Costs must decrease and together with an increasingly efficient operating and site structure and an ongoing internal cost program, we will work to ensure that NRS is geared towards cost-effective and efficient operations in the future. We will grow and develop further, and Arctic Offshore Farming is a good example of the fact that Norway Royal Salmon is constantly evolving.

As we have seen through this project and the development of the company there is nothing that comes by itself. We have fantastic employees and a formidable effort is put down every day to develop the company. We are proud of the name Norway Royal Salmon and we work hard every day to live up to this name. There is a commitment in our name, which is why we say we are «Committed by Name».

Charles Høstlund
CEO

Central to our business is our corporate values. Our employees show great commitment in their work and they are known for their positive attitude to both products and customers.

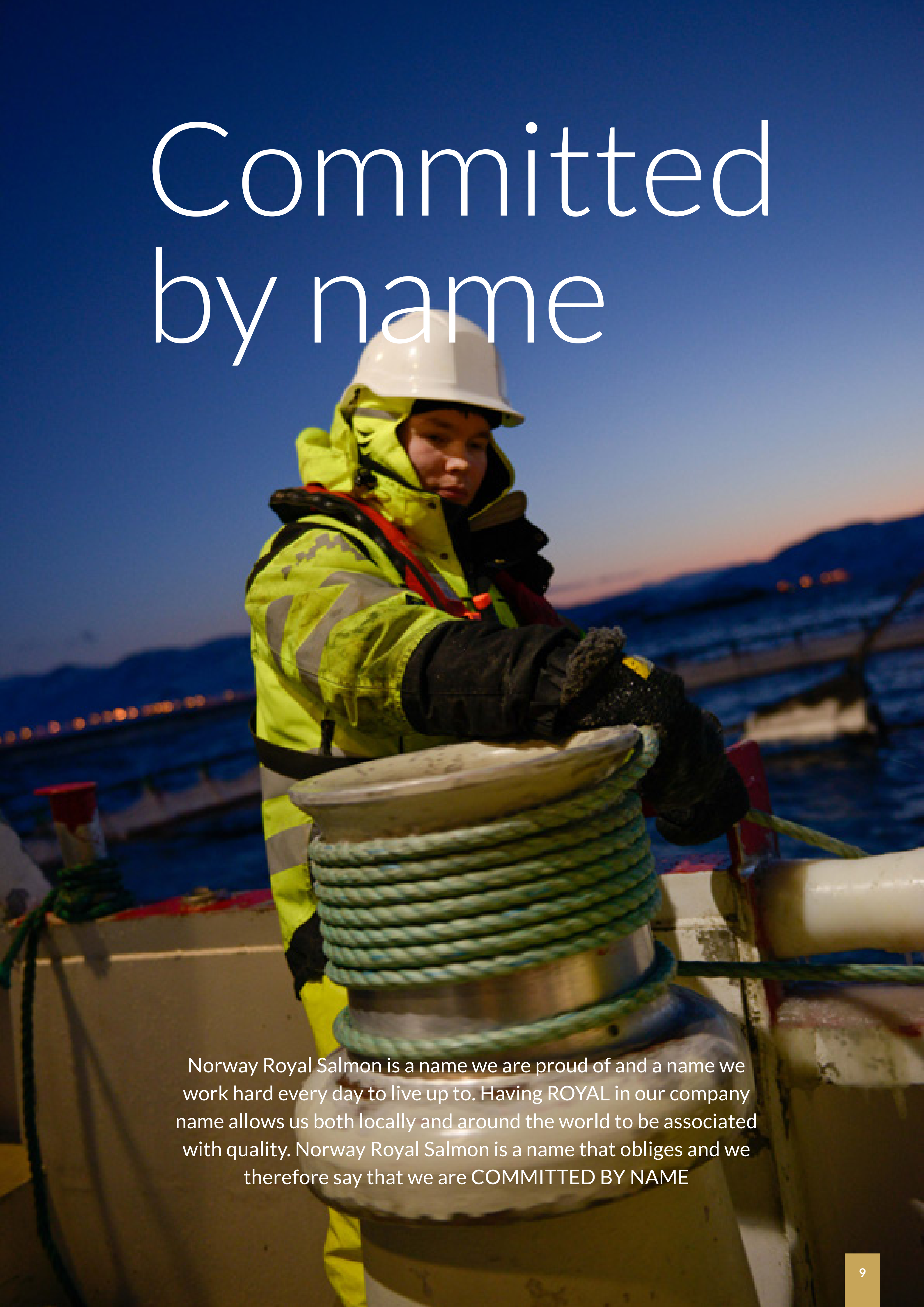
Safe

Engaged

Credible

Innovative

Committed by name



Norway Royal Salmon is a name we are proud of and a name we work hard every day to live up to. Having ROYAL in our company name allows us both locally and around the world to be associated with quality. Norway Royal Salmon is a name that obliges and we therefore say that we are COMMITTED BY NAME

Important strategic milestones in the group's

1992

Norway Royal Salmon AS founded by 34 fish farming companies as a sales and marketing company for farmed salmon

1996-2004

Purchase of minor shareholdings in various aquaculture companies

2006

Private placement in which the company raised gross proceeds of NOK 50 million

2007

Acquisition resulting in 100 % ownership of Feøy Fiskeoppdrett AS and Åmøy Fiskeoppdrett AS (companies merged into NRS Feøy AS in 2009)

Acquisition resulting in 82.5 % ownership of Nor Seafood AS

2008

Private placement in which the company raised gross proceeds of NOK 100 million

Acquisition resulting in 100 % ownership of Altafjord Laks AS

Acquisition resulting in 76.24 % ownership of AS Tri and Salmo Arctica AS (merged into AS Tri in 2009)

Acquisition resulting in 37.5 % ownership of Wilsgård Fiskeoppdrett AS

2009

Acquisition resulting in 100 % ownership of AS Brilliant Fiskeoppdrett (merged into NRS Feøy AS in 2010)

Awarded 4 new licenses

25-year history

2010

Acquisition resulting in 66.67 % ownership of Nord Senja Laks AS

Acquired remaining minority interests in AS Tri. AS Tri simultaneously merged with Altafjord Laks AS under the name NRS Finnmark AS

Acquisition resulting in 27.65 % ownership of Ranfjord Fiskeprodukter AS

The company converted from a private to a public limited liability company. The new company name is Norway Royal Salmon ASA.

2011

Public offering in which the company raised gross proceeds of NOK 46.1 million

Norway Royal Salmon ASA listed on Oslo Stock exchange

2012

Private placement and sale of treasury shares in which the company raised gross proceeds of NOK 43.4 million

Acquisition resulting in 37.75 % ownership of Ranfjord Fiskeprodukter AS

2014

Awarded 10 new green licenses

2016

Acquisition resulting in 100 % ownership of Nord Senja Laks AS

Acquisition resulting in 50 % ownership of Arctic Fish ehf. (Iceland) through private placement

Foundation of the wholly-owned subsidiary NRS Settefisk AS

2017

NRS celebrate the 25 years anniversary

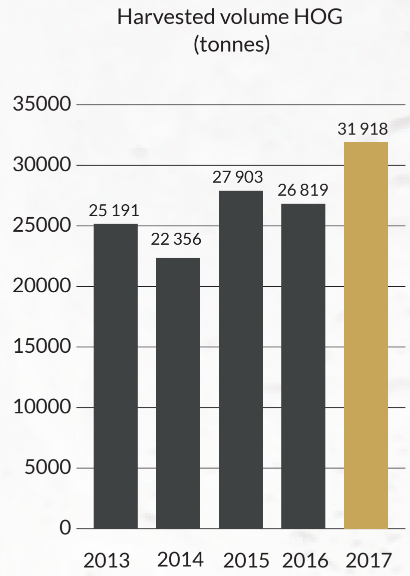
2018

Granted 7.68 development licenses (5 990 tonnes MAB) for the development of Arctic Offshore Farming

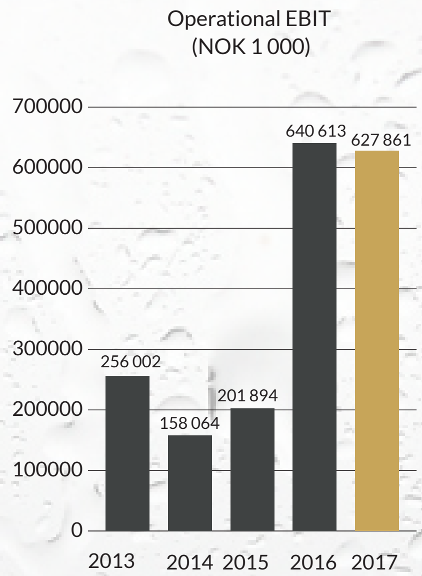
Key figures

(NOK 1 000)	**2017**	**2016**	**2015**
Operating revenue	4 937 798	4 224 340	3 210 548
Volume sold (tonnes)	77 799	66 808	69 971
Volume of own fish harvested (tonnes gutted weight)	31 918	26 819	27 903
Operational EBITDA 1)	709 923	701 676	255 591
Operational EBIT 1)	627 861	640 613	201 894
EBIT	485 719	876 628	249 065
EBT	322 596	1 172 421	270 081
Result for the year	236 416	1 004 713	237 582
EBITDA margin 1)	14.4 %	16.6 %	8.0 %
Operational EBIT margin 1)	12.7 %	15.2 %	6.3 %
ROCE 2)	39.8 %	49.6 %	15.4 %
Operational EBIT per kg 3)	22.10	27.06	9.64
Book value of biological assets	1 177 678	1 205 399	829 928
Total capital	3 855 163	3 713 382	2 870 245
Net interest bearing debt	633 479	282 160	498 541
Book equity	1 851 030	2 047 017	1 186 519
Equity ratio %	48.0 %	55.1 %	41.3 %
Net cash flow from operating activities	170 504	628 302	340 196
Net cash flow from investing activities	-107 053	-282 311	-107 435
Earnings per share	5.27	22.72	5.28
Number of shares as at 31 December	43 572 191	43 572 191	43 572 191
Number of employees (full-time equivalents)	172	149	132

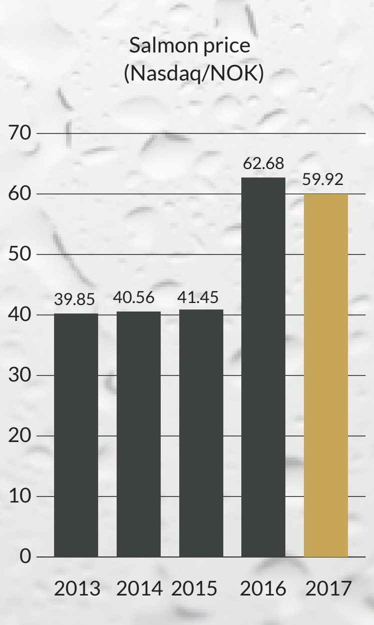
1) Before fair value adjustments, income from associates and gain on financial instruments
2) Return on capital employed based on 4 quarters rolling EBIT aligned for fair value adjustments / average (NIBD + Equity - Financial assets)
3) Operational EBIT for segments farming and sales before non-recurring items



Harvested volume HOG
(tonnes)
35000
30000
25000
20000
15000
10000
5000
0
25 191
22 356
27 903
26 819
31 918
2013
2014
2015
2016
2017



Operational EBIT
(NOK 1 000)
700000
600000
500000
400000
300000
200000
100000
0
256 002
158 064
201 894
640 613
627 861
2013
2014
2015
2016
2017

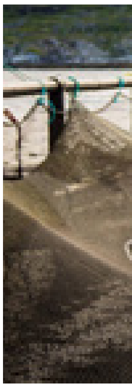


Salmon price
(Nasdaq/NOK)
70
60
50
40
30
20
10
0
39.85
40.56
41.45
62.68
59.92
2013
2014
2015
2016
2017

Highlights 2017

25
25TH-ANNIVERSARY

In 2017, it is 25 years since Norway Royal Salmon (NRS) was established, the anniversary was celebrated in Tromsø. 25 years ago, 34 farming companies joined forces to establish NRS. Through these years, NRS has developed into a major player in the aquaculture industry.



Approval of three new sites

The farming operations had three new sites approved in 2017. In Tromsø in Troms, a new site with a MAB of 5 670 tonnes was approved. In Hasvik in Finnmark, a new site with a MAB of 2 835 tonnes was approved. In Måsøy in Finnmark a new site with a MAB of 3 600 tonnes was approved.

Record high harvest volume

The farming operations harvested 31 918 tonnes in 2017.

Record high sold volume

The sales operations sold 77 799 tonnes in 2017.

ISA detected at three sites in Region North

In the fourth quarter the fish disease ISA (Infectious Salmon Anemia) was detected in an operational area in Finnmark at the Store Kvalfjord, Lille Kvalfjord and Pollen sites. 1 600 tonnes have been harvested from these sites. A loss of MNOK 55.0 was recognised in the accounts as a result of the disease.

Global Gap Certification

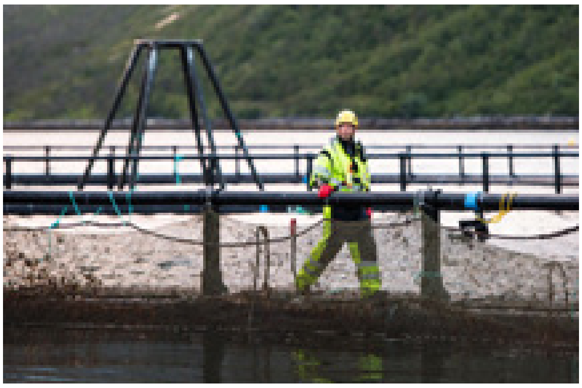
All sites at Norway Royal Salmon are Global Gap certified.

ASC-certification

Norway Royal Salmon had its two first sites certified after the Aquaculture Stewardship Council (ASC) standard in 2015. Another 3 sites were certified in 2017. 11 out of 16 sites in NRS Finnmark are now ASC-certified.

Dividend

In June, Norway Royal Salmon ASA distributed an ordinary dividend of NOK 9.50 per share.



Capacity increase through traffic light system growth

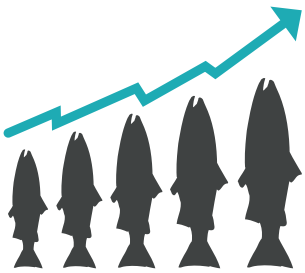
In the beginning of 2018 Norway Royal Salmon acquired a 2 per cent growth, in total 551 tonnes, for all licenses in green production areas in the government's new traffic light system for growth.

Development permits

In March 2018 NRS was granted 7.68 development permits (5 990 tonnes MAB) for the development of Arctic Offshore Farming.

Strategy

Norway Royal Salmon shall be:



... Norways's most profitable salmon company

... and develope from a mid-size to large salmon company

COMMITTED
BY NAME

... by becoming a preferred employer

... through sustainable growth

Smolt

- → Smolt supply secured through long term agreements and associated companies
- → 37.75 % ownership in Ranfjorden Fiskeprodukter AS
- → 30 % ownership in Skardalen Settefisk AS, co-owned with Wilsgård Fiskeoppdrett AS

Ongrowing/marine production

- → 42,68 licenses
- → 36.68 in Region North, 6 in Region South
- → Harvest volume 2017 31 918 GWT
- → Harvest volume 2018E ~42 500 GWT
- → 10 partly owned licenses through associated companies in Norway
- → Arctic Fish on Iceland has licenses for 11 400 tonnes

Primary processing

- → 100 % secured harvesting capacity
- → Harvesting agreement for the production in Finnmark
- → Ownership in Wilsgård Fiskeoppdrett that harvest the production in Troms
- → Ownership in Hardanger Fiskeforedling AS and in Espevær Laks AS that harvest the production in Region South

Sales & marketing

- → Sales from external farmers, associated companies and subsidiaries
- → Sale of fresh and frozen salmon and trout
- → Sold 77 799 tonnes in 2017
- → 85 % export to 55 countries in 2017

Norway Royal Salmon

– an integrated fish farming company

Since the company was founded in 1992, Norway Royal Salmon (NRS) has developed from a sales and marketing company for farmed salmon into an integrated seafood company. The Group is now a fish farming company with activities in two main segments: salmon farming and sales. In 2017, the Group's farming operation harvested 31 918 tonnes of salmon, while the sales organisation sold 77 799 tonnes of salmon.

In addition to the sales organisation, the Group currently has five subsidiaries that own a total of 42.68 licences, of which 10 are green licenses awarded in 2014 and 7.68 are developing permits awarded in 2018. The Group also holds minority interests in eight companies. Of these, three are fish farming companies in Norway with ten licenses. The Group owns 50 per cent of the fish farming company Arctic Fish ehf. on Iceland. Among the associated companies there are three harvesting companies and two hatcheries. The Group is thus involved in almost all links of the value chain, from smolt and salmon production, through harvesting and value-added processing and on to sales and marketing.

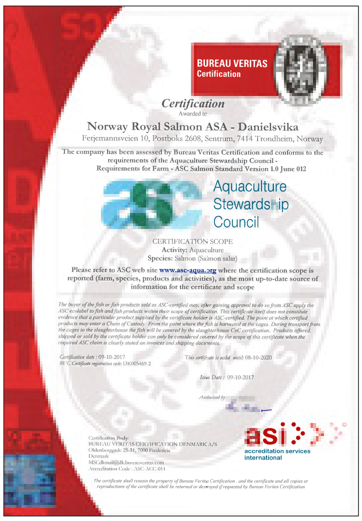
Fish farming – situated in attractive areas

In 2006, the Group made a strategic decision to become a fish farmer. From 2007 fish farming has been a part of the Group's activities.

The Group has 42.68 licences for edible fish production. 31 918 tonnes were harvested in 2017. After NRS was awarded 10 green licenses in 2014 and 7.68 developing permits in 2018, estimated capacity is between 55 000 and 60 000 tonnes. The criteria for the allocation of the green licenses were to establish a production that reduces the extent of sea lice and reduce the risk of impact on wild salmon as a result of escapes. The future growth of the aquaculture industry will be through sustainable solutions. The green licenses are a game changer for Norway Royal Salmon towards a more sustainable development. 85-90 per cent of the production capacity is located in Region North that has the best conditions for farming activities, both concerning profitability and future growth.

ASC (Aquaculture Stewardship Council)-standard

ASC (Aquaculture Stewardship Council) is an environmental standard negotiated with WWF. It sets strict standards for how fish are produced and requires documentation of laws and regulations, animal diversity, animal welfare, genetic integrity of wild populations, responsible feed, control of fish diseases, socially responsible production of fish, good relations with neighbours and that our suppliers meet critical and essential criteria in the standard. ASC certified fish are fish that are produced in an extremely responsible and sustainable way according to very strict requirements. 11 sites in Finnmark are ASC-certified.



BUREAU VERITAS Certification

Certification

Awarded to

Norway Royal Salmon ASA - Danielsvika

Ferjemannsveien 10, Postboks 2608, Sentrum, 7414 Trondheim, Norway

The company has been assessed by Bureau Veritas Certification and conforms to the requirements of the Aquaculture Stewardship Council - Requirements for Farm - ASC Salmon Standard Version 1.0 June 012

Aquaculture Stewardship Council

CERTIFICATION SCOPE

Activity: Aquaculture

Species: Salmon (Salmon salar)

Please refer to ASC web site www.asc-aqua.org where the certification scope is reported (farm, species, products and activities), as the most up-to-date source of information for the certificate and scope

The buyer of the fish or fish products sold as ASC-certified may, after gaining approval to do so from ASC apply the ASC ecolabel to fish and fish products within their scope of certification. This certificate itself does not constitute evidence that a particular product supplied by the certificate holder is ASC-certified. The point at which certified products may enter a Chain of Custody: From the point where the fish is harvested at the cages. During transport from the cages to the slaughterhouse the fish will be covered by the slaughterhouse CoC certification. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required ASC claim is clearly stated on invoices and shipping documents.

Certification date : 09-10-2017

BVC Certificate registration code: DK005469-2

This certificate is valid until: 08-10-2020

Issue Date : 09-10-2017

Authorised by

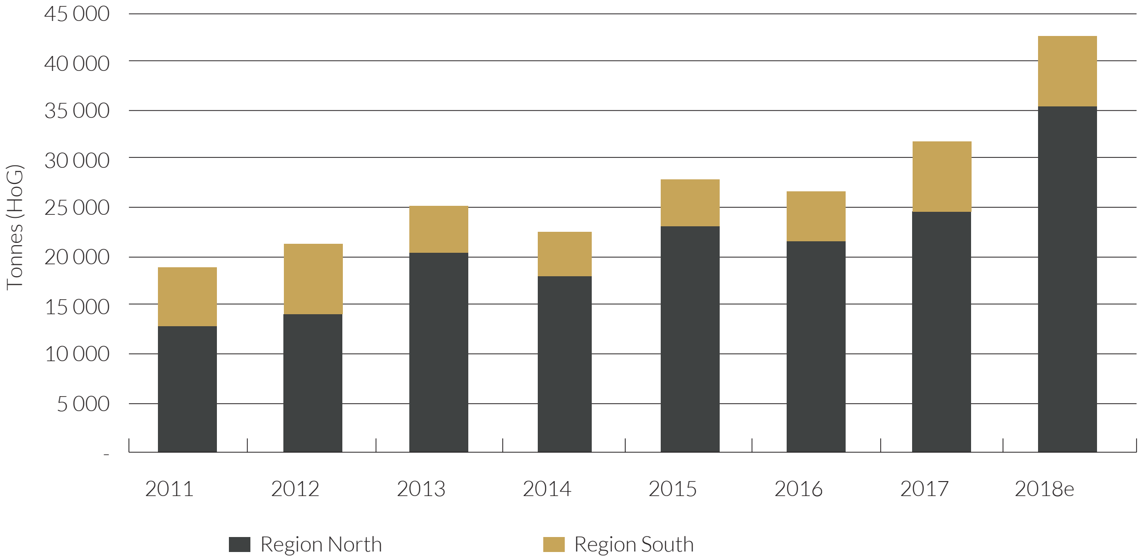
Certification Body:
BUREAU VERITAS CERTIFICATION DENMARK A/S
Oldenborggade 25-31, 7000 Fredericia
Denmark
MSC.dkmail@dk.bureauveritas.com
Accreditation Code : ASC-ACC-011

asi accreditation services international

The certificate shall remain the property of Bureau Veritas Certification , and the certificate and all copies or reproductions of the certificate shall be returned or destroyed if requested by Bureau Veritas Certification

NRS aims to be one of the leading ASC certified salmon companies in the world. Our objectives are to meet the growing demand for salmon while minimizing environmental and social impacts of salmon farming. In a few years, most of Norway Royal Salmon's production will be ASC-certified.

The Group's growth from 2010 to 2017 through utilisation of capacity in the existing licences is illustrated below:



Region North's Maximum allowable biomass (MAB) is 964 tonnes per licenses and Region South and developing permits have a MAB of 780 tonnes.

Fish farming with green focus

The Group's fish farming activities are divided between two regions with a total of 42.68 licences: Region North and Region South.

Region North

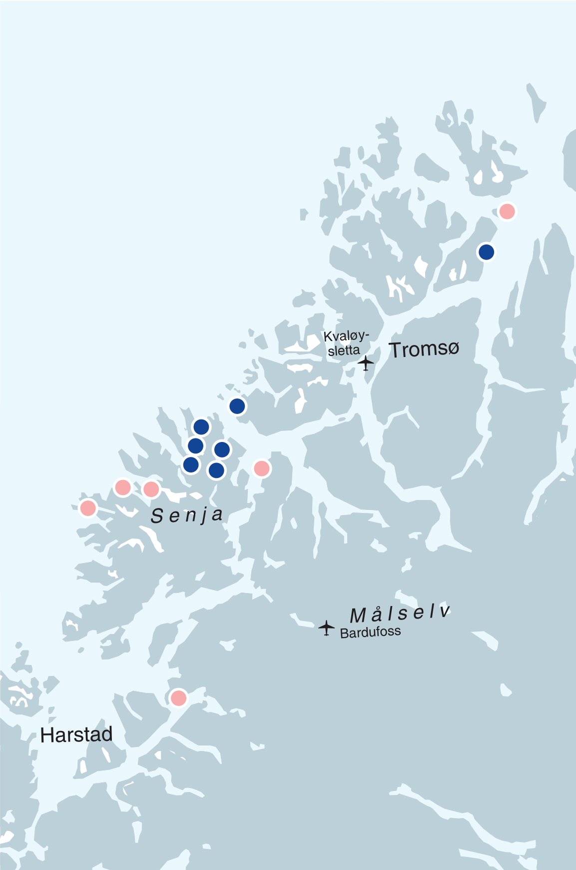
Region North covers the business in West Finnmark and Troms. After being awarded 7.68 developing permits in 2018, the Group has 36.68 licences in the Region North. The region has been a priority area for growth by the Norwegian authorities in the last three allocations of new licenses and the region got a green light for growth in the traffic light system. The harvest volume in this region in 2017 totalled 24 697 tonnes, compared to 21 667 tonnes in 2016. In West Finnmark, the group is represented by its subsidiary NRS Finnmark AS. NRS Finnmark has 19 licences for salmon farming. This is a region where the Group expects strong growth in harvest volume in the coming years. In 2017, NRS Finnmark harvested 16 792 tonnes of fish. NRS Finnmark is attractively located in an area with only limited lice problems and the fish disease PD. In addition, the area provides good conditions for fish farming on account of its water temperatures and limited algae growth on the nets, which translates into lower costs and profitable operations. 11 out of 16 sites at NRS Finnmark are ASC-certified.

The subsidiaries Nor Seafood AS and NRS Troms AS constitute the activities in Troms. The two companies hold a total of ten salmon farming licences. Together with Wilsgård Fiskeoppdrett AS – of which the Group owns 37.5 per cent – these companies form a group that operates fifteen fish farming licences. Troms is also an attractive location with good conditions for fish farming. The Group's two companies in Troms harvested 7 905 tonnes in 2017.

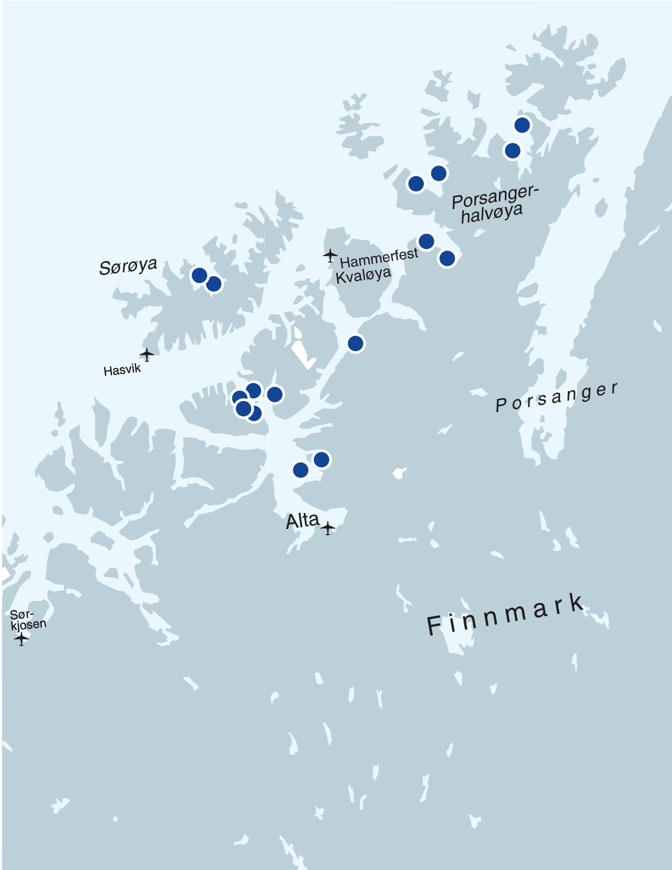
Region South

Region South is represented by the wholly owned subsidiary NRS Feøy AS. The company holds six licences in this region, and its activities are located in the border region between Hordaland and Rogaland. 7 221 tonnes were harvested in the Region South in 2017. Region South has exemption from the requirement of having MAB zones based on counties. With a single MAB zone, the operations in Hordaland and Rogaland can be operated as one unit. This will result in smoother production. NRS holds a 33.5 per cent share of Hellesund Fiskeoppdrett AS which has production in Agder and owns three licences.

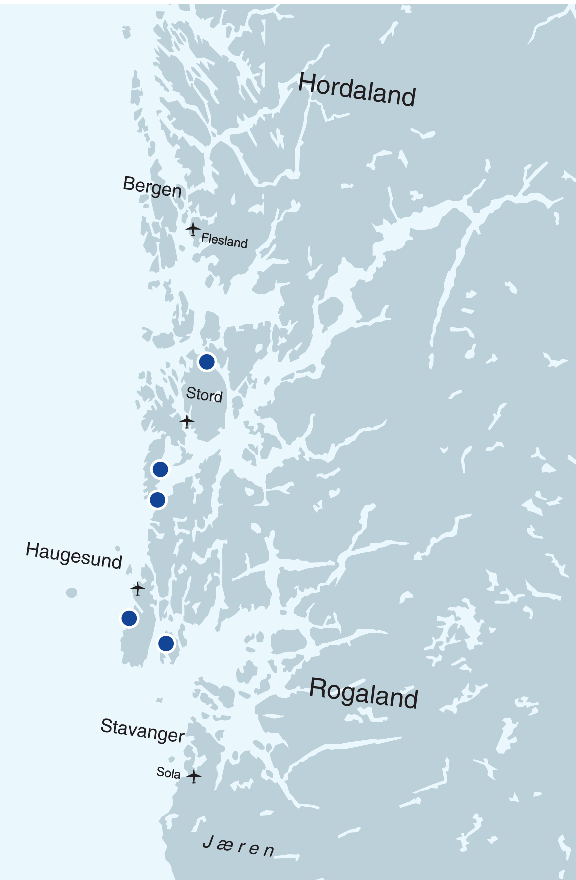
REGION NORTH – TROMS



REGION NORD – NRS FINNMARK



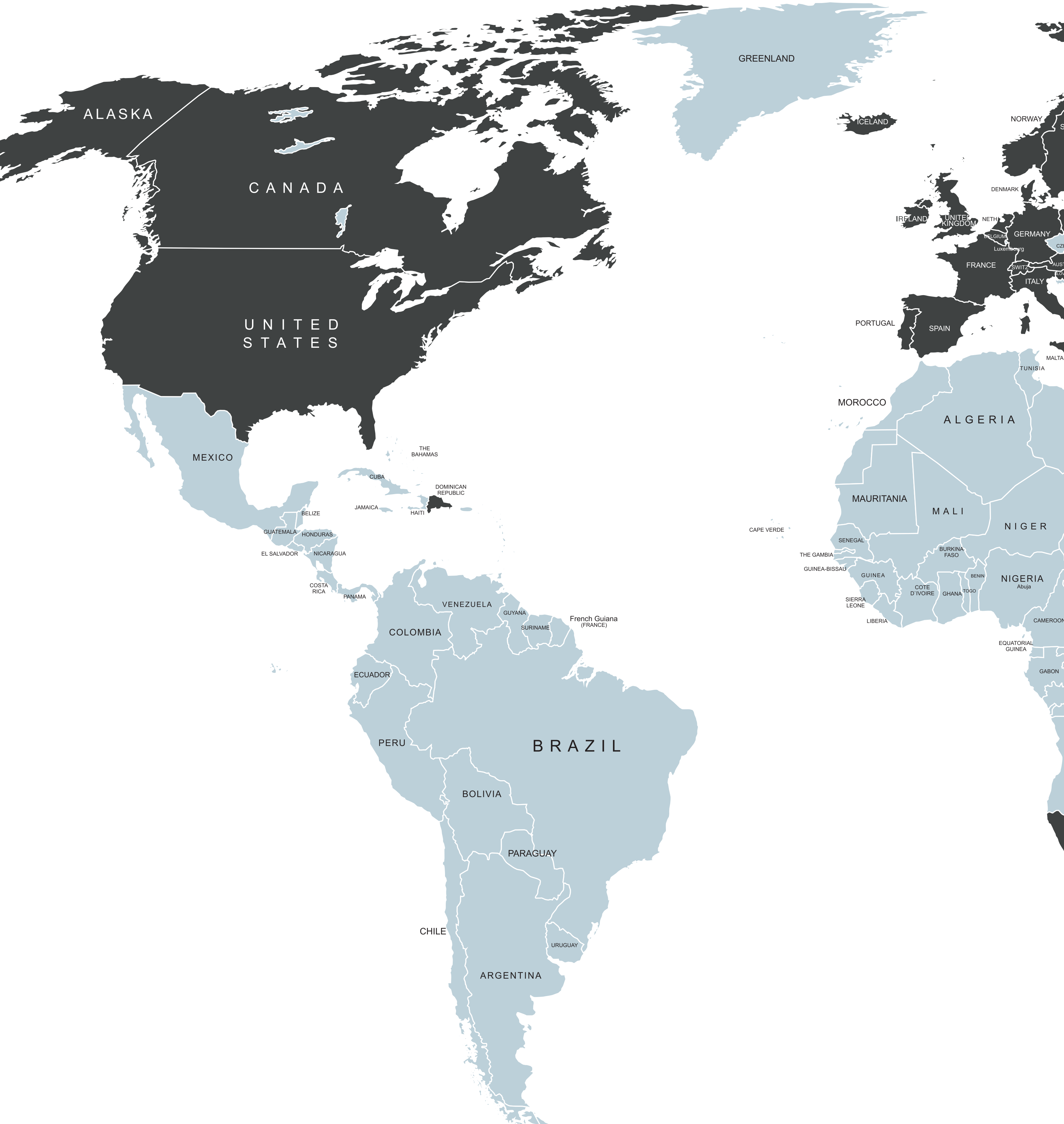
REGION SOUTH



FINNMARK	MAB
Børfjord	2 835
Næringsbukta	3 600
Klubben	3 600
Store Kobbøy	3 600
Danielsvika	3 600
Kråkeberget	3 600
Pollen	1 800
Store Kvalfjord	1 800
Lille Kvalfjord	2 700
Store Kufjord	2 700
Lille Kufjord	3 120
Elva	1 800
Mortensnes	5 400
Petternes	3 600
Fartøyvika	5 400
Kokelv	3 120
Total	**52 275**

TROMS	MAB
Brensholmen	5 670
Baltsfjord	5 670
Trælvika	3 780
Ørnfjordbotn	1 800
Lubben	5 670
Finnvika	1 800
Skog	2 830
NRS Troms	**27 220**
Finnstein	2 700
Ytre Lavollsfjord	3 600
Barbogen	2 700
Korsnes	3 600
Ytre Jøvik	3 600
Mjøsund	3 600
Durmålsvika	5 670
NS +WF	**25 470**
Total	**52 690**

SØR	MAB
Klungsholmen	3 900
Andal	3 120
Kvaløy Øst	3 120
Dalsvågen	3 120
Tueholmane	2 340
Total	**15 600**



Sales with international focus

Sales activities comprise the trading of salmon and trout. NRS has its own dedicated sales and marketing organisation that buys and sells farmed fish through a comprehensive network. In a competitive market, this ensures good access to high-quality fish from a network consisting of own subsidiaries, associates, and external producers. The principal products are fresh and frozen salmon, which were sold to customers in 55 countries in 2017. Around 85 per cent of the company's sold volume were exported. Western Europe accounted for 79 per cent of the company's exports, while the remainder were sold to countries in Eastern Europe (6 per cent), Asia (14 per cent) and the USA (1 per cent).

Since its establishment, the sales turnover has increased steadily year after year. In 2017, the company sold 77 799 tonnes. A large share of the sales of fish come from the Group's fish farming operations (41 per cent in 2017).

55

countries buy fresh and frozen salmon

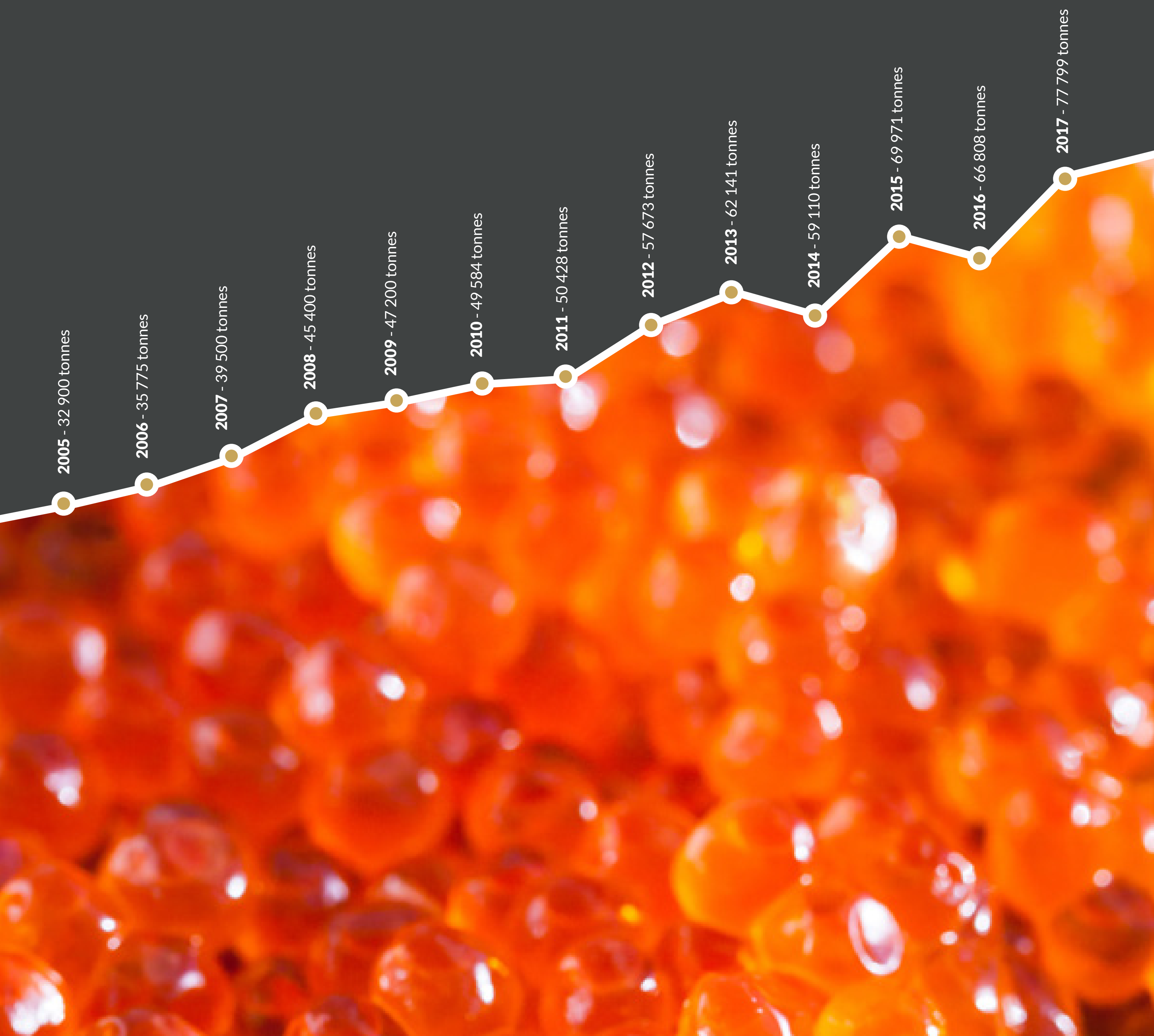
41%

of the revenues come from the Group's farming operations

85%

of the sales were exported

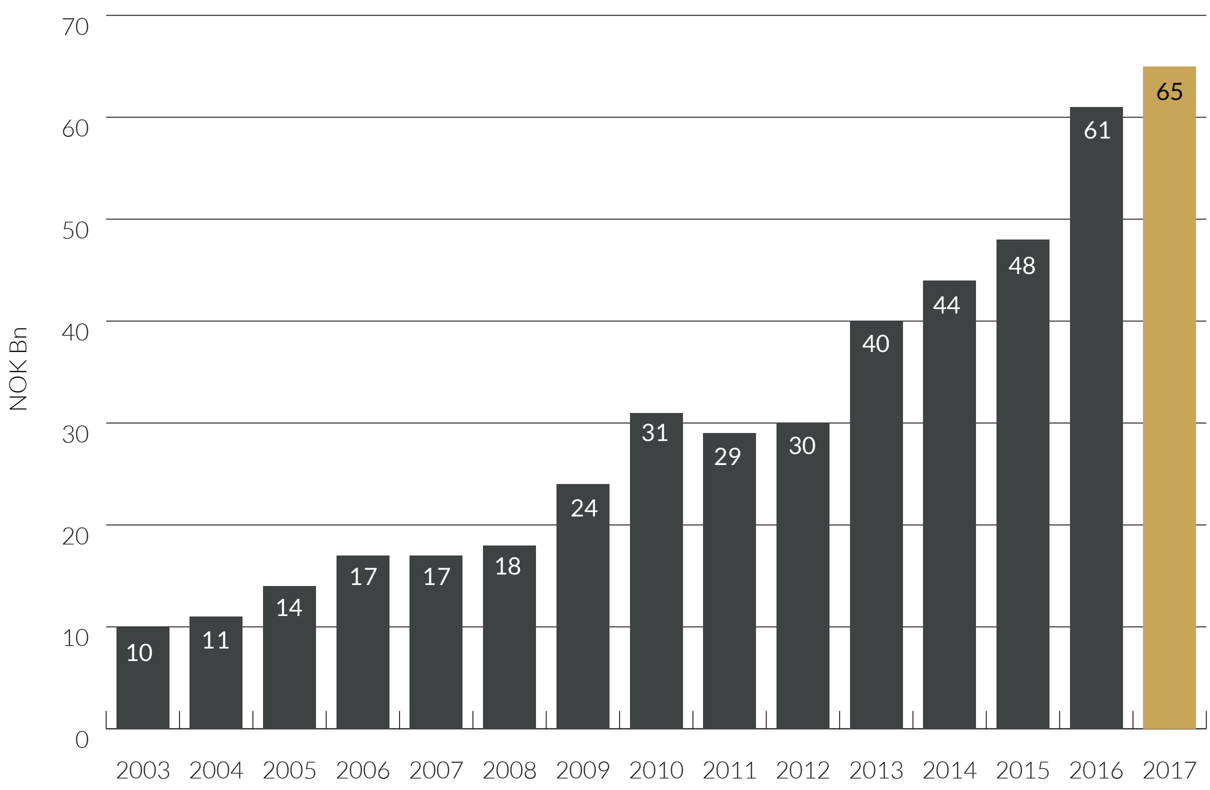
Volume sold in the sales organisation



A year with new records

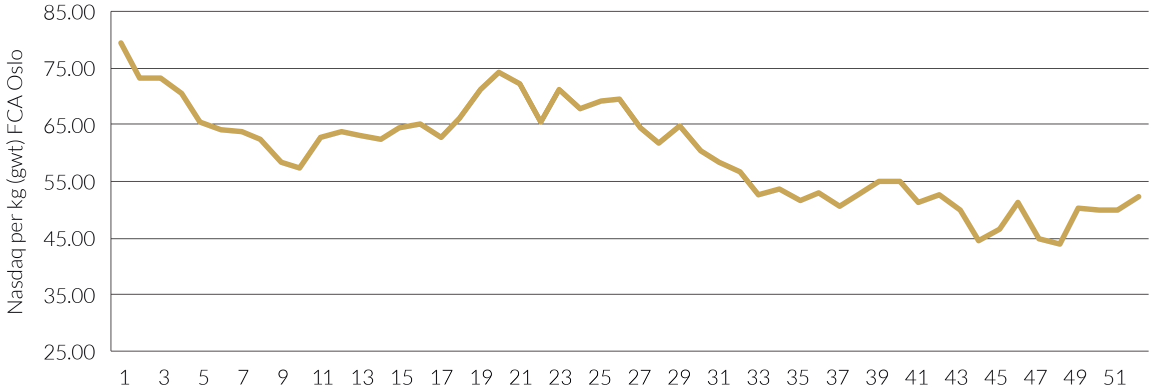
2017 was a good year for Norway Royal Salmon and for the Norwegian salmon industry. The value of Norwegian salmon exports totalled NOK 64.5 billion, an increase of NOK 3.2 billion from 2016. The export volume increased by 2.1 per cent to 1 150 249 tonnes (round weight). Prices rose by 3.1 per cent to NOK 56.11 per kg (FCA Norway's border, gutted weight). This is the highest export value and salmon price achieved in the last 25 years. Strong demand in most markets, along with a weak Norwegian krone contributed greatly to the price and value increase in 2017.

Export value of Norwegian farmed salmon



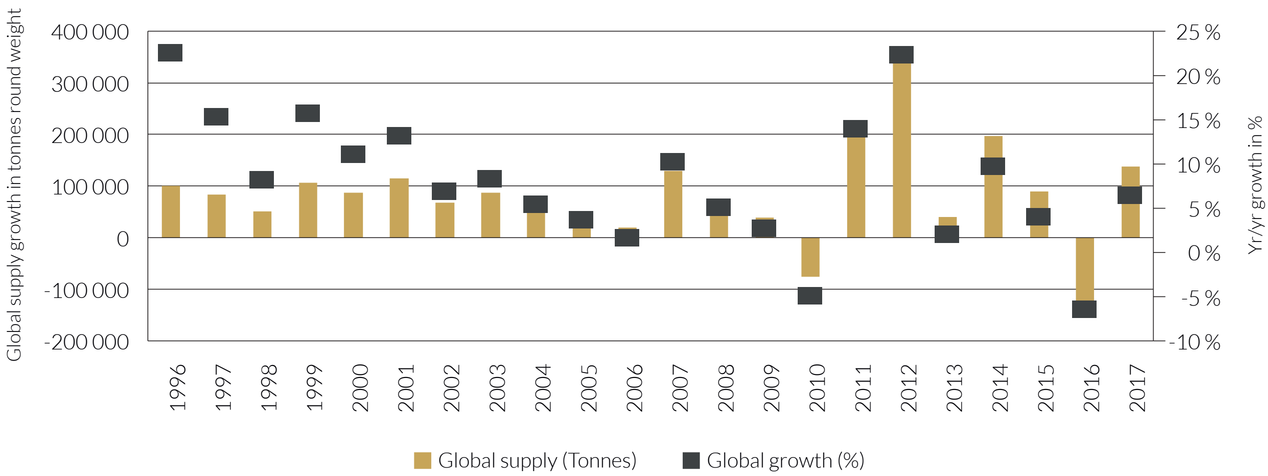
Prices fluctuated strongly in 2017, both from week to week and in fluctuations through the year. The highest prices came at the beginning of the year and in May. Prices fell from May and steadily through the summer and fall. The price decline through the year was mainly attributable to increased volume growth from both Norway and Chile. NRS experienced strong demand from the market throughout the year. There was great demand at prices below NOK 55 per kg and significantly less interest when the prices were over NOK 70 per kg. The average spot price (Nasdaq FCA Oslo) came to NOK 59.92 per kg (gutted weight), a decrease from NOK 62.68 per kg achieved in 2016. The highest spot price, NOK 79.42 per kg, was noted during the first week of the year. The lowest price came in week 48, when the spot price stood at NOK 43.90 per kg. The difference between the year's highest and lowest prices was as much as NOK 35.52 per kg. This is probably the greatest fluctuation in spot prices we have seen within a year. Despite average spot prices being slightly lower than last year, export prices was slightly higher. This is a result of the average prices of fixed price contracts being higher than the spot prices in 2017.

Salmon prices in 2017



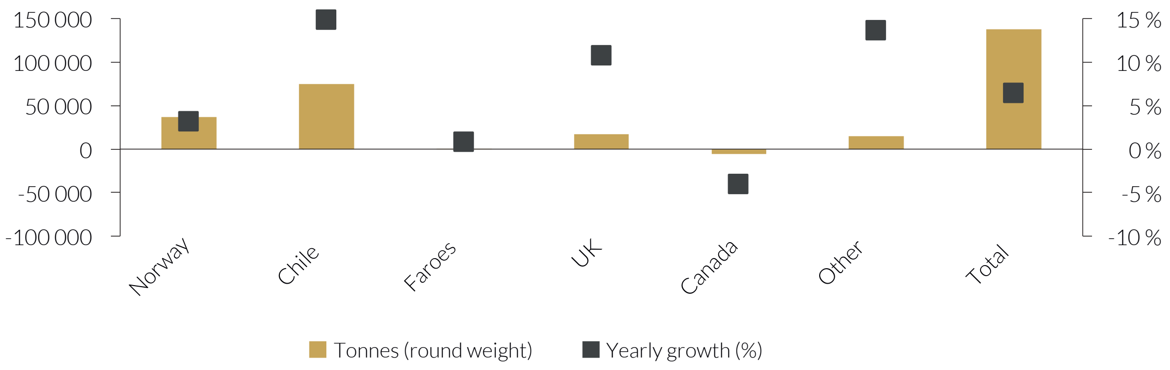
In 2017, the industry experienced big variations of supply volume through the year. At the start of the year and through the first quarter global supply fell by 5 per cent. In the second quarter global supply grew by 9 per cent. In the third quarter supply grew by 9 per cent and by 16 per cent in the fourth quarter. In total 6 per cent more salmon were harvested in 2017 than in 2016. In 2018, we believe that the global harvest volume will grow with around 4 per cent. In the long-term we expect moderate growth. The figure below shows the development of global supply growth in tonnes and as a percentage.

Global supply growth



The 6.4 per cent increase in supply in 2017 was a consequence of an increase of 3 per cent in Norway and an increase in Chile of 15 per cent. Harvest volumes increased with 36 700 tonnes in Norway mainly because of good growth, as several regions experienced fewer challenges with sea lice. Despite the challenges of sea lice and resistance in the treatment of lice were fewer than in 2016, this was still the biggest biological challenges in 2017. The increase from Chile was due to improved biological conditions after the algae problems in 2016, both growth and mortality showed improvement. The Faeroes, UK and other producing countries had limited impact on the global salmon market in 2017. For 2018, we expect a weak global growth, driven by increased harvest volumes from both Chile and Norway.

Global supply growth per producing country

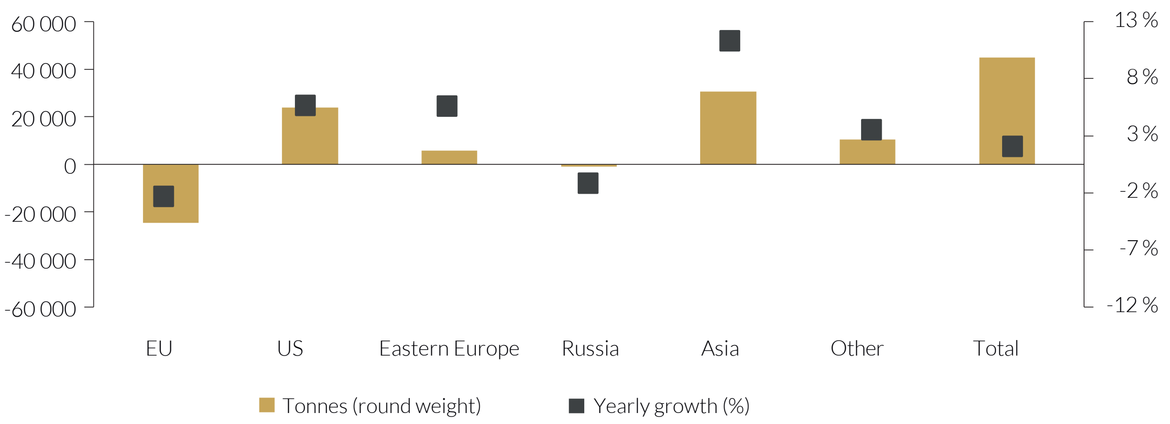


Higher supply, a high price level and the currency developments in 2017 has resulted in unequal growth in the demand for salmon. In per cent the decline was greatest in the EU with a decline of 2 per cent. The decline in the EU was due to high prices and slightly less demand from some markets. When the prices fell through the year the growth in the EU increased and in the fourth quarter the growth was 7 per cent. Most markets and regions bought more salmon in 2017 compared with 2016, and demand in most markets was good in 2017. Customers in most markets have spent more money on salmon in 2017 than ever before.

Although sanctions and political conditions affect trade volumes, it is gratifying to see that the industry has many markets to work with. 2017, showed once again the industry's and market's flexibility in relation to the flow of goods when prices, volumes and exchange rates change significantly.

Through 2017 we have seen further improvement in trade between Norway and China. This gives grounds for optimism. The flexibility and the strong underlying market growth gives rise to a huge market potential for fresh Norwegian salmon in the coming years.

Global demand growth in selected markets

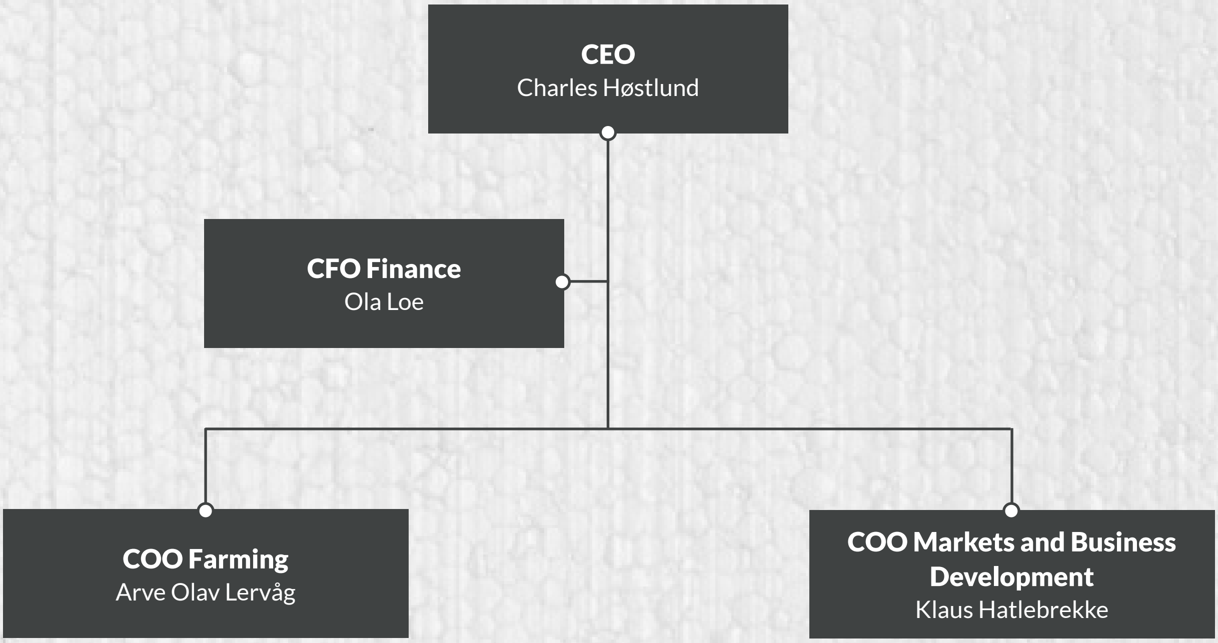


2017 has been an eventful year for NRS, as well as for Norwegian and global salmon industry. The underlying growth in demand is significant, and our customers have never used more money on our products than in 2017.

Market width, flexibility in product flows and an underlying strong demand give the Norwegian salmon industry substantial opportunities in the time ahead.

Organisation

NRS's internal organisation reflects the Group's company structure. The organization of the group is divided into two main parts where all farming operations are gathered under one area of responsibility and all sales activities under another. This organisation clarifies the Group's main business, and enhances focus on and targeted development of these key areas.




KRISTINE

Management

Charles Høstlund (1975)
Chief Executive Officer

Charles Høstlund has a Master degree in fish health from the Norwegian College of Fishery Science and an MBA in Financial control and management from the Norwegian School of Economics and Business Administration (NHH). He has previously worked as Regional Director of Marine Harvest Norway Northern Region. He joined Norway Royal Salmon in October 2014. He resides in Drøbak, Norway.

Ola Loe (1966)
Chief Financial Officer

Ola Loe is a Certified Public Accountant from the Norwegian School of Economics and Business Administration (NHH). Prior to joining Norway Royal Salmon in February 2009, he worked as a senior manager at KPMG and as group auditor for Cermaq, Norway Pelagic, Marine Harvest and Fjord Seafood. Mr. Loe resides in Trondheim, Norway.

Arve Olav Lervåg (1971)
Chief Operating Officer Farming

Arve Olav Lervåg is educated within aquaculture and economics from Molde University College. He was previously head of aquaculture production aquaculture at Lerøy Midt AS. He joined Norway Royal Salmon in April 2017. Mr. Lervåg resides in Trondheim, Norway.

Klaus Hatlebrekke (1974)
Chief Operating Officer Market and business development

Klaus Hatlebrekke holds a Master degree in Business and Economics from the Norwegian School of Management. Mr. Hatlebrekke was an analyst of the seafood sector at DnB Markets for more than 10 years. Hatlebrekke joined Norway Royal Salmon in April 2012. He resides in Trondheim, Norway.

The Board of Directors

Helge Gåsø (1961)
Chair

CEO of his family-owned businesses Gåsø Næringsutvikling AS and FRØY Group. Helge Gåsø has extensive experience of the build-up, operation and development of fish farming businesses. He took part in building Frøya Fiskeindustri AS, subsequently Hydro Seafood AS and Midnor Havbruk AS. He resides in Hamarvik, Frøya in Norway.

Jon Hindar (1956)
Board member

Jon Hindar holds a Master degree from the Norwegian University of Science and Technology (NTNU) and has executive education from IMD Lausanne. He has held senior positions in several major companies and has been CEO of Cermaq, Norsun and Dynal Biotech ASA, and has also been partner in Fondsfinans ASA. He has and has had several directorships in larger companies. He resides in Oslo, Norway.

Marianne E. Johnsen (1963)
Board member

Marianne E. Johnsen is a lawyer and graduated as a jurist from University of Oslo before obtaining an MBA from Solvay Business School in Brussels. She is the founder and managing partner of Cascata AS, a management consulting and investment company. She has extensive experience from international executive positions, from among others Elkem. She holds several directorships, also in publicly listed companies, and is the Chair of the Board in many of these companies. She is, in addition, the leader of several nomination committees. She resides in Oslo, Norway.

Kristine Landmark (1954)
Vice Chair

Kristine Landmark holds a Master degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH). She has extensive experience from among others, the Stokke Group, where she was employed in the period 1989-2010, and served as CEO in the period 2004-2010. She is the CEO of Slettvoll Møbler AS. Ms. Landmark has extensive experience from both Norwegian and international directorships. Active directorships include Hexagon Composites ASA, Plantasjen AS, Glamox AS, Ratos AB and the main board of the Norwegian Central Bank. She resides in Ålesund, Norway.

Trude Olafsen (1963)
Board member

Trude Olafsen is graduated Cand. Agric. within aquaculture from the Norwegian University of Life Sciences. She is employed in AKVA Group with the responsibility for business development. She has worked in various organizations in the seafood industry and within research/con-sulting, in addition to have held several elected positions in the industry. She resides in Trondheim, Norway.

Lars Måsøval (1979)
Board member

Lars Måsøval is educated within aquaculture. He has extensive experience from the fish farming industry through various positions in his family-owned business. He is the Chair of the Board and one of the main shareholders of the Måsøval Group, which has its own hatchery and operate nine fish farming licenses. He resides in Reykjavik, Iceland.

Shareholder information

NRS had 2 248 shareholders at 31 December 2017 (1 944). The 20 largest shareholders owned 82.26 per cent of the shares at 31 December (84.11 per cent).

Share capital

Norway Royal Salmon ASA had 43 572 191 ordinary shares with a nominal value of NOK 1 per share at 31 December 2017. The company has only one share class, and each share has one vote. The company's shares are freely transferable.

Prevailing board authorities

At the company's ordinary general meeting 1 June 2017, the board was authorised to purchase treasury shares up to a total nominal value of NOK 4 357 219. The lowest and highest price that to be paid for the shares is NOK 1 and NOK 300 respectively. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018.

At the company's ordinary general meeting 1 June 2017, the board was authorised to issue up to 4 357 219 shares with a nominal value of NOK 1.00 per share, which corresponded to 10 per cent of the share capital. The board mandate covers consideration of the acquisition of other companies and the raising of capital to strengthen the company's position. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018.

Option schemes

Option schemes for the senior management and key personnel are established. Currently 29 employees are included in the programmes. Detailed information can be found in note 18 to the group's annual accounts.

Listing

Norway Royal Salmon ASA secured a listing on 29 March 2011. The shares are listed on the Oslo Stock Exchange under the ticker code NRS. They are registered in the Norwegian Central Security Depository, and SMN is registrar. The shares carry the securities number NO0010331838.

Share price development and liquidity

The share had a closing price at 31 December 2017 of NOK 134.50 per share. 19 635 935 shares were traded during the year (2016: 23 804 309). The NRS share price decreased by 35 per cent during 2017. The main index at the Oslo Stock Exchange increased 19.1 per cent in the same period. The company's total market value at 31 December 2017 was NOK 5 847.2 million.

ANALYST COVERAGE

Stockbroker	Phone
ABG Sundal Collier	+ 47 22 01 61 16
Carnegie	+ 47 22 00 93 57
Danske Bank	+ 47 85 40 70 74
DNB Bank Markets	+ 47 24 16 90 79
Handelsbanken Capital Markets	+ 47 22 39 72 99
Kepler Cheuvreux	+ 47 23 13 90 71
Nordea Markets	+ 47 22 48 79 83
Norne Securities	+ 47 97 47 60 64
Pareto Securities	+ 47 24 13 21 15
SEB	+ 47 22 82 71 26
SpareBank 1 Markets	+ 47 24 14 74 18

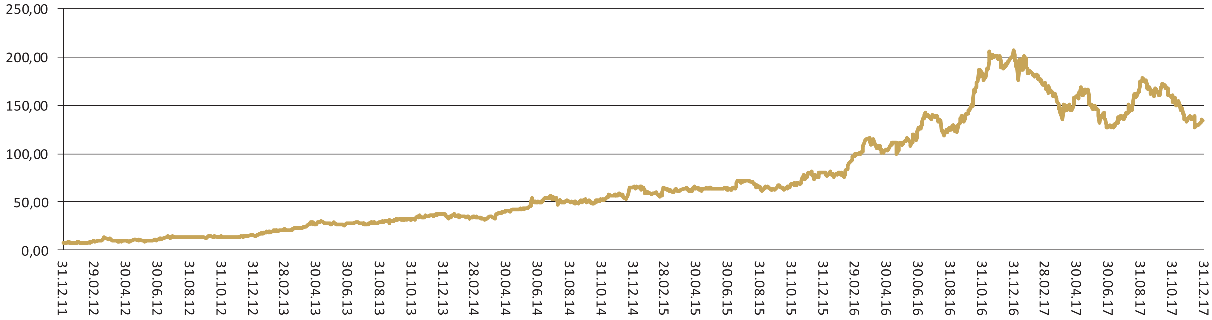
FINANCIAL CALENDAR 2018 FOR NORWAY ROYAL SALMON ASA

13.02.2018	Presentation of preliminary annual results 2017
27.04.2018	Annual report
08.05.2018	Presentation Q1 2018
31.05.2018	Annual General Meeting 2018
28.08.2018	Presentation Q2 2018
06.11.2018	Presentation Q3 2018

Please note that the financial calendar may be subject to change. Changes will be communicated through stock exchange notices.

For financial year 2017, the Board proposes to the Annual General Meeting that a dividend of NOK 5.20 per share is distributed. In 2017 an ordinary dividend of NOK 9.50 per share for the financial year 2016 was distributed.

Share price 2012/17
NOK



Ownership structure - the 20 largest shareholders as of 31 December 2017:

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 780 149	15.56 %
GLASTAD CAPITAL AS	5 266 542	12.09 %
MÅSØVAL EIENDOM AS	5 172 196	11.87 %
EGIL KRISTOFFERSEN OG SØNNER AS	4 734 545	10.87 %
HAVBRUKSINVEST AS	4 122 912	9.46 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 652 633	3.79 %
HELLESUND FISKEOPPDRETT A/S	1 639 482	3.76 %
SPAREBANK 1 MARKETS AS	1 263 267	2.90 %
NYHAMN AS	1 066 694	2.45 %
LOVUNDLAKS AS	1 063 598	2.44 %
STATE STREET BANK AND TRUST COMP	532 690	1.22 %
SVENSKA HANDELSBANKEN AB	425 417	0.98 %
SEB PRIME SOLUTIONS SISSENER CANOP	330 000	0.76 %
MP PENSJON PK	287 882	0.66 %
HENDEN FISKEINDUSTRI AS	277 154	0.64 %
JPMORGAN CHASE BANK, N.A., LONDON	274 544	0.63 %
J.P. MORGAN BANK LUXEMBOURG S.A.	267 093	0.61 %
MÅSØVAL FISHFARM AS	255 497	0.59 %
RAMSFJELL AS/ OLA LOE	224 318	0.51 %
HOLTA INVEST AS	206 794	0.47 %

The share in 2017		
Highest traded price	NOK	202,50
Lowest traded price	NOK	126,50
Share price at 31 December	NOK	134,50
Outstanding shares at 31 December	Antall	43 473 912
Market value at 31 December	NOK	5 847 241 164

Corporate governance

Norway Royal Salmon ASA (NRS) is listed on the Oslo Stock Exchange. The board and management of NRS review the company's corporate governance procedures each year in order to be able to allocate roles between shareholders, the board and general management in an optimal fashion. NRS comply with the Norwegian Code of Practice for Corporate Governance of 30 October 2014. The Code of Practice can be found on **www.nues.no**. The report below explains how NRS comply with the Code, and deviations from the Code are commented on.

1 Implementation and reporting on corporate governance

Sound corporate governance is based on clear and transparent relations between shareholders, the board of directors and company management. Effective corporate governance will underpin credibility and trust between all stakeholders and provide a sound basis for value creation and robust financial performance. Norway Royal Salmon (NRS) attaches great importance to efficient corporate governance, and the company's corporate governance guidelines have been drawn up in accordance with the Norwegian Code of Practice for Corporate Governance. This statement is in accordance with Section 3-3b and 3-3c of the Norwegian Accounting Act and follows the guidelines of the Norwegian Code of Practice for Corporate Governance (NUES). This statement is a part of the Board of Directors report and is in accordance with the Norwegian Public Companies Act § 5-6, 4 paragraph.

A discussion of the regulations and the Group's core values and Code of Conduct are displayed on the Group's website: **www.norwayroyalsalmon.com.**

2 Business

The company's object is to produce, process, sell and distribute farmed fish, and to invest in other companies in the seafood business, in addition to provide quality assurance and chain activities for partner companies.

The above is established in §3 of the company's Articles of Association.

The company's corporate values are;

Safe – We are a safe and secure workplace, where everyone helps each other.

Engaged – We are committed and solution oriented.

Innovative – We strive to be innovative, and constantly look for futuristic and sustainable solutions.

Credible – We will be honest and credible in all our behaviour.

Norway Royal Salmon is a name we are proud of and a name we work hard every day to live up to. Having "ROYAL" in our company name allows us both locally and around the world to be associated with quality. Norway Royal Salmon is a name that obliges, and we therefore say that we are «Committed by name».

The board has adopted the following key strategic policies:

NRS shall be:

- Norway's most profitable salmon company
- And develop from a mid-size to a big salmon farming company

Through:

- Being a preferred employer
- Sustainable growth

The company's Articles of Association and core values can be viewed on the Group's website.

3 Equity and dividends

Equity

As of 31 December 2017, the Group's total equity amounted to KNOK 1 851 030, which represented 48.0 per cent of its total assets. The board deems this satisfactory. The board shall maintain a level of equity commensurate with the company's objectives, strategy and risk profile.

Dividend policy

The company aims to provide a dividend level that reflects the company's value creation in the form of dividends and increases in the company's share price. Dividends should amount to at least 60 per cent of consolidated net profit, provided the company's equity ratio is higher than 40 per cent and that the company's own capital requirements have been satisfied.

The Annual General Meeting sets the annual dividend based on a proposal from the board, which represents the maximum possible dividend. For financial year 2017, the Board proposes that a dividend of NOK 5.20 per share is distributed.

Capital increase

At the Annual General Meeting of 1 June 2017, the board was authorised to issue up to 4 357 219 shares with a nominal value of NOK 1.00 per share, which corresponded to 10 per cent of the share capital at the time of authorisation. This mandate allows the board to vary the preference rights on share subscription. The board mandate covers consideration of the acquisition of other companies and the raising of capital to strengthen the company's position. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018.

Deviation from the Code: The board's authority to implement capital increases is formulated generally and not solely regarding specific projects. The board believes it to be in the company's best interests to ensure that the board has a degree of latitude in this area.

Purchase of treasury shares

At the Annual General Meeting of 1 June 2017, the board was authorised to purchase up to 4 357 219 treasury shares with a nominal value of NOK 1.00, which corresponded to 10 per cent of the share capital at the time of authorisation. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1, and no higher than NOK 300 per share. The board may choose the exact method of acquisition or sale. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018.

4 Equal treatment of shareholders and related-party transactions

The company aims to ensure that all shareholders are treated equally. Shareholders shall not be subject to differential treatment unless such treatment is based on the company's or shareholders' common interest. The company's shares are freely transferable, and there are no restrictions on the purchase or sale of company shares over and above those pursuant to Norwegian law.

Share classes

The Group only has one class of share and the company's Articles of Association do not impose any restrictions with regard to voting rights. All shares confer the same rights.

Purchase/sale of treasury shares

The board's mandate to purchase treasury shares permits the board to choose the most appropriate acquisition method within a certain price range; however, in practice, the company sells and purchases treasury shares at market price.

Related-party transactions

Services were purchased from a company owned by the Chair in 2017 and goods from companies controlled by shareholders. These were purchased on market terms and conditions. Further information on the transactions is found in Note 27 to the consolidated financial statements.

Guidelines for board members and senior executives on conflicts of interest

Point 3.6 of the Group's Code of Conduct provides guidance on the conduct expected of board members and the Group's senior executives in situations involving conflicts of interest.

5 Freely negotiable shares

Norway Royal Salmon ASA's shares are freely negotiable, and the company's Articles of Association do not impose any restrictions in this regard. Norway Royal Salmon ASA is listed on the Oslo Stock Exchange.

6 General meetings

The shareholders exercise the ultimate authority in Norway Royal Salmon ASA through the general meeting, where the company's Articles of Association are adopted. The board makes arrangements to ensure that the general meeting is an effective forum for both the shareholders and the board.

Notice

All shareholders have the right to propose items for the agenda, and to participate, speak and vote at the general meeting, provided that their shareholding is entered in the Norwegian Central Securities Depository

(VPS) no later than the fifth business day before the general meeting (the record date). Shareholders or their representatives who wish to attend and vote at the AGM must notify the company within two days before the meeting.

The Annual General Meeting is held within six months of the end of the accounting year, and in 2018 is scheduled for Thursday 31 May. The financial calendar is published as a stock market notification and on the company's website. The convening of the general meeting shall be notified in writing to all shareholders whose address is known, no later than 21 days before the meeting is due to be held. Notification, agenda documents, proposed resolutions, the Nomination Committee's justified nominations and registration and mandate forms, are made available to the shareholders on the company's website and as a stock market notification, no later than 21 days prior to the date of the meeting. In accordance with the company's Articles of Association, a shareholder may also contact the company and request despatch of documents relating to the items to be considered by the general meeting. Agenda documents shall contain all information required by shareholders to form a considered opinion on all items to be reviewed. All shareholders who are registered in the VPS) no later than the fifth business day before the general meeting (the record date) have the right to vote directly or via proxy. Shareholders or their representatives who wish to attend and vote at the AGM must notify the company within two days before the meeting. Shareholders may register for the general meeting in writing or by post or email. Shareholders who are unable to attend in person may vote by proxy. An individual proxy is required for each item that is to be considered.

Implementation

The agenda is established by the board, where the main points are stated in § 8 of the Articles of Association. The Annual General Meeting shall approve the annual settlement and establish board members' fees. The general meeting elects a meeting chair. The Board Chair, the company's auditor and the company's management all participate in the general meeting. Minutes from the general meeting are publicised through stock exchange announcements and displayed on the Group's website, no less than 15 days after the meeting.

Deviation from the Code: According to the Code, the Board should make arrangements to ensure an independent chairman. There are no such procedures, and the company thus differs from the code on this point.

7 Nomination Committee

The structure of the Nomination Committee is established in the company's Articles of Association. Rules of procedure have been established for the committee's work. The Nomination Committee's remit is to nominate board members to be elected by shareholders to the general meeting. The Board Chair shall be specifically nominated. The Nomination Committee also provides recommendations on fees paid to elected board members.

The members of the Nomination Committee shall be independent of the board and the administration, and the committee shall safeguard the interests of the shareholders. The Nomination Committee comprises three members: Endre Glastad (Committee Chair), Anne Breiby and Karl Olaf Jørgensen. No member of the Nomination Committee serves on the board or performs any other honorary office with the company. All members are elected by the general meeting for a term of office of 2 years. The Nomination Committee proposes themselves new representatives to the Nomination Committee, which are elected by the general meeting.

The Nomination Committee shall report on its work and present its justified nominations to the general meeting. Nominations shall contain relevant information on the candidates and shall justify how it safeguards the shareholders and company's interests. The Nomination Committee's proposed nominees shall be communicated to the company's administration no later than one month prior to the date of the general meeting.

Information on the Nomination Committee and deadlines for the proposing of candidates to the board are displayed on the Group's website.

8 The board's composition and independence

Norway Royal Salmon ASA is not obliged to have a corporate assembly.

Election of the board and the composition of the board

The Nomination Committee proposes members to be elected to the board by shareholders at the general meeting. The general meeting elects all the board members, including the Chair. In accordance with the company's Articles of Association, the board comprises three to nine members. A the most recent election at the Annual General Meeting a new representative was elected and two of the representatives were re-elected, after which the board comprised six representatives, all elected by the shareholders. Three of the board members are women. The board currently comprises Helge Gåsø (Chair), Kristine Landmark (Vice Chair) and board members Lars Måsøval, Jon Hindar, Marianne E. Johnsen and Trude Olafsen. Board representatives are normally elected for a term of office of two years. To secure continuity of board work, the aim is to re-elect half of the board representatives each year.

The board's independence

Some board members are involved in other aquaculture companies on their own behalf and on behalf of other companies. Consequently, situations could arise where these companies could be in direct competition with NRS. More than two board members are independent of all general management, material business connections and major shareholders. Thus the board complies with the independence requirements laid down by the Code. None of the company's board members or senior executives are related by family.

Board competence and shareholdings

Board members' CVs and shareholdings in the company are discussed in the annual report and Notes to the financial statements.

9 The work of the board of directors

The board's duties

The board has overarching responsibility for the Group's administration and for monitoring general management and the Group's activities.

The board shall ensure that the company's operations are properly organised at all times by establishing overarching principles for the company's operation and development, including guaranteeing that the Group has sufficient funding and appropriately qualified personnel. The board shall ensure that the objectives adopted by the general meeting are implemented in practice. The board shall play a controlling as well as proactive role, and divide its work between strategic processes, control activities and providing consultancy for the CEO. The board shall keep itself informed of the company's financial position and has a duty to ensure that operations, accounting and asset management are subject to proper scrutiny.

Rules of procedure for the board

The board's rules of procedure were adopted at the board meeting of 22 May 2017. The rules cover the following areas: the board's remit, convening of and matters to be reviewed at meetings, the board's decisions, duty of confidentiality and incapacity, the board's self-assessment and the CEO's obligations to the board.

The Chair is responsible for ensuring that the board's work is performed in an efficient and proper manner, in accordance with the applicable legislation and rules of procedure adopted for the board. The board works in accordance with an annual plan.

Board committees

The board has resolved the establishment of a Nomination Committee. The board also established an Audit Committee and a Compensation Committee.

The Audit Committee comprises board members whose term of office is the same as that of board members elected by shareholders. The Audit Committee comprises Lars Måsøval, Jon Hindar and Marianne E. Johnsen (Chair). The members of the Audit Committee satisfy the requirements of independence and competence established in the Norwegian Public Limited Liability Companies Act. Rules of procedure have been drawn up for the Audit Committee's responsibilities and remit. The Audit Committee shall prepare matters for consideration by the board and help to secure an increased focus on efficient risk management and effective financial reporting and follow-up. The external auditor attends most of the committee's meetings.

A Compensation Committee has been established to review matters relating to senior executives' remuneration. The Compensation Committee comprises Board Chair Helge Gåsø and Vice Chair Kristine Landmark.

Rules of procedure for the CEO

The CEO is responsible for the Group's operational management and management of the company's resources and makes decisions on all items not requiring particular expertise and which naturally fall within the board's remit. The CEO shall also ensure that the consolidated financial statements comply with relevant legislation and regulations. The board appoints the CEO. The CEO's authority is established in separate rules of procedure adopted by the board.

Frequency of meetings

A minimum of six board meetings shall be held each year. Where required, extra board meetings are held to consider urgent items that need to be reviewed before the next board meeting. Seven board meetings were held in 2017.

Financial reporting

The board receives monthly reports on the company's financial performance and position. The administration presents and reports on the interim and annual financial statements.

The board's evaluation of its own work

The board assesses its business, working practices and competence each year. An assessment report is prepared and made available to the board and the Nomination Committee.

10 Risk management and internal control

Effective risk management and sound internal controls are critical to the successful performance of NRS and form an integral part of the company's business operations. The ability to plan, structure, perform and evaluate projects is a key area of the business. The management of the company's operations is based on predetermined financial targets.

Risks in Norway Royal Salmon ASA are divided into two main categories:

- Financial risks, which are trading risks based on underlying exposures, e.g. currency risks, credit risks, interest rate risks and liquidity risks.
- Operational risks mainly linked to the development of the salmon price, forces of nature, biological risks linked to the salmon farming operations and regulatory risk.

For further discussion of risk, a reference is made to the Board of Directors report included in the annual report.

Financial reporting in Norway Royal Salmon is an integrated part of the Group's corporate governance. Distinct roles, responsibilities and duties have been established. Requirements concerning content and deadlines, including accounting policies, checks and validations have been clearly defined. A key element in the financial reporting process is risk assessment.

All Group units report their financial statements monthly, based on a common chart of accounts. The accountant of the unit is responsible for the accuracy of the reported figures and that the financial reporting complies with the Group's accounting principles. In addition, general and analytical controls of the reported figures together with consolidation are performed at corporate level. The reports are analysed on group, company and project level by the group management. Reporting covers both financial and non-financial parameters. Focus is placed on profitability and risk within each business area, as well as environmental and social issues. Performance monitoring is given high priority, and measures are implemented in areas where results fall short of required levels. Disclosures are reported in connection with the quarterly and the annual reporting. Extended controls are carried out in the quarterly and the year-end reporting processes.

The Audit Committee monitors the financial reporting and the related internal control, including application of accounting principles and estimates in the financial reporting. The Group management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to the financial reporting.

The purpose of risk management and internal controls is to manage risks associated with the business and to enhance the quality of financial reporting. Effective risk management and sound internal controls help to safeguard shareholders' investments and the company's assets. The board believes that NRS has a sound internal control and risk management system, which is tailored to suit the needs of the business. The board's annual plan includes an annual review of the company's risk areas and internal control systems, as well as values and ethical guidelines.

The board reviews the company's financial status in the annual report. Individual elements of the company's risk management are laid down in the Group's internal control system, with which all employees are obliged to comply. These comprise a set of documents and procedures that are continuously monitored and updated, and where minutes of important failures of compliance are noted.

Ethical guidelines

The ethical guidelines describe Norway Royal Salmon ASA's commitment and requirements in connection with ethical issues. Norway Royal Salmon ASA will, in its business activities, comply with applicable laws and regulation and act in an ethical, sustainable and socially responsible manner. The ethical guidelines have been communicated to all employees.

11 Remuneration of the board of directors

The general meeting sets annual fees for board members based on the Nomination Committee's recommendations. Remuneration paid to the board is not performance-related, and no share options are issued to board members. The fee payable to board members shall reflect the board members' responsibilities, competence and time spent on the assignments in question, as well as the complexity of the business. Further information regarding board members' fees can be found in the Notes to the financial statements.

The Group Chair has performed services for the Group through his family company Frøy Gruppen. The board is aware of these services, which are priced on market terms and conditions. The relationship is discussed in Note 27 to the consolidated financial statements.

Other information on fees and remuneration paid to the board is disclosed in Note 18 to the consolidated financial statements. Resolutions on fees are recorded in the minutes of the Annual General Meeting each year and are displayed on the company's website.

12 Remuneration paid to senior executives

The Board determines the principles applicable to the Group's policy for senior executive compensation. The Board is directly responsible for the determination of the CEO's salary and other benefits. The CEO is responsible for the determination of the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of the Group.

The following guidelines form the basis of the determination of compensation to the Group's senior executives:

- The total compensation offered to senior executives shall be competitive.
- The compensation shall be motivating, both for the individual and for the senior executives as a group.
- Variable elements in the total compensation shall be linked to the values generated by the Group for the shareholders.
- The system of compensation shall be understandable and meet general acceptance internally in the Group, among the Company's shareholders and with the public.
- The system of compensation shall be flexible and contain mechanisms which make it possible to carry out individual adjustments based on the results achieved and contributions made towards the development of the Group.

Remuneration of the Company's CEO and the executive management team is disclosed in note 18 to the consolidated financial statements. The Board prepares a statement in compliance with the Public Limited Liability Companies Act regarding theremuneration of the executive management team for the consideration by the AGM.

The remuneration concept for the corporate executive staff consists of the following main elements:

- Fixed salaries
- Benefits in kind
- Pension
- Termination payment
- Bonus
- Share based option scheme

For additional information on the different elements, reference is made to the to note 18 in the consolidated financial statements. In accordance with the Companies Act the Board prepares a statement on the establishment of salaries and other remuneration for senior executives for treatment in the AGM.

13 Information and communication

NRS shall ensure that all shareholders receive accurate, clear, relevant and timely information relating to all matters of financial significance to shareholders. NRS publishes financial information on its website and in press releases. Interim and annual financial statements are published in both Norwegian and English.

The company shall provide investors and analysts with the best possible basis on which to gain an accurate picture of the company's financial position, key value drivers, risk factors and other matters that could affect future value creation. At the same time, the company's management shall endeavour to identify any guidance signals from the markets.

The company's financial calendar, providing details of the date of publication of important events like the Annual General Meeting, are publicised through stock exchange announcements and displayed on the company's website, along with a presentation of the company's interim financial reports and other important events.

The company nominates an official spokesperson for various matters. The Company's CEO and CFO are the company's spokespersons for the financial markets. An ongoing dialogue is maintained with investors and analysts. Importance is attached to identical and simultaneous information being provided to the equity market. All relevant information is presented on the company's website at the same time as it is notified to shareholders.

14 Take-overs

The board of directors will not seek to prevent or place obstacles in the way of any party who wishes to make an offer for the company's business or shares. If an offer is made for the company's shares, the board will issue a statement evaluating the offer and a recommendation to the shareholders on acceptance or non-acceptance. The board's statement will indicate whether the board is unanimous in its recommendation.

15 Auditor

Det er utarbeidet en instruks for revisjonsutvalgets Separate rules of procedure have been drawn up for the Audit Committee's work in relation to the auditor, together with guidelines on work extending beyond standard audit work performed by the external auditor.

The auditor participates in the board meetings that discuss the annual financial statements. Each year, the auditor presents the Audit Committee with an audit plan and a summary of the conducted audit, including a review of the company's internal controls.

The board informs the general meeting of the auditor's remuneration, allocated between auditing and other services.

The board‘s statement

on establishment of salaries and other remuneration for senior executives at Norway Royal Salmon ASA.

The board of Norway Royal Salmon ASA has a special Compensation Committee. The Compensation Committee advises the board on all matters concerning the company's remuneration paid to the CEO. The salary and other remuneration paid to the CEO must be approved by the board. The board must also approve any forms of remuneration which involve the issue of shares, subscription rights or options to senior executives.

Salaries and other remuneration paid to senior executives are set by the CEO. The board will have the final say in approving remuneration paid to other senior executives and may lay down more detailed guidelines over and above what follows on remuneration for senior executives below. If the CEO wishes to offer remuneration to senior executives outside the scope of such detailed guidelines, this must be submitted to the board for approval.

1. Senior executives remuneration Policy in 2017

In addition to their fixed salary, the following benefits were paid to Group management in 2017:

Yearly bonus
The senior executives had a bonus scheme, which depended on goal achievement in several areas. Bonus did not exceed three months' salary.

Share-based incentive schemes
A bonus scheme based on synthetic options was introduced for the Group management in 2014. The bonus scheme conferred the right to a cash bonus based on the price performance of the company's shares on the Oslo Stock Exchange. As of 31 December 2017, the scheme comprises 100 000 options and runs until 20 March 2019.

In 2017, a share-based bonus scheme was introduced for the Group management and key personnel. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange. The scheme runs until 20 March 2019 and shall not exceed a year's salary.

Pension schemes
The Group Management participate in Norway Royal Salmon ASA's pension scheme on the same terms as all the company's employees. See Note 19 for further information.

Notice period and severance pay
The CEO and the other senior executives are entitled under certain circumstances to one year's (CEO) and six months' severance pay respectively. Otherwise contracts that are based on the Norwegian working environment act apply.

Benefits in kind
The CEO receives a free company car. Apart from this, Group management also received benefits in kind such as free telephones, free Internet and free paper.

2. Principles on remuneration for the 2018 financial year

Remuneration paid to the CEO and other senior executives of the company are based on the following main principles:

Basic salary
The basic salary shall be based on job content, responsibility levels, competency and length of service. Salaries shall be competitive.

Annual bonus
The senior executives have a bonus scheme which depends on goal achievement in several areas. The bonus scheme covers all employees in the company. The basic bonus scheme shall not exceed the sum of three months' salary for the senior executives.

Benefits in kind
The company shall not offer any benefits in kind other than those stated below: Company car for the CEO. Otherwise, costs of newspapers, telephone and Internet access are covered.

Share-based incentive schemes

A bonus scheme based on synthetic options was introduced for the Group management in 2014. The bonus scheme confers the right to a cash bonus based on the price performance of the company's shares on the Oslo Stock Exchange. As of 31 December 2017, the scheme comprises 100 000 options and runs until 20 March 2019.

In 2017, a share-based bonus scheme was introduced to the Group Management and key personnel. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange. The scheme runs until 20 March 2019 and shall not exceed a year's salary.

In 2018, a share-based bonus scheme was introduced to the Group Management and key personnel. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange. The scheme runs until 20 March 2020 and shall not exceed a year's salary.

Pension schemes

Norway Royal Salmon ASA has a defined-benefit pension scheme covering all the company's staff and senior executives employed before 1 July 2016 and a defined contribution scheme for employees hired after 1 July 2016. The senior executives are part of this schemes and no members of the Group management have any pension scheme other than that for the other staff.

Notice period and severance pay

The CEO and the other senior executives are entitled under certain circumstances to one year's (CEO) and six months' severance pay respectively. Otherwise contracts that are based on the Norwegian working environment act apply.

Other variable remuneration components

Other than as stated above, the company shall not offer its senior executives any variable remuneration components or particular benefits in addition to their basic salary.

Trondheim, 11 April 2018

Helge Gåsø
Helge Gåsø
Chair

K Landmark
Kristine Landmark
Vice Chair

Lars Måsøval
Lars Måsøval

Jon Hindar
Jon Hindar

Trude Olafsen
Trude Olafsen

Marianne E. Johnsen
Marianne E. Johnsen

Board of Directors report for 2017

Group operations and locations

Norway Royal Salmon's business is divided into two segments: Fish Farming and Sales. The head office is in Trondheim.

The Group's business idea is, through its proximity to production and a high level of professional competence, to supply the market with farmed fish products of a uniform standard and high quality. Efforts are made to sell all products under the Norway Royal Salmon brand name. The strategy of the Group is to run effective fish farming operations, as well as to sell the output of our own production and from our partners. Future growth in the Norwegian fish farming industry must be based on sustainable criteria. Norway Royal Salmon wishes to be a leader in the effort to steer the industry in a more sustainable direction.

The Group's fish farming operations are divided into two regions. Region North comprises fish farms located in West Finnmark and in Troms and has 36.68 licenses (33 946 tonnes MAB). Region South comprises fish farms located in Hordaland and Rogaland and has 6 licenses (4 680 tonnes MAB). Sales operations are conducted from the company's office Kristiansand. In addition, the Group has shares in eight associates. Of these, three are fish farming companies in Norway and one is a fish farming company on Iceland. Among the associated companies there are three harvesting companies and two are hatcheries.

Highlights in 2017

2017 was an eventful year for Norway Royal Salmon characterised by record high harvesting and sales volumes.

- The Group generated operating revenues of NOK 4 937.8 million, an operational EBIT of NOK 627.9 million and a result before tax of NOK 322.6.
- The farming operations harvested 31 918 tonnes in 2017. Region North produced 77 per cent of the harvest volume for the Group, while Region South produced 23 per cent.
- The sales operations sold 77 799 tonnes in 2017.
- The farming operations had three new sites approved in 2017. In Tromsø in Troms, a new site with a MAB of 5 670 tonnes was approved. In Hasvik in Finnmark, a new site with a MAB of 2 835 tonnes was approved. In Måsøy in West-Finnmark a new site with MAB of 3 600 tonnes was approved.
- In the fourth quarter, the fish disease ISA (Infectious Salmon Anemia) was detected at the Store Kvalfjord, Lille Kvalfjord and Pollen sites in Finnmark.
- Three sites in Finnmark were ASC-certified in 2017. 11 sites in Finnmark are now ASC-certified.
- The Board proposes a dividend of NOK 5.20 per share for 2017.

Sustainable focus and organic growth potential

Arctic Offshore Farming granted development permits

In 2016 Norway Royal Salmon ASA and Aker ASA (Aker) applied for development permits for the farming of salmon. In March 2018 the Directorate of Fisheries granted 7.68 development permits (5 990 tonnes MAB) for the development of Arctic Offshore Farming. The permits were a recognition of a long and good development process in which Norway Royal Salmon, Aker ASA and Aker Solutions have developed a semi-submersible offshore fish farm designed for harsh areas. The facility will provide significantly increased area utilization of Norwegian sea waters when positioned farther away from the coast, where in addition it will have a small environmental footprint.

An extensive effort has been put in place to develop this concept. At the same time, there has been an open, positive and constructive dialogue with the Directorate of Fisheries to adjust the concept within a framework that were acceptable to the parties.

The original concept should have been established in the open sea and required 4 units and 15 permits. In the revised concept it is proposed to use a site at the mouth of a fjord with 2 units and 7.68 associated development permits. Because the project has been scaled down to about half of the original project size and the capital requirements have been significantly reduced, Aker ASA has chosen not to move further into the pilot and realization phase. Aker Solutions will continue as a technology and collaboration partner in the project.

The facility will be significantly more exposed than today's locations. Meanwhile, other environmental conditions on such sites are very attractive for salmon, with good water exchange that will ensure good fish welfare, growth and environmental sustainability. The goal is to release the first fish in the sea during 2020.

These permits will provide the economic foundation for significant investments in a future-oriented industry. The industrial ambition is to combine knowledge from the fish farming industry with offshore expertise to develop the aquaculture industry of the future and secure sustainable future growth for the Norwegian aquaculture industry.

Development permits – FlipCage

In November 2017, Norway Royal Salmon applied to the Ministry of Fisheries for 6 development permits to realize the concept «FlipCage - Multifunctional Rotatable Cage».

The concept includes a rotatable cage that can alternate between open operations (free contact with the water outside) and closed operations (no direct contact with the water).

The idea behind FlipCage is to utilize the positive of closed operations, while at the same time exploiting open operations capabilities in protected areas along the coast. The concept will reduce the challenges associated with sea lice, improve fish welfare and reduce nutrients emissions below the cages, which again can open for utilizing fish farming areas in an even better way. Rotation provides several practical solutions. Cleaning the cage is simplified by allowing the open section to be aired/dried, and inspection and maintenance will be easier to perform. There will be very good circulation of active substance when treating sea lice in the cage. In addition, the cage will collect 60 % of the particulate emissions through an entire generation, and we can produce more on our sites with less environmental footprint than with today's technology.

The concept will contribute to a new and pioneering industry standard and a significant increase in capacity for the aquaculture industry in Norway. If the project progresses, Norway Royal Salmon plans to establish in Region South.

Demonstration facility in Alta

In 2017, the Norwegian Directorate of Fisheries granted NRS Finnmark a demonstration facility license with a MAB of 780 tonnes for 10 years. The demonstration facility will be established in Alta. Norway Royal Salmon looks forward to conveying knowledge about environmentally sustainable salmon farming in one of the northernmost areas of the world to the local community and visitors in Alta in a fact-based and inspiring way.

Traffic Light System – Application for capacity increase

In October 2017, the government announced the foundation for facilitating capacity adjustments through the introduction of a new traffic light system. The traffic light system, where Norway is divided into 13 production areas, aims to ensure predictable growth and safeguard environmental considerations. In green areas, production capacity will increase by 6 per cent every second year. Licenses in the green production areas are initially offered a growth of 2 per cent. 29 of 35 of Norway Royal Salmon's licenses are in green production areas. An application for 2 percent growth, in total 551 tonnes was approved in 2018.

Sustainable production and growth

In 2014, the subsidiaries of Norway Royal Salmon ASA awarded ten green licenses.

The criteria for the award of licenses were to establish a production that reduces the extent of sea lice and reduce the risk of impact on wild salmon because of escapes. After the nomination, Norway Royal Salmon had 35 licenses, which meant an increased production capacity of 40 per cent. In 2018 Norway Royal Salmon was awarded 7.68 development permits, which increased the Group's production capacity with another 18 per cent. After the allocation the Group has 42.68 licenses and development permits. Over 85 per cent of the licenses are in Region North, which has the best conditions for fish farming activities. The future growth of the aquaculture industry will be through sustainable solutions. Ahead, the company will have full focus on utilising the group's organic growth potential and sustainable production.

In this connection, all Norway Royal Salmon sites are Global Gap certified. In addition, dedicated efforts have been made towards getting the Group certified by the ASC (Aquaculture Stewardship Council) standard. It sets strict standards for how fish are produced and requires documentation of laws and regulations, animal diversity, animal welfare, genetic impact on wild populations, responsible feed, control of fish diseases, socially responsible production of fish, good relations with neighbours and that our suppliers meet critical and essential criteria in the standard. ASC certified fish are produced in an extremely responsible and sustainable way according to very strict requirements.

Eleven sites at NRS Finnmark are now certified. Our goal is that that most of Norway Royal Salmon's production in Region North shall be ASC-certified.

Financial performance

The income statement

Norway Royal Salmon generated record high consolidated operating revenues of NOK 4 937.8 million in 2017, compared with NOK 4 224.3 million in 2016. Operational EBIT totalled NOK 627.9 million (2016: NOK 640.6 million). The Group had a consolidated operating result of NOK 485.7 million (2016: NOK 876.6 million). The Group's consolidated net result for the year totalled NOK 236.4 million (2016: NOK 1 004.7 million). The reason for the decrease in operational EBIT is lower salmon prices and higher production costs, while higher harvesting volumes had the opposite effect.

The Group recognised NOK 52.7 million in share of the result from associates in 2017 (2016: NOK 71.9 million). The Group's associates harvested 9 422 tonnes in 2017, compared with 8 747 tonnes in 2016. The Group's share of the volume was 4 019 tonnes compared with 3 204 in 2016. In 2017, the Group had net interest expenses of NOK 19.6 million (2016: NOK 16.2 million).

Loss on financial assets in 2017 was NOK 142.3 million (2016: a gain of NOK 313.1 million).

The parent company made a net result for the year of NOK 551.1 million in 2017 (2016: NOK 685.5 million). Operating result totalled NOK 91.5 million, compared with NOK -10.3 million in 2016. The volume sold by the parent company increased from 66 808 tonnes in 2016 to 77 799 tonnes in 2017. The increase in operating profits is due to higher volumes, lower payroll expenses and gains on fixed price contracts.

The decrease in the parent company's net result for the year is attributed to a decrease of NOK 63.7 million in share of the profits from investments in subsidiaries and associates from NOK 528.8 million in 2016 to NOK 465.2 million in 2017 and that recognised profit from realisation of TRS-agreements fell by NOK 59.8 million from NOK 164.9 million in 2016 to NOK 105.1 million in 2017. In addition, the parent company recognised an unrealised loss on TRS-agreements of NOK 64.1 million and an unrealised loss on Fish Pool contracts of NOK 25.7 million.

Fish Farming:

The fish farming business generated operating revenues of NOK 1 770.4 million in 2017 (2016: NOK 1 622.5 million), an increase of 9.1 per cent. The increase is due to the higher volume of fish harvested with 19.0 per cent, while lower salmon prices had the opposite effect. The fish farming business harvested 31 918 tonnes in 2017, compared with 26 819 tonnes in 2016. Operational EBIT totalled NOK 583.1 million (2016: NOK 758.0 million), which amounts to NOK 18.27 per kg (2016: NOK 28.26). The decrease in operating result was due to lower prices and higher production costs while higher harvest volume had the opposite effect. The fish farming business volume of biomass in the sea increased by 6 011 tonnes from 23 060 tonnes at the start of the year to 29 071 tonnes at the close.

Region North generated operating revenues of NOK 1 354.7 million in 2017 (2016: NOK 1 300.1 million). The segment harvested 24 697 tonnes in 2017, compared with 21 667 tonnes the year before, an increase of 14.0 per cent. The Group has 29 fish farming licences in Region North, of which ten are in Troms and 19 in Western Finnmark. The segment made an operational EBIT of NOK 433.1 million (2016: NOK 656.1 million). Operational EBIT came to NOK 17.54 per kg harvested in 2017 (2016: NOK 30.28). Operational EBIT decreased because of lower prices and higher production costs. Production costs were affected by ISA outbreaks at 3 sites in the region.

In 2017, Region South generated operating revenues of NOK 415.6 million (2016: NOK 322.5 million). The segment harvested 7 221 tonnes in 2017, compared with 5 151 tonnes the year before, an increase of 40.2 per cent. The Group operates six licences in Region South. The segment had an operational EBIT of NOK 150.0 million (2016: NOK 101.9 million). Operational EBIT came to NOK 20.77 per kg harvested in 2017 (2016: NOK 19.78). Operational EBIT increased because of lower production costs and higher harvest volumes.

Sales:

Sales' operating revenues increased from NOK 4 219.5 million in 2016 to NOK 4 9321.0 million in 2017. The increase was due to higher sales volumes. The segment sold 77 799 tonnes during the year, compared with 66 808 tonnes the year before, an increase of 16.5 per cent. Sales had an operational EBIT of NOK 122.2 million in 2017 (2016: negative NOK 32.3 million), and a result before tax of NOK 86.7 million (2016: NOK -63.1 million). The sales operations operational EBIT increased due higher sold volume and a gain on fixed price contracts of NOK 88.0 million (2016: loss of NOK 81.9 million).

Balance sheet

At the close of 2017, the Group had total assets of NOK 3 855 million (2016: NOK 3 713 million).

The increase in total assets is due to changes in several balance sheet items. A total of NOK 211.5 million was invested in operating assets during the year. The fair value of the biomass decreased during the year from NOK 1 205.4 million to NOK 1 177.7 million. The reduction in the value of the biomass is due to decreased fair value adjustments of NOK 164.5 million, biomass at cost increased by NOK 136.8 million resulting in a net reduction of NOK 27.7 million

The Group's biomass increased by 6 011 tonnes to 29 071 tonnes at the end of the year. The financial assets of the Group increased by NOK 65.6 million, mainly as a result of positive results in associated companies. Accounts receivables increased by NOK 67.9 million. Other receivables decreased by NOK 170.7 million, mainly because of a reduction in fair value of TRS-agreements. Cash increased by NOK 82.5 million.

The Group's net interest bearing debt as at 31 December 2017 totalled NOK 633.5 million, compared with NOK 282.2 million at the close of the previous year. The increase in interest bearing debt is mainly due to investments in fixed assets of NOK 211.5 million, a dividend of NOK 411.6, increased biomass at cost of NOK 136.8 million, paid cash on forward contracts of NOK 120.3 million, taxes paid of NOK 79.4 million, loans given of NOK 11.6 and an increase in working capital of NOK 322.8 million. A positive operational EBITDA of NOK 709.9 million, a realised gain on TRS-agreements of NOK 105.1 million and dividends received from associated companies of NOK 28.3 million had the opposite effect.

The net decrease in equity of NOK 196.0 million was mainly due to paid dividend of NOK 411.6 million, shares-based payment of NOK 14.6 million and purchase of treasury shares of NOK 18.2 million. A positive total comprehensive income for the period of NOK 232.7 million and sale of treasury shares for of NOK 16.1 million have increased the equity. At the close of 2017, the Group had an equity ratio of 48.0 per cent, compared with 55.1 per cent at the close of 2016.

The parent company's total assets stood at NOK 2 466.6 million at the close of the year (2016: NOK 2 190.6 million). Mainly due to an increased group contribution of NOK 185.6 million total receivables increased by NOK 231.9 million. Bank deposits increased by NOK 83.6 million. Total financial assets decreased by NOK 40.9 million from the end of 2016 due to a reduction in investments in subsidiaries that have transferred group contributions of NOK 408.0 million and dividends of NOK 114.8 million to the parent company. Positive results from subsidiaries of NOK 406.6 million and associated companies of NOK 58.6 million had the opposite effect. At 31 December 2017, the parent company's equity ratio was 51.1 per cent (2016: 43.2 per cent).

Cash flow

The Group's cash flow from operating activities in 2017 was NOK 170.5 million (2016: NOK 628.3 million). The positive cash flow is mainly due to an EBITDA of NOK 709.9 million. Paid taxes of NOK 79.4 million, an increase in inventory and biological assets at cost of NOK 134.5 million, a decrease in accounts payables of NOK 97.0 million, an increase in accounts receivables of NOK 67.9 million, share-based payments of NOK 15.4 million, paid cash settlement on forward contracts of NOK 120.3 million and a change in other current assets and liabilities of NOK 24.4 million had a negative effect on the cash flow.

Net cash outflows relating to investing activities in 2017 totalled NOK -107.1 million (2016: NOK -282.3 million). These are, for the most part, attributable to investments in operating assets of NOK 211.5 million. Received dividends from associates of NOK 13.4 and gain on realisation of TRS agreements of NOK 105.1 million had a positive effect on the cash flow.

The Group had cash and cash equivalents at the close of the year of NOK 151.8 million (2016: NOK 69.3 million). The Group has distributed a dividend of NOK 411.6 million in 2017. At 31 December 2017, the Group had a net interest-bearing debt of NOK 633.5 million (2016: NOK 282.2 million).

In 2017, the parent company had a negative cash flow from operating activities of NOK 39.8 million (2016: positive cash flow of NOK 15.2 million). The negative cash flow is a result of share-based payments of NOK 15.4, increased accounts receivables of NOK 32.9 million and accruals of NOK 148.0 million, where paid cash settlement on forwards contracts amounts to NOK 120.3 million. A positive operational result of NOK 91.5 million, increased accounts payables of NOK 60.2 million and decreased inventory of NOK 4.7 million had a positive effect on the cash flow.

The parent company had a positive cash flow from investing activities of NOK 440.3 million (2016: negative cash flow of NOK 118.0 million). Received group contributions and dividend form subsidiaries of NOK 322.4 million, realised profit from exercising TRS-agreements of NOK 105.1 million and dividend from associated companies of NOK 28.3 million have given a positive cash flow effect, while loans given to associated companies of NOK 14.6 million have resulted in a negative cash flow effect.

The parent company had a negative cash flow from financing activities of NOK 316.9 million (2016: NOK 452.9 million). Payment of dividend of NOK 408.0 million and interest payments of NOK 9.2 million had a negative effect on the cash flow. Increased long-term debt of NOK 100.0 million had a positive effect on the cash flow.

The total positive cash flow in 2017 of NOK 83.6 million has resulted in net bank deposits totalling NOK 148.7 million (2016: NOK 65.1 million) for the parent company at the close of the year.

Going concern

Norway Royal Salmon ASA's board of directors confirms that the year-end financial statements have been prepared on the basis that the enterprise is a going concern, in accordance with Section 3-3a of the Norwegian Accounting Act. This assessment rests on the Group's results, financial position and budgets.

Research and development

Norway Royal Salmon has a strong focus on biological production and fish welfare and has initiated or is participating in the following projects:

- Project in collaboration with Aker ASA to develop an offshore aquaculture farming concept that facilitates sustainable growth in areas that the aquaculture technology thus far has not been able to exploit. Norway Royal Salmon has in relation to the project received 7.68 development permits.
- Flipcage is a project that includes a rotatable cage that can alternate between open operations (free contact with the water outside) and closed operations (no direct contact with the water). Norway Royal Salmon has applied for six development permits to realize the concept.
- Commercial testing on sterile salmon in collaboration with MarinHelse AS and Havforskningsinstituttet.
- Internal project in collaboration with LetSea AS with operational optimization of sterile salmon in Troms and Finnmark to reduce the environmental impacts of escapes.
- Participation in steering or reference committees on several FHF projects in areas such as sea lice prevention, nutrition, sterile fish and infectious diseases.

Operational risk and risk management

Fish Farming

Risk will normally attach to the Group's business activities. The greatest risks for Norway Royal Salmon are associated with the production of biological assets for human consumption.

The biological challenges will be related to smolt quality, mortality, disease, sea lice, parasites, algae blooms, low oxygen levels, fluctuations in sea temperatures and the quality of the fish harvested. Norway Royal salmon has lately had incidents with ISA (Infectious Salmon Anemia) and the salmon's skin health. The Group has paid special attention on identifying the reasons for biological challenges as well as implementing the necessary measures on the relevant areas.

Although Norway Royal Salmon develops and implements sound routines for its own operations, the industry is such that it is important to coordinate much of this effort with other stakeholders in the various geographical locations in which we operate. The fish farming operations management team is working continuously to follow up smolt and smolt suppliers to enhance smolt quality.

We feel it is important to make active use of available fish health services to improve routines for the promotion of fish health and for disease prevention measures. All employees in the fish farming segment have attended fish welfare courses.

Assessment of all sites is continuously carried out to ensure that sites are optimal to produce salmon.

Sites located in relatively open water have recently been put into operation, since these areas have favourable conditions for fish farming. This is demanding for both employees and equipment. The production facilities are constantly subjected to powerful natural forces, which represent a risk of damage to the equipment and subsequent risk of fish escaping. Norway Royal Salmon has not had any escapes from its sites in recent years. Norway Royal Salmon has invested in new equipment of a high standard, which can meet our own and the public authorities' requirements with respect to fish escapes. In addition, the Group plans to increase the production of sterile fish in the coming years, so that if fish escapes it will not affect the genes of the wild salmon.

Risk management is a key aspect of the management team's duties. The Group has implemented routines and systems for the monitoring of risk factors in all business areas. Auditing the production facilities in accordance with the quality handbook and defined site standards will be strongly emphasised. In 2017 a new quality manager was hired to ensure competency and capacity with regards to quality.

The group has risk in relation to licenses and demands from public authorities. This includes access to new sites and expansion of existing sites. For the group to continue its growth and improve the efficiency of production, Norway Royal Salmon is dependent on getting new sites as well as being able to expand existing sites. The Group also depends on predictable terms and permission for production. Divergent views on production criteria in various administrative agencies, may have a material impact on the production. Norway Royal Salmon seeks to reduce this risk by continuous dialogue with the various relevant administrative bodies.

The Group's financial position and future development depends significantly on the price of salmon, which has historically been subject to significant fluctuations. Farmed salmon is a raw material, and it is therefore reasonable to assume that the market will continue to follow a cyclical pattern. The balance between the total supply and demand for salmon is a key parameter. Increased supply can cause prices to decline. This may have a significant impact on the company's profitability and liquidity.

Feed costs constitute a considerable proportion of the total production cost of salmon, fluctuations in feed prices can therefore have a major impact on profitability. Feed prices are affected by the global market for fishmeal and marine-/animal-/ vegetable oils and exchange rates. A small number of major global manufacturers dominates the feed industry. Natural constraints in the marine resource base can lead to global shortages of fishmeal and oil for feed production. Feed manufacturers have come a long way to replace some of the marine-based inputs with vegetable ingredients. This will reduce the risk of fluctuations in feed prices.

Sales

Operational risk in the sales segment is more limited than in the farming operations and includes; trade margins, contract risk and credit risk. We believe in positive sales growth in the coming years, but we might face challenges. Although the price of salmon has been volatile, the trade margins are normally not greatly affected. Margins are more influenced by the general competitive situation between farmers, exporters and customers. Economic downturns have normally affected the sale of salmon in a relatively small degree. However, a strong weakening of the economy in our key export markets can have negative impact. It might result in lower sales and a price reduction in general, but also the risk of insolvency of some customers. The risk of the sales operations with regard to insolvency is limited, as most sales are covered by credit insurance.

The salmon industry has experienced trade barriers in several markets and over longer periods. Significant changes and aggravating conditions as we saw against Russia in 2014 involves risks for the Group. The sanctions led to several of our Russian customers going bankrupt, which led to the loss of the deductible of the credit insurance. In 2017, there were trade barriers in the trade with Russia and China. At the end of 2016 Norway and China agreed on a normalization of political and diplomatic relations, which gives grounds for optimism. The trade challenges with China still continued in 2017, but efforts are being focused on a solution. The export to China is increasing steadily, which is positive. A solution to trade challenges with China will be very positive as the long-term potential in the region is good.

The sales operations sold fish to 55 countries in 2017 and such a sales spread limits this risk.

The sales operations are responsible for fixed price sales contracts. The main objective entering sales contracts is to achieve rates that are favourable for the Group. In addition, the contracts reduce price movements for the Group. The contracts are usually entered for 3-12 months and normally constitute 0-40 per cent of the Group's own harvest. Contracts are bilateral against customers or financial against Fish Pool. The sales business enters both financial purchase and sales contracts to hedge margins. The company enters into contracts with solid and good counterparties.

Financial risk and risk management

The Group's financial risks include those relating to foreign exchange, interest rates, credit and liquidity. It is crucial that the Group constantly assesses its level of risk and which procedures to be implemented to reduce that risk to an acceptable level.

Foreign exchange risk

Around 90 per cent of the Group's sales are in foreign currencies, with the largest exposure being to the EUR, USD and GBP. The Group's exposure to exchange rate fluctuations is a major part of the business activities affecting the Group's cash flows and profits. In accordance with the Group's guidelines, the Group employs both forward contracts and borrows in foreign currencies to reduce its exposure to foreign exchange risk.

Interest rate risk

The Group's debt is based on floating interest rates, which means that the Group is exposed to movements in interest rates.

Credit risk

At any given time, the Group has substantial sums outstanding, with receivables distributed over several different regions. To reduce this risk, trade receivables are monitored constantly, and it is the Group's policy to hedge its trade receivables through credit insurance and other hedging instruments.

Liquidity risk

Liquidity risk is a product of the Group's earnings, financial position and access to financing in the capital markets and is defined as the risk that the Group will not be able to meet its day-to-day financial obligations. The largest single factor affecting liquidity risk is represented by fluctuations in the price of salmon. There are covenants associated with the Group's borrowings, which at the close of 2017 Norway Royal Salmon meet with good margins. Overall, the Group's liquidity risk is at an acceptable level.

Corporate Social Responsibility

Norway Royal Salmon conducts its business in several local authority areas and local communities. In several of these, the Group is a major employer. The aquaculture industry has a substantial ripple effect, with each full-time job creating the foundation for an additional 2.5 full-time jobs in ancillary businesses.

Salmon farming depends on good cooperation with local populations and authorities. It is important that our managers maintain an open dialogue with them and that we are perceived as serious and solutions-oriented. The aquaculture industry competes with other stakeholders for the attractive coastal areas. It is important that efforts are made to establish a dialogue with these groups and to respect their views.

As a consequence of our businesses being a part of the local communities in which we operate, Norway Royal Salmon wishes to support local sports clubs and other voluntary organisations.

Norway Royal Salmon continually focus on compliance with guidelines and standards for areas located under corporate social responsibility. This is reflected in the Group's ethical guidelines. The guidelines describe the goals and the requirements of the Group related to the ethical issues. Norway Royal Salmon shall comply with applicable laws and regulations, and in an ethical, sustainable and socially responsible manner. The guidelines have been communicated to all employees and are reviewed regularly.

Issues described below with regards to Corporate social responsibility:

- Anti-Corruption
- Employee rights and social
- Human rights
- The external environment

Anti-Corruption

Norway Royal Salmon has established the following anti-corruption principles:

Norway Royal Salmon shall strive for a culture of transparency in all areas concerning customer care, relationship building, sponsorships, gifts, entertainment, travel, etc. The Group's employees shall act in accordance with the Group's guidelines for giving and receiving gifts, travel and other benefits, and clearly denounce all forms of corruption. All costs related to travel arrangements should be recognized transparent and correct and be approved by a superior. The company always require dual approval when paying invoices.

Employee rights and social issues

The employees' efforts and contributions have been essential for Norway Royal Salmon having an effective operation in both the farming and sales business in 2017.

Focused HSE work is necessary to achieve a safe and efficient operation. Continuous efforts are made to firmly establish the importance of safety in all parts of the organisation. There is a close relationship between systematic HSE work and good value creation. In practice, this involves several priority areas for Norway Royal Salmon. Internally, continuous efforts are done to create a corporate culture where effective and preventive HSE work is one of the pillars. The precautionary - principle must permeate all decisions and activities. It also means that there is active dialogue on various HSE issues in the Work Environment Committees (AMU) and with the safety representatives.

Effective and comprehensive risk management is central to the entire group. Good risk culture ensures compliance with procedures and rules, and is essential if risk management should be an integral part of its daily operations. The system is based on risk assessment of all operations and equipment, procedures, instructions and records. The systems undergo annual revisions based on a plan for each site and followed up through internal training in first aid, safety, and chemical management, and rescue exercises. A new electronic enhancement system (deviation system) to help capture undesirable events and improvement areas in health, safety and working environment has been established.

The Group is working hard to make sure it is able to recruit qualified personnel at all levels in the organisation. Norway Royal Salmon has participated in various career days to attract new graduates who are potential employees, especially at the career days of "Håp i havet" and "Havets døgn". Emphasis is given to provide all employees with a good working environment, meaningful job content, and competitive employment terms. Part of the company's strategy is to be a preferred employer. All employees have the right to freely choose which union they will be members of. At 31 December 2017, the Group had 172 full-time employees, 42 of whom are employed by the parent company Norway Royal Salmon ASA. Employee rights and social issues constitute a part of Norway Royal Salmon's Global GAP certification.

The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2017, women made up 21.2 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 43.9 per cent. The Group management is entirely made up of men. Three of the six members of the Group's board of directors are women. The Group aims to be a workplace in which women and men enjoy complete equality, and where there is no gender-based discrimination with respect to pay, promotion or

recruitment. The Group aims to be a good workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion or reduced functional capacity.

The Group had a sickness absence rate of 4.0 per cent in 2017 (2016: 4.0 per cent). The corresponding figure for the parent company was 3.4 per cent in 2017 (2016: 1.4 per cent). Nine injuries, which led to absence in 2017, have been registered, none of these were serious. Eight injuries which did not lead to absence were registered in 2017.

In Norway Royal Salmon is HSE a line responsibility. This means that managers are responsible for initiating, planning and carrying out HSE activities as part of the daily operations. Each manager is responsible for that department meets industry regulations. The HR/HSE manager has the professional responsibility and advice within all HSE activities. Work Environment Committees (AMU) are organized in the subsidiaries that have over 50 employees, today it is only NRS Finnmark which has a separate AMU.

Norway Royal Salmon cooperates with an external healthcare service, which, among other things, conducts annual safety inspections and health checks of employees based on scheduled activity plans. Norway Royal Salmon follow up employees on sick leave in accordance with public guidelines and requirements. All companies have a designated HSE-responsible employee. In parent company and the farming operations, a safety representative is also elected. All employees have been informed of the company policies for health, safety and working environment when hired. All policies are available on the company's internal control systems, both in electronic and written form. The safety systems are repeated for the employees annually.

The group has conducted an employee satisfaction survey in cooperation with Great Place to Work. In the survey, the employee's experience of the organization was measured in relation to trust in the management, pride of the work being done and the fellowship of colleagues. The purpose is that, through findings found in this survey, we will prioritize our improvement areas and through various measures improve productivity and competitiveness by developing a trust-based leadership and corporate culture.

To succeed with good HSE work it is important to build a good foundation, this is done by creating a culture where safety comes first and focus on training is essential. The HR/HSE department plans various activities ahead and there are expectations to the effects of these activities. To clarify all matters relating to the group's employees, an employee handbook and a manager handbook have been prepared.

Human Rights

Norway is currently affiliated with most relevant human rights conventions, incorporated into Norwegian law through the Human Rights Act. Norway Royal Salmon operates only in Norway and on Iceland and has not established its own guidelines regarding human rights in particular.

External environment

Norway Royal Salmon's farming operations are based on renewable resources and are located along the coast. Norway Royal Salmon's value chain is dependent on sustainability where natural resources are not consumed. This is a prerequisite, so Norway Royal Salmon can continue to farm fish in a sustainable manner. The desire and need for long-term solutions are the foundation for the company's approach to environmental issues. Improved standards of living worldwide have sharpened the focus on the production of healthy and nutritious food. Seafood – especially fatty fish such as salmon – is considered particularly healthy. In a time of increased demand for seafood, Norway Royal Salmon is committed to contributing to sustainable development, with focus on food safety, the health and welfare of the fish, and protection of the environment and surroundings – along with the well-being and occupational health and safety of the employees. Customers, consumers and the company's employees are concerned about these factors. Norway Royal Salmon has set up a range of control and steering systems to protect the environment in and around the fish farming facilities. To achieve profitability in the short and long terms, sustainable operations are crucial. Customer specifications, national standards, our own guidelines, and laws and regulations, provide a foundation for the fish farmers' efforts to deliver products that meet all needs and expectations in the markets in which we operate. Our suppliers' quality assurance systems are based on the philosophy of continuous improvement of both product and production process.

Global requirements

In Norway Royal Salmon, we have two main standards that we work against. These are GlobalGAP and Aquaculture Stewardship Council (ASC).

Global Gap

The work to maintain and develop a high, sustainable standard for the entire company is firmly based on the requirements laid down in the Global GAP standards. Global GAP, which is a non-governmental organisation, has set up a strict voluntary standard for producers and players in the fields of agriculture and aquaculture. The principal objective of the standard is to make it possible to document to consumers that the food has been generated with only minimal impact on the environment and surroundings. GlobalGAP lays down a solid base for high food safety, employee safety and the health and welfare of the fish. The main principles of the standard are risk assessment, environmental protection and good aquaculture procedures that minimize production influence on the environment, and global criteria for environment and employee health and safety. The latter, in addition to the local and national social responsibilities that exist. Finally, the standard sets the criteria for how the welfare and health of the fish shall be ensured. The group has been awarded Global Gap-certificate on all sites.


GLOBALG.A.P
CERTIFICATE

Norway Royal Salmon ASA

Aquaculture Stewardship Council (ASC)

ASC (Aquaculture Stewardship Council) is an environmental standard negotiated with WWF. It sets strict standards for how fish are produced and requires documentation of laws and regulations, animal diversity, animal welfare, genetic impact on wild populations, responsible feed, control of fish diseases, socially responsible production of fish, good relations with neighbours and that our suppliers meet critical and essential criteria in the standard. ASC certified fish are produced in an extremely responsible and sustainable way according to very strict requirements.

In addition to Global GAP and ASC standards, Norway Royal Salmon abides by the following:

- The Norwegian Industry Standard for Fish (NBS 10-01): Quality grading of farmed salmon
- Norwegian Standard (NS 9401) Atlantic Salmon: Reference sampling for quality assessment
- Norwegian Standard (NS 9402) Atlantic Salmon: Colour and fat measurement

Traceability and food safety

As Norway Royal Salmon is engaged in food production, the company is aware that significant risks may arise from any potential incidents that can affect consumer health and safety. Norway Royal Salmon considers that it has sufficient measures in place to mitigate this risk. Norway Royal Salmon provides customers with access to transparent documentation in the areas of traceability, feed and health registrations. Detailed information about the fish feed, the raw materials used in the feed, veterinary reports and other information relating to the physical and chemical aspects of the product or production process is available on request. Norway Royal Salmon uses modern traceability systems to ensure traceability. Norway Royal Salmon demands of feed suppliers that they have established systems for traceability. The Group's products comply with the Norwegian Industry Standard, internal quality standards and with our customers' specifications.

Food safety is safeguarded by using only legal and natural ingredients throughout the production process, by veterinary inspection of the production process and by keeping the production environment clean and healthy. Further protection is offered through the use of traceability information, by using only approved processing plants and by ensuring that hygiene and cleanliness are of the highest standard.

Fish health and welfare

The company focuses intently on creating good health and welfare conditions for the fish by applying established procedures and routines. This prevents illness and reduces mortality and demanding treatments in the wake of the outbreak of disease.

The farming strategy is to prevent diseases using vaccination, cleaning fish, lice skirts and other natural means rather than to introduce treatments after outbreaks of diseases.

Operational routines that contribute to maintaining control of the health situation of the fish are established and implemented in cooperation with external fish health services. Good hygiene routines, segregated fish generations, good water exchange, fallow periods, use of effective vaccines, and well-qualified and skilled employees create good health and welfare for the fish.

All subsidiaries co-operate with fish health services. All medicaments used to treat fish are approved by the authorities and must be prescribed by authorized fish health professionals. The fish health service keeps an overview of prescriptions and medicines and sends a copy of the prescription to the site that is under treatment, to the feed supplier if the oral treatment and to the Food Safety Authority. This is in accordance with Norwegian law.

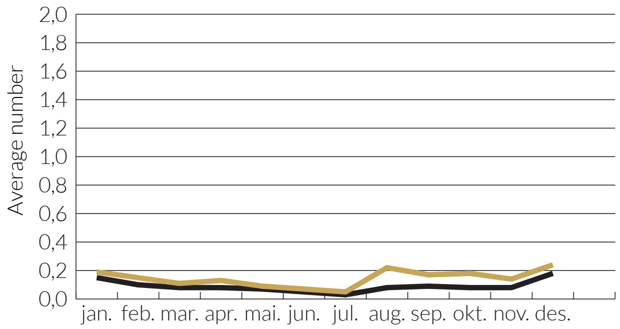
Fish mortality

Fish mortality is a key indicator for evaluating fish health in farming. Reduced mortality is a key objective for Norway Royal Salmon. Mortality is monitored and reported weekly and monthly to the management and the board. Over the past two years, welfare withdrawal of fish has intensified, which means that the proportion of culled fish is higher than in previous years. The mortality rate amounted to 5.4 per cent of the number of fish in the sea at the beginning of the year and fish put in the sea during 2017. This is an increase of 2.8 per cent from 2016. Overall mortality in 2017 was 7.8 per cent, of this represented the culling of fish 2.4 per cent. Total mortality in 2017 was 2.9 per cent lower than in 2016. The mortality rate in Region South was 6.6 per cent, while in Region North it was 8.1 per cent including culling and 5.2 per cent without.

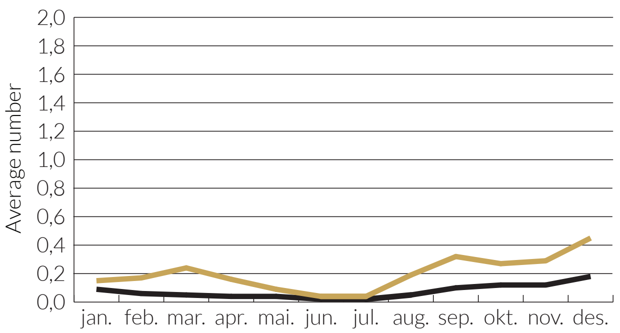
Sea lice
As well as compliance with counting and treatment strategies initiated by the authorities, the Group has developed its own plan for combating sea lice in all subsidiaries. An internal competence group that works specifically with sea lice and cleaner fish strategies has also been created.

Compared to 2016, NRS Finnmark had relatively similar levels of sea lice throughout 2017, but in December levels were higher in 2017 than in 2016. At the subsidiaries in Troms, levels were lower during the first half of 2017 than in the same period in 2016, while the levels in the last half of the year was higher than the year before.

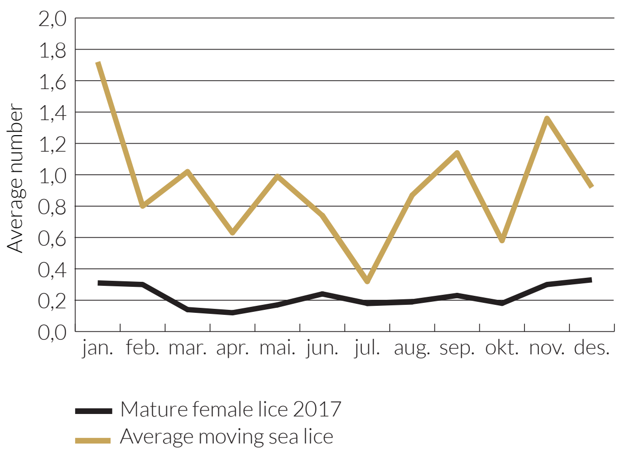
SEA LICE FINNMARK 2017



SEA LICE TROMS 2017



SEA LICE FEØY 2017



In Region South, sea lice levels were lower in 2017 than in 2016 until the last quarter, when the levels rose above the previous year's levels.

The Group has continued the practice using lice-skirts where appropriate and possible, and especially at sites with green licenses. NRS Feøy use both lumpfish and wrasse, while Region North only use lumpfish.

In 2017, the use of non-medical methods against sea lice has increased significantly compared to 2016, and increasingly replace the traditional methods using chemicals. A new trend in Norway Royal Salmon in 2017 was to treat separate cages rather than delouse the entire site as previously practiced.

Emissions
All feeding systems are adapted to the fish's appetite. This prevents overfeeding. Emissions from farmed fish into the sea take the form of excrement and feed residues. These are biodegradable organic materials. Norway Royal Salmon has routines for monitoring this situation. Routine environmental tests are performed in accordance with the authorities' requirements. Furthermore, we perform additional tests to ensure that the impact of our sites does not exceed acceptable levels. Good currents and sustainability is in focus when the company plans sites. After completing the production cycle, the sites are fallowed for a period so that temporary changes in the seabed are reversed, this also provides the basis for good fish health. The average fallow period between production cycles is 8 weeks; which is the statutory requirement.

Medication
Fish, like all other animals, can be exposed to pathogen infection and become sick or be exposed to natural parasites. Prevention of diseases and sea lice infestation is a high priority area. Procedures for infection control and bio-security is provided for personnel and use of equipment at all sites in the farming operations. The employees have been trained in these preventive activities. The ideal situation is that you do not have to use medications, but we are obliged to treat sick fish or fish that otherwise suffer. Norway Royal Salmon has not used antibiotics in the treatment of fish in 2017. Any use of medication is decided and prescribed by authorised fish health personnel. The farming operations are associated with approved fish health services. Treatments, use of medication and measurement of the results of the treatments are recorded and evaluated with on-site fish health services. Norway Royal Salmon also work with screening programs to monitor the relevant pathogens, sea lice infestation, stress, sores, water quality, and work to increase the general knowledge at all levels of the organisation within these fields.

Vaccinations

Vaccination is used when it is considered effective for the particular species and in that district as an integral part of our preventive health measures. Examples of diseases that the fish is vaccinated against are IPN, PD, vibriosis and furunculosis. All salmon in Norway Royal Salmon is in appropriate time before they are put in the sea vaccinated with at least a six-component vaccine.

Escapes

The escape of fish is unfortunate with respect to wild salmon populations. It is also unfortunate for the industry's reputation that fish escape. Neither in 2017 nor in 2016 had Norway Royal Salmon escapes.

We are working continuously with respect to staff training and have reviewed and improved our routines to achieve the industry's zero vision. Since 2014, Norway Royal Salmon has put sterile salmon in the sea. This as a measure to reduce any environmental impacts of escapes. In addition, nets with material characteristics that will help to reduce the risk of escapes are used. As a consequence of the allocation of green permits, Norway Royal Salmon plans to put more sterile fish in the sea and use more nets with material characteristics that will help to reduce the risk of escape. Norway Royal Salmon also participated in a FHF project together with SINTEF and other parties to increase the quality of nets to prevent escape.

Transport, handling and slaughter

Transport can be stressful for fish, especially smolts; Norway Royal Salmon endeavors to ensure that transport is done without the fish being unduly stressed. Good fish health throughout the production cycle reduces the need for handling fish. Norway Royal Salmon has ensured that the harvesting plants use humane, fast and effective methods to ensure that the fish are exposed to as little pain and stress as possible when it is harvested.

Feed

Fish feed for salmon is tailored to the needs of the fish that vary throughout their lifecycle. The raw materials for fish feed are procured according to strict specification regarding nutritional content and undesirable foreign substances. Feed manufacturers continually monitors its suppliers and carries out yearly several audits. As a fish farmer, we are constantly aware of the content of fish feed and the origins of the raw materials used to manufacture the feed.

Dependence on fish for feed is a challenge for a growing aquaculture industry. In recent years, feed producers have lowered the marine content in their feed and spent significant resources to research «marine independence», so they can deliver feed without marine contents if the need occurs. The specific content of marine ingredients in feed varies depending on the price and availability of the different raw materials. Farmed salmon are known to be very efficient in their conversion of feed fish and by-products from seafood to healthy and nutritious farmed salmon. The fish feed is produced according to Norwegian and international laws, consistent with the requirements of sustainability and environmental regulations. Our feed suppliers Skretting AS, Biomar and EWOS AS are internationally certified. For more information on feed, feed ingredients and certifications, see www.skretting.no, www.biomar.com/NO/biomar-norge and www.ewos.no.

The share and shareholders

As at 31 December 2017, Norway Royal Salmon ASA had 43 572 191 shares divided between 2 248 shareholders. At the close of the year, the Group held 82 443 treasury shares. The share price at the end of the year was NOK 134.50 (2016: NOK 207.00).

Corporate Governance

The board and management of Norway Royal Salmon review the company's corporate governance policies annually in order to be able to allocate roles between shareholders, the board and general management in an optimal fashion. A presentation of these policies and how the Group stands in this respect, is included in a separate section of the annual report, in accordance with Section 3-3 b of the Norwegian Accounting Act.

The Board of Norway Royal Salmon ASA has adopted ethical guidelines for the Group. The purpose of the guidelines is to create a healthy business culture and uphold the Group's integrity by helping employees to set high standards for good business practice. The guidelines are further intended to serve as a tool for self-evaluation and to develop the Group's identity.

Market conditions and future outlook

2017 was another exiting year for Norway Royal Salmon and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 64.5 billion, a new record and an increase of NOK 3.2 billion from 2016. The export volumes increased 5 per cent and was 1 150 249 tonnes (round weight) in 2017. The spot price (FCA Oslo) was NOK 56.11 per kg in 2017 (2016: NOK 54.45). Mainly, the prices rose because of strong demand and higher contract prices. With higher harvest volumes, exporters have worked well to develop the category and the value of Norwegian salmon. This has led to that the customers never have paid more for Norwegian salmon than they did in 2017.

Norway Royal Salmon ASA sold 77 799 tonnes, an increase of 16.5 per cent. Most of this was fresh gutted salmon. The share of in-house produced salmon sold through the sales business totaled 41 per cent. Revenues were divided on 55 countries, of which 67 per cent were sold in Western Europe. Apart from this, the export was divided between Asia (12 per cent), USA (1 per cent) and Russia/Eastern Europe (5 per cent) while the rest was sold in Norway.

Harvest volumes in Norway in 2018 is expected to be 6 per cent higher than in 2017. The harvest volumes of Atlantic salmon from Chile is expected to increase by 5 per cent and some growth is expected from other smaller producer nations, while the production in Scotland is expected to decrease by 10 per cent, so that the global volume increase is expected to be around 4 per cent. The increase in volume globally together with an underlying positive demand growth results in expectations of continued good market condition for salmon products. In the years after 2018, a limited growth in harvest volumes is expected. The demand for salmon at the start of 2018 has been strong, both prices and volumes have been good so far in 2018.

We believe in a positive sales development in most countries. Historically it has been shown that economic downturns normally do not weaken demand for salmon significantly. Salmon is now established as a nutritious and good alternative for consumers. We believe that trade relations with China will be normalized during 2018, which could enhance market opportunities for Norwegian salmon further. The Norwegian Krone is weak against most currencies and large currency fluctuations can affect the price level of salmon in Norwegian Kroner significantly. We mean the position Norway Royal Salmon has developed will make it possible for the Group to achieve good terms.

Allocation of profit for the year

The parent company, Norway Royal Salmon ASA, made a net profit for the year of KNOK 551 107 in 2017. The Board of Directors proposes the following allocation of the net profit for the year:

Dividend	KNOK	226 575
Transferred from the reserve for valuation	KNOK	-66 996
Transferred to other equity	KNOK	391 527
Total allocation of funds	KNOK	551 107

Trondheim, 11 April 2018

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Lars Måsøval

Jon Hindar

Trude Olafsen

Marianne E. Johnsen

Consolidated financial statements

ACCOUNTING

NOTES

Consolidated income statement

(NOK 1 000)	Note	2017	2016
Operating revenues	2	**4 937 798**	**4 224 340**
Cost of materials		3 889 102	3 230 927
Personnel expenses	18,19	138 596	155 468
Depreciation	7	82 063	61 063
Other operating expenses	6,12,24,25	200 178	136 269
Total operating expenses		**4 309 938**	**3 583 727**
Operational EBIT		**627 861**	**640 613**
Fair value adjustments	14	-194 799	164 151
Income from associates	10	52 657	71 865
Net operating result		**485 719**	**876 628**
Financial items			
Loss/Gain financial assets	16,20,26	-142 252	313 121
Net interest expenses	20	-19 568	-16 217
Net other financial expenses	20	-1 303	-1 112
Net financial items		**-163 123**	**295 792**
Result before tax		**322 596**	**1 172 421**
Tax	13	-86 180	-167 707
Net result for the year		**236 416**	**1 004 713**
Profit attributable to:			
Owners of the parent company		228 538	988 007
Non-controlling interests		7 878	16 706
Net result for the year		**236 416**	**1 004 713**
Basic earnings per share (NOK)	22	**5.27**	**22.72**
Diluted earnings per share (NOK)	22	**5.27**	**22.72**

Consolidated statement of comprehensive income

(NOK 1 000)	Note	2017	2016
Net result for the year		**236 416**	**1 004 713**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation differences and OCI posts from associated companies		8 194	12 896
Cash flow hedges (net of tax)	16	-7 334	21 429
Itens not to be reclassified to profit or loss:			
Actuarial losses on defined benefit plans (net of tax)	19	-4 623	-1 361
Comprehensive income for the year		**232 654**	**1 037 678**
Comprehensive income attributable to:			
Owners of the parent company		224 776	1 020 972
Non-controlling interests		7 878	16 706
Comprehensive income for the year		**232 654**	**1 037 678**

Consolidated balance sheet

ASSETS (NOK 1 000)	Note	**31.12 2017**	**31.12 2016**
Assets			
Non-current assets			
Intangible assets			
Licences	3,9	648 887	648 887
Total intangible assets		**648 887**	**648 887**
Property, plant and equipment			
Land, buildings and other real estate	7,9	30 624	19 579
Machinery and equipment	7,9	224 770	182 110
Boats and floating assets	7,9	270 845	197 285
Fixtures, office equipment, etc.	7,9	17 767	18 521
Total property, plant and equipment		**544 006**	**417 496**
Non-current financial assets			
Investments in associates	10	580 510	531 504
Available-for-sale financial assets	15,26	367	395
Other long-term receivables	6,15,27	32 640	16 000
Total non-current financial assets		**613 517**	**547 898**
Total non-current assets		**1 806 410**	**1 614 281**
Current assets			
Inventories	23,9	99 326	101 635
Biological assets	5,9,14	1 177 678	1 205 399
Total inventory		**1 277 004**	**1 307 035**
Receivables			
Accounts receivables	6,9,15	546 082	478 214
Other short-term receivables	6,15,16	73 888	244 596
Total short-term receivables		**619 970**	**722 810**
Cash and cash equivalents	8,15,17	151 779	69 257
Total current assets		**2 048 753**	**2 099 101**
Total assets		**3 855 163**	**3 713 382**

EQUITY AND LIABILITIES (NOK 1 000)	Note	**31.12 2017**	**31.12 2016**
Equity			
Share capital	21,22	43 572	43 572
Treasury shares	21,22	-82	-98
Retained earnings		1 769 778	1 970 509
Total equity attributable to owners of the parent company		**1 813 268**	**2 013 983**
Non-controlling interests		37 762	33 034
Total equity		**1 851 030**	**2 047 017**
Non-current liabilities			
Pension liabilities	19	16 728	11 383
Deferred tax liabilities	13	364 557	394 786
Non-current interest bearing debt	8,9,15	461 241	303 781
Total non-current liabilities		**842 526**	**709 950**
Current liabilities			
Current interest bearing debt	8,9,15	342 617	47 635
Accounts payables	15	549 526	646 515
Tax payable	13	113 485	79 350
Other current liabilities	11,15,16	155 980	182 916
Total current liabilities		**1 161 607**	**956 416**
Total liabilities		**2 004 133**	**1 666 366**
Total equity and liabilities		**3 855 163**	**3 713 382**

Trondheim, 11 April 2018

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Lars Måsøval

Jon Hindar

Trude Olafsen

Marianne E. Johnsen

Charles Høstlund
Chief Executive Officer

Consolidated statement of cash flow

(NOK 1 000)	Note	2017	2016
Operational EBIT		**627 861**	**640 613**
Adjusted for:			
Taxes paid	13	-79 351	-3 180
Depreciation	7	82 063	61 063
Gains (-) / losses (+) on sale of fixed assets		0	10
Share based payment		-15 376	-10 703
Pension costs with no cash effect		-659	-2 887
Change in inventories/biological assets		-134 503	-242 359
Change in account receivables and accounts payables		-164 857	138 560
Change in other current assets and other liabilities		-144 673	47 185
Net cash flow from operating activities		**170 504**	**628 302**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		0	813
Payments for purchase of property, plant and equipment	7	-211 470	-121 423
Payments for purchase of other investments		-2 530	0
Payments for acquisition of associated company		0	-269 487
Proceeds from realisation of current financial assets (TRS)	16,20	105 099	164 916
Proceeds from investments in non-current financial assets	10	13 448	8 871
Payments for acquisition of minority interest		0	-70 000
Change in loans to associates and others		-11 600	4 000
Net cash flow from investing activities		**-107 053**	**-282 311**
Cash flow from financing activities			
Receipts from new non-current debt		470 992	52 212
Non-current debt repayment		-305 170	-400 674
Net change in bank overdraft		286 619	0
Payments for purchase of treasury shares		-18 274	-68 985
Proceeds from sale of treasury shares		16 068	67 418
Net interest payments		-19 568	-16 270
Dividend payment		-411 625	-111 773
Net cash flow from financing activities		**19 070**	**-478 073**
Net increase (+)/ reduction (-) in cash and cash equivalents		82 522	-132 083
Cash and cash equivalents as of 1 January		69 257	201 339
Cash and cash equivalents as of 31 December		**151 779**	**69 257**

Consolidated statement of changes in equity

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
		Equity attributable to owners of the parent company					
Equity as of 1 January 2017		43 572	-98	1 970 509	2 013 983	33 034	2 047 017
Net result for the year		0	0	228 538	228 538	7 878	236 416
Other comprehensive income		0	0	-3 762	-3 762	0	-3 762
Total comprehensive income		**0**	**0**	**224 776**	**224 776**	**7 878**	**232 654**
Transactions with shareholders							
Dividend	21	0	0	-408 475	-408 475	-3 150	-411 625
Share based payment	18	0	0	-14 609	-14 609	0	-14 609
Equity changes associated companies	10	0	0	-226	-226	0	-226
Purchase treasury shares	21	0	-93	-18 154	-18 247	0	-18 247
Sale of treasury shares	21	0	109	15 959	16 068	0	16 068
Total transactions with shareholders		**0**	**16**	**-425 505**	**-425 489**	**-3 150**	**-428 639**
Equity as of 31 December 2017		**43 572**	**-82**	**1 769 778**	**1 813 268**	**37 762**	**1 851 030**

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
		Equity attributable to owners of the parent company					
Equity as of 1 January 2016		43 572	-71	1 070 288	1 113 788	72 730	1 186 519
Net result for the year		0	0	988 006	988 006	16 706	1 004 711
Other comprehensive income		0	0	32 965	32 965	0	32 965
Total comprehensive income		**0**	**0**	**1 020 971**	**1 020 971**	**16 706**	**1 037 677**
Transactions with shareholders							
Dividend	21	0	0	-111 773	-111 773	0	-111 773
Share based payment	18	0	0	-10 702	-10 702	0	-10 702
Acquisition of minority interest		0	0	-13 598	-13 598	-56 402	-70 000
Equity changes associated companies	10	0	0	16 862	16 862	0	16 862
Changes in treasury shares	21	0	-27	-1 540	-1 567	0	-1 567
Total transactions with shareholders		**0**	**-27**	**-120 751**	**-120 778**	**-56 402**	**-177 180**
Equity as of 31 December 2016		**43 572**	**-98**	**1 970 509**	**2 013 983**	**33 034**	**2 047 017**

Notes to the consolidated financial statements

Note 1 . Accounting principles

1.1 General information

Norway Royal Salmon ASA is based in Norway and has its head office in Trondheim. The company's shares are listed on the Oslo Stock Exchange, code NRS.

The consolidated financial statements for 2017 include the parent company, subsidiaries and the Group's shareholdings in associates. The Group's core business is linked to fish farming and sales.

The annual financial statements were approved by the board on 11 April 2018.

1.2 Basis of preparation

The most important accounting principles applied in preparing the consolidated financial statements are described below. These principles apply in the same way in all periods presented unless indicated otherwise.

Statement of compliance

The consolidated financial statements of Norway Royal Salmon ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and relevant interpretations that are mandatory for annual financial statements presented as of 31 December 2017.

The consolidated financial statements have been prepared on a going concern basis.

Basis for measurement

The consolidated financial statements have been prepared on the principle of historic cost, except for the following assets and liabilities, which are presented at fair value:

- Available-for-sale financial assets (Note 26)
- Derivatives (Note 16)
- Biological assets (Note 5)

The principles used to determine fair value are described in more detail in the following principles and relevant notes.

The accounting principles are applied consistently for all the years presented.

1.3 Introduction of new and amended standards

Norway Royal Salmon has not used any new standards that have an impact on the Group accounts in 2017.

1.4 Summary of important accounting principles

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the company. The company has control if it has the power to manage a company's financial and operational principles. Annual financial statements of subsidiaries are included in the consolidated financial statements from the date control is achieved until the date control ceases.

Business combinations are recognised using the acquisition method. The consideration paid is measured as the fair value of the assets transferred, liabilities assumed, equity instruments issued and the fair value of contingent assets or liabilities resulting from the contract. Costs in connection with business combinations are expensed as they are incurred. Identifiable assets and liabilities are recognised at fair value at the time of acquisition. Non-controlling shareholdings in acquired companies are measured on a case-by-case basis either at fair value or as the respective share of the net assets of the company acquired.

Should the total of the consideration, carrying amounts of non-controlling owners and fair value at the time of acquisition of previous shareholdings exceed the fair value of identifiable net assets of the company acquired, the difference is recognised in the balance sheet as goodwill. Should this total be less than the company's net assets, the difference is recognised in income immediately.

Eliminations
Intra-group transactions and balances have been eliminated. Any unrealised profits or losses associated with intra-group transactions are eliminated during the preparation of the consolidated financial statements.

Non-controlling interests
Transactions with non-controlling owners of subsidiaries are treated as equity capital transactions. When acquiring shares from non-controlling owners, the difference between the price paid and the shares' pro rata share of the reported balance sheet value of the subsidiary's net assets is recognised in the equity of the parent company's owners. Profits or losses on sales to non-controlling owners are similarly recognised in equity.

If the Group no longer has control, any remaining interest is valued at fair value with changes in value being recognised through profit or loss. Fair value then represents the cost in subsequent recognition, either as an investment in associates, joint ventures or as a financial asset. Amounts previously recognised in comprehensive income relating to this company are treated as if the Group had disposed of the underlying assets and liabilities. This could mean that amounts previously recognised in comprehensive income are reclassified to the income statement.

Associates
Associates are entities over which the Group exercises considerable influence but not controlling influence. A considerable influence normally applies to investments in which the Group owns between 20 % and 50 % of the voting rights. The consolidated financial statements include the Group's share of profits of associates in accordance with the equity method from the time considerable influence is achieved and until such influence ceases. Should the Group's share of losses exceed the investment in an associate, the Group's carrying amount is reduced to zero and no further losses are recognised unless the Group has assumed legal or constructive obligations or made payments on the company's behalf. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

The equity method is regarded as a consolidation method. By cross-ownership, investments in Norway Royal Salmon ASA are treated as treasury shares.

Classification of accounting items
Assets and liabilities associated to the production cycle, or which are held for sale, and items due for payment within one year of the balance sheet date are classified as current assets or short-term liabilities. Liquid funds are also classified as current assets. Other assets are classified as non-current assets. Other liabilities and provisions for long-term obligations are classified as long-term liabilities. The next year's instalments of long-term debt are classified as current liabilities.

Proposed dividends are recognised as liabilities in the balance sheet when the company is obliged irrevocably to pay dividends, normally when they have been approved at the Annual General Meeting.

NRS's key measurement is operational EBIT before fair value adjustments. Fair value adjustments are presented on separate lines within the income statement. This presentation has been chosen to clearly identify earnings on sales during the period.

Statement of cash flow
The statement of cash flow has been prepared using the indirect method. The statement of cash flow shows a breakdown of the Group's total cash flow by operating activities, investing activities and financing activities. Cash flow associated with the acquisition and divestment of businesses is presented net under investing activities after deductions for cash reserves held by the acquired company.

Segment reporting
An operating segment is part of the Group that engages in business which can generate revenues and costs, including revenues and costs deriving from transactions with other Group segments. Operating segments are identified based on the reporting used by Group management to assess performance and profitability at a strategic level. The Group management is defined as the chief operating decision-makers. The financial performance of all operating segments is reviewed monthly by group management. Performance is evaluated based on operating results (EBIT) per segment. See Note 2.

Revenues
Sale of goods
The Group's operating revenues derive mainly from the sale of fish. Revenues from the sale of goods are recognised in income when the risk and control have been transferred to the customer. This is normally the delivery date. The timing of the transfer of risk to the customer depends on the delivery terms specified in the

sales contract. Operating revenues are recognised at the fair value of the consideration received, less discounts and VAT.

Interest income
Interest income is recognised when the income is earned.

Dividends
Dividend income is recognised when the entitlement to receive payment arises.

Fish-farming licences

Licenses acquired by the Group are capitalised at cost. Fish-farming licences are deemed to have an indefinite useful life and are not amortised, but are tested annually for impairment or more frequently if there is indication of impairment.

Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum.

The license scheme for production of salmon and trout in Norway is implemented by the Norwegian Parliament and adopted in the Norwegian Act relating to aquaculture (Aquaculture Act). The Ministry of Trade, Industry and Fisheries is responsible for allocation of aquaculture permits (licenses). All activities involving aquaculture require a license. It is prohibited to farm salmon without a license from the authorities, cf.section 4 of the Aquaculture Act. All licenses are governed by the same regulations (current Aquaculture Act with provisions) irrespective of when the license was allocated. NRS's aquaculture permit entitles the Group to produce salmon in a confined geographic area (sites), subject to the prevailing limitations established at any given time regarding the scope of the permit. The Ministry may prescribe detailed provisions relating to the content of the aquaculture licenses by administrative decision or regulations. The Ministry of Trade, Industry and Fisheries administer the Aquaculture Act centrally, and the Directorate of Fisheries is the supervisory authority. Regionally, there are a number of sector authorities that together represent the total administrative and supervisory authority within the area governed by the Aquaculture Act. The individual county is the regional administrative body, and the Directorate of Fisheries is the appellate body for issues involving locations and licenses.

Since January 2005, the limitations on production established for aquaculture licenses for salmon and trout have been governed according to a scheme known as Maximum Allowable Biomass (MAB). This specifies the maximum biomass in the sea that a license holder can have at any given time. The following regulations regarding production limitations apply to the different types of licenses held by the Group:

Licenses are limited in number, i.e. the enterprises are only granted new licenses (more production volume) subsequent to politically adopted allocation rounds. The current Maximum Allowable Biomass (MAB) range from 780 tonnes to 964 tonnes of salmon or trout per license. The highest MAB per license is in Troms and Finnmark.

Section 5, second paragraph of the Aquaculture Act reads: «The Ministry may prescribe detailed provisions relating to the content of the aquaculture licenses, including the scope, time limitations, etc., by administrative decision or regulations.» In the legislative background to the Aquaculture Act, White Paper no. 61 2004-2005, the following statement can be found on page 59: «It will remain the case that licenses are normally allocated without any specific time limitation. Implementation of such limitations should be reserved for those issues where a time limitation, based on the specific situation, provides for a more complete fulfilment of the Act than if the license were to be allocated without a time limitation.» The duration of licenses is also specified by the Aquaculture Act, which in its most recent revision underlined ownership of licenses by allowing the licenses to be mortgaged to the benefit of the lender.

There are no time limitations specified in NRS's terms for grow out licenses, and they are therefore deemed to be time-indefinite production rights according to the prevailing regulations. As the licenses are not bound by limited period, there is no need to apply for their renewal. The licenses are deemed valid pursuant to the Aquaculture Act, unless they are revoked in accordance with the Act. Section 9 of the Aquaculture Act describes the grounds for revocation of a license. Section 9 states that licenses may be revoked due to gross contravention of the provisions of the Act. Historically, no operative licenses for salmon and trout have ever been revoked in Norway.

According to past and present legislation and the general interpretation and practice in the industry, Norwegian fish farming licenses are not a time-limited right, and licenses should therefore not be subject to amortisation.

Write-downs

The Group's assets are reviewed at the end of each accounting period to assess whether there are any indications that their value has fallen below book value. If such indications exist an assessment is made of the asset's recoverable amount. If the recoverable amount is lower than book value, the asset is written down to the recoverable amount. The recoverable amount is the higher of the expected sales value and value in use (present value of expected future cash flows).

Licenses are defined as having indefinite useful economic lives and are not amortised, but tested annually for impairment. This assessment is done at by calculating the estimated present value of future cash flows (recoverable amount) from each cash-flow generating unit, which for the Group's fish-farming business is defined as Region North and Region South, and comparing these with the book value of the cash flow generating unit. If the recoverable amount is lower than book value, the asset is written down.

Previous write-downs are reversed if the estimated recoverable amount subsequently exceeds book value. The upper limit for reversal is cost less amortisation.

Biological assets

Biological assets comprise live fish stocks. Under IAS 41, biological assets are recognized and measured at fair value. Fair value is determined in accordance with IFRS 13. There are no efficient markets for the sale of live fish, and valuing live fish involves estimating their fair value in a theoretical live fish market.

The technical model for calculating fair value is a present value model. Present value is calculated for the biomass on each site/project by estimating the future sales value less remaining production costs discounted to the present value at the balance sheet date. The fair value of fish in the sea is calculated in the present value model as a function of the expected biomass at the time of harvest multiplied by the expected sales price. For fish that are not harvestable, estimated remaining costs to breed the fish to its harvestable weight are deducted. Cash flows are discounted monthly using a discount factor. The discount factor consists of three main components: 1) risk for events that affect cash flow, 2) hypothetical license and site rent and 3) the time value of money. Expected biomass (volume) is based on the estimated number of individuals in the sea, adjusted for expected mortality until harvesting and multiplied by the expected harvest weight per individual at the time of harvest. The measuring unit is the individual fish, but for practical reasons the calculation is made on site level. Live weight of fish in the sea is translated into gutted weight to get the same measurement unit as the prices are set in.

The price is calculated based on forward prices from Fish Pool. The forward price for the month in which the fish expected to be harvested, is used in the calculation of expected cash flow. The price quoted by Fish Pool (sales price from Oslo) adjusted for the export cost is the reference price. This rate is further adjusted for expected harvest costs (well boat, harvest and packing) and transport to Oslo. Adjustments for expected size and quality differences are also made. The adjustment in relation to the reference price is done at site level.

Estimated remaining production costs to breed the fish to harvestable weight represents the cost estimate a rational operator would assume, if he wanted to buy the immature fish with the purpose to breed to harvestable size.

The present value model used for valuing the biological assets stipulates that compensation for license rent is deducted from the inventory value in the form of a premium in the monthly discount factor, rather than a separate cost item. In this way, rent cost will be correlated with the price and the value of the license.

The principle of highest and best use, according to IFRS 13 is the basis for the valuation and classification. In the fair value calculation, optimal harvest weight is defined as harvest weight according to harvest plans.

Changes in fair value adjustments are recognised in the income statement on a separate line for fair value adjustments. Fair value adjustments are included in the consolidated operating results.

Costs related to the non-recurring events that cause mortality are expensed in the income statement in the period it occurs. Such costs are included in the operational result. Non-recurring events that cause mortality is defined as an incident of not normal nature that has a significant economic impact. A specific assessment is made of every incident that has caused increased mortality. This assessment is done by the regional management in close dialogue with the group management to ensure consistent classification within the Group. Events defined as non-recurring are for example; outbreaks of disease, algae attack, treatment losses, extreme weather, statutory orders of destruction of salmon and escapes that amounts to a significant value for the Group.

Costs related to what is considered normal mortality are included in the carrying amount of biomass in the balance sheet. Normal mortality is considered part of the production process of fish and added to the production cost.

The Group enters into contracts for future delivery of salmon. Biological assets are recognised at fair value. The fair value adjustment in the income statement includes the change in fair value of the biological assets, expected cost for fulfilling the sales contracts and financial Fish Pool contracts. The group may have onerous contracts under IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost of the products. In that case, a provision is made for the estimated negative value. The provisions are classified as other current liabilities.

Fair value adjustment recognised in the financial accounts in the period include 1) changes in the fair value of biological assets, 2) changes in fair value (liabilities) related to onerous contracts and 3) change in unrealized value of financial purchase and sales contracts (derivatives)at Fish Pool. Fish Pool contracts are treated as financial instruments in the balance sheet, where unrealised gains are classified as other receivables and unrealised losses are classified as other current liabilities.

Property, plant and equipment

Property, plant and equipment are capitalised at cost, less accumulated depreciation and impairments. If material individual parts of a unit of property, plant or equipment have different useful lives, they are recognised as separate components with varying depreciation schedules. Ongoing maintenance costs are charged to expenses as they arise.

Assets are depreciated over their estimated useful economic lives. The depreciable amount is the asset's cost less its residual value. Land is not depreciated.

Tax

Tax on the profit/loss for the year comprises tax payable and deferred tax. Tax is recognised in the income statement except for tax on items that have been recognised in comprehensive income or directly in equity. The tax impact of these latter items is recognised in comprehensive income or directly in equity.

Tax payable comprises expected tax payable on the taxable profit for the year at the tax rates in effect at the balance sheet date, and any corrections of tax payable for previous years.

Deferred tax is calculated to take account of temporary differences between the book value of assets and liabilities and their value for tax purposes. Provisions for deferred tax are based on expectations relating to the realisation or utilisation of the book value of assets and liabilities and are calculated at the nominal tax rates applicable at the balance sheet date.

Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that the asset will be utilised through future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax asset will be utilised.

Onerous contracts

Physical fixed-price sales contracts whose price is less than the price used as the basis for adjusting the fair value of the biomass are recognised as liabilities in the financial statements. The amount recognised as a liability is the difference between the market price at the balance sheet date plus costs to sell and the contract price. The Group also enters into corresponding fixed-price purchase contracts. In such cases, provisions are recognised for losses on contracts where the contract price is higher than the market price. Changes in provisions are recognised in a separate line for fair-value adjustment. Fair value adjustments are included in the consolidated operating results.

Financial instruments

Shares

Investments in shares, which are not investments in subsidiaries or associates, are valued at fair value.

Derivatives

The Group uses derivatives to hedge against foreign currency fluctuations arising from operating activities. This is done using forward currency contracts. The Group can use derivatives to hedge against fluctuations on the interest rate of its long-term debt. This is done using interest-rates swaps. In addition, the Group has TRS (Total Return Swap)-agreements.

The derivatives are measured at fair value. Changes in fair value of derivatives are recognised through profit and loss as financial items, except for currency contracts and derivatives qualifying for hedge accounting.

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes follows specific guidance in IAS39 and is as follows:
There is adequate documentation when the hedge is entered into that the hedge is effective. The hedge is expected to be highly effective in that it counteracts changes in cash flows from an identified object. For cash flow hedges, the forthcoming transaction must be highly probable, and the effectiveness of the hedge can be reliably measured. The hedge is evaluated regularly.

For hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows caused by variances in currency rates. For cash flow hedges, which meet the conditions for hedge accounting, any unrealised gain or loss on the contract that is determined to be an effective hedge is recognised temporarily in other comprehensive income until the hedged cash flow materialises and affects the profit or loss. All financial instruments are recognised in the balance sheet at fair value when the entity becomes a party to the contractual provisions of the instrument. The instrument is derecognised when the contractual rights expire or contractual rights and obligations are transferred. Derivative financial instruments are classified as current assets or liabilities. If a cash flow hedge expires, gains and losses in the hedging reserve within equity are recycled through profit or loss in accordance with the above principle. If the hedged transaction is no longer expected to occur, accumulated unrealised gains and losses previously recognised in other comprehensive income is immediately reversed and recycled through profit or loss.

The Group also uses derivatives to hedge margins connected to deliveries in the sales department. In cases where fixed-price contracts have been entered into without being hedged using physical contracts and the sales department does not wish to hedge the Group's volume from the farming operations, agreements are made to purchase financial Fish Pool contracts to hedge the margins. The derivatives are measured at fair value at the time they are entered into with subsequent changes in value recognised on a separate line for fair value adjustment. Fair value adjustments are included in the consolidated operating results. Realised gains and losses are recognised in cost of sales.

The fish farming business enters into financial Fish Pool contracts in order to hedge prices of future deliveries. Derivatives are measured at fair value at the time they are entered into with subsequent changes in value being recognised on a separate line for fair-value adjustments. Fair value adjustments are included in the consolidated operating result. Realised gains and losses are recognised in sales revenues.

Loans and receivables
Loans and receivables, including trade receivables, are financial assets with fixed payments not listed in an active market. Financial assets of this kind are initially recognised at fair value plus directly attributable transaction costs. Following initial recognition, loans and receivables are recognised at amortised cost less any impairment. Trade receivables are valued at nominal value, less any expected losses.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Liabilities
Current and non-current interest-bearing debt and trade payables are initially recognised at fair value less directly attributable transaction costs. In subsequent periods, interest bearing debt is recognised at amortised cost. Trade payables do not generate interest and are recognised at nominal value in the balance sheet.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, bank deposits and other current investments that may immediately be converted into cash amounts without material risk of loss on the transaction.

Pensions
Defined contribution pension schemes
A defined contribution plan is a pension plan under which the group pays fixed contributions. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In a defined contribution scheme, the company pays what they have committed in accordance with an agreement, committed by law or voluntarily contributes. The company has no further obligations beyond this payment. Liabilities to pay contributions to defined contribution pension schemes are recognised as costs in the income statement as they accrue.

Defined benefit pension schemes
Pension schemes that are not defined contribution schemes are defined benefit schemes. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a linear accrual method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

Share price-based bonus scheme
The Group has a share price-based bonus scheme that will be settled in cash. The fair value of the program is recognised as a payroll expense and a liability. The fair value of each allotment is measured at the end of each reporting period and accrued over the period until the employees have earned an unconditional right to receive them.

In addition, the Group has a share price-based bonus scheme. The fair value of the scheme is calculated at the grant date and is recognised linearly during the vesting period. Please see note 18.

Equity
Purchase of treasury shares
On the repurchase of treasury shares, the purchase price including directly attributable costs is recognised

as a change in equity. Treasury shares are recognised as a reduction in equity. When treasury shares are sold, any consideration received is included in equity attributable to the company's equity holders.

Dividends
Dividends are recognised as liabilities in the period they are adopted.

Inventory
Inventory comprise raw materials of which is mainly feed for the fish farming business, finished goods in transit and stocks of finished goods, largely frozen salmon for sale.

Inventory is valued at the lower of cost and net realisable value. The net realisable value is the estimated ordinary sales price less estimated sales costs. Inventory is recognised in accordance with the FIFO principle.

Fish produced in-house and which is placed in storage awaiting sale by the sales business is recognised at the fair value of own production, which is deemed to be the acquisition cost for the sales business.

Leasing
Lease agreements with terms which transfer economic rights and liabilities to the Group are classified as financial leasing. Assets acquired by means of finance leases are recognised at the start of the leasing period at a value corresponding to the lower of the fair value of the asset and the present value of the minimum leasing cost, less cumulative depreciation and impairments. Associated leasing obligations are capitalised as liabilities. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in debt. The interest element of lease payment is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. All leases are signed on standard terms.

Other lease agreements defined as operating leases are charged to expenses as they accrue.

Foreign currency
Presentation currency
The consolidated financial statements are presented in Norwegian kroner (NOK), which is the Group's functional currency. All amounts are stated in thousands of kroner unless indicated otherwise.

Transactions and balance-sheet items
Transactions in foreign currency are translated at the exchange rate in effect at the transaction date. Monetary items in foreign currency are translated to NOK at the rate in effect at the balance sheet date. The Group reduces its foreign currency risks on receivables by drawing the same amount in the same currency on its overdraft facility. Other non-monetary assets and liabilities, which are recognised at historical cost in a foreign currency, are translated at the rate in effect at the transaction date. Foreign exchange gains and losses deriving from the settlement and translation of monetary items in foreign currencies to the exchange rate in effect on the balance sheet date are recognised and classified as operating items.

Exceptional items
Exceptional items are disclosed separately in the financial statement under operational result and in notes to provide further understanding of the financial performance of the group. Exceptional items are fair value adjustment of biomass (note 5), provision for onerous contracts and changes in Fair value of Fish Pool contracts (note 16).

Events after the balance sheet date
New information regarding the company's financial position on the balance sheet date which is received after the balance sheet date has been accounted for in the year-end financial statements. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's future financial position are reported if material.

Accounting standards and interpretations issued but not applied
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2017 and have not been applied in preparing these consolidated financial statements. The standards concerned are as follows:

IFRS 9 Financial instruments
Addresses the classification, measurement, and recognition of financial assets, financial liabilities, and hedge accounting. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for a financial liability, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable

option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement. IFRS 9 includes a number of changes and simplifications that increase the possibilities for employing hedge accounting. The Group has not finished its assessment of the impact of IFRS 9, but do not expect that the new standard will have a significant impact on the measurement of financial assets and liabilities. The standard is mandatory from 1 January 2018.

IFRS 15 Revenue
New common standard for the recognition of revenue, replaces all existing standards and interpretations for revenue recognition. The standard applies to all income contracts and contains a model for recognition and measurement of the sale of certain non-financial assets. The standard is not considered to have significant impact on the Group's revenue recognition policy. The standard is implemented from January 1 2018.

IFRS 16 Leasing
The standard implies that virtually all leases will be recognized in the balance sheet as the difference between operating and finance leases are removed. The new standard stipulates that it is no longer a distinction between operating and finance leases, because both types of agreements transfer the right to use a specific asset from the lessor to the lessee for a specific period. Therefore, all leases under the new standard is recognized and treated according to a model that corresponds to how finance leases were treated in IAS 17, Leases. IFRS 16 contains an option to not recognize the right of use and the related lease obligation for a lease when the lease is short term or for the lease of assets with low value. The standard is not considered to have significant impact on the Group's accounting principles. The standard is mandatory from 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.5 Important accounting estimates and judgments

Preparation of annual financial statements in accordance with IFRSs involves the use of judgements, estimates and assumptions. These affects both the application of accounting principles and the recognised values of assets, liabilities, revenues and expenses. Actual figures may deviate from those estimated.

Estimates and underlying assumptions are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in all future periods affected. Valuations and estimates that are of most significance for the Group are as follows:

Valuation of the biological assets
Biological assets are fish in the sea. In accordance with IAS 41 and IFRS 13, the biological assets are valued at fair value. The difference between the fair value adjustment of live inventory at the beginning and the end of the period is recognised as a fair value adjustment in the income statement. The technical model for calculating fair value is a present value model. The inventory to be valued is in the sea and are exposed to operational risk. All harvest is in the future, normally within the next 1 to 24 months. The following factors affecting the calculation of fair value of biomass are uncertain: volume, growth rate, price, cost and discount factor.

The volume of fish may be lower or higher than expected. The calculation of fair value is done for each site and specifying the biomass includes both the number of fish and the estimated average weight. This estimate includes considerable uncertainty. Estimated produced biomass is based on assumptions about growth and mortality from the date the fish is put to sea, adjusted for any controls done during the production period, until the fish is harvested. Uncertainty about the growth rate affect the time of harvest and the period of discounting. Changes in regulatory conditions and forced harvest or destruction required by the authorities cause uncertainty about the harvest volume.

The prices are subject to change and this estimate contains considerable uncertainty. The forward prices used to calculate the fair value of the biomass can change. In addition, can growth rate and changes in regulatory issues lead to changes to the harvest plans, which in turn results in harvesting at different times with other prices than the valuation model assumes. Achieved price is also affected by the quality distribution of the fish, which only to a limited extent can be observed and assessed before harvest. The estimate of the quality distribution will be subject to considerable uncertainty and affect the price assumption used when estimating the fair value of the biomass.

There is considerable uncertainty associated with the estimate for the remaining production costs. Biological challenges greater than expected, with respect to disease or sea lice, results in higher costs. Changes in exchange rates and the market prices of the input factors related to feed entail changed remaining production costs. Change in regulatory conditions, which can enforce higher cost, represent an uncertainty in the estimation of fair value of biomass.

The discount factor used in the model consists of several components. The valuation model implies that the license rent is deducted from the inventory value in the form of an additional premium in the discount factor. There is uncertainty about the charge for the license rent because it will be influenced and correlated with the market price of salmon and value of the license.

The principles used for valuation are described in the section describing biological assets and in Note 5 to the financial statements.

1.6 Financial risk

The Group's main financial obligations comprise liabilities to financial institutions and current liabilities connected to the company's operations. These financial liabilities account for the bulk of the Group's debt capitalisation. The Group has several financial assets, such as cash, trade receivables and short-term receivables connected to the company's operations. The company also has some forward currency contracts and Fish Pool contracts for hedging purposes. The main risks to which the company is exposed are connected to interest rate risk, foreign currency risk, liquidity risk and credit risk. This note gives details of exposure to each of these risks and aims and procedures for dealing with risk. Further quantitative details can be found elsewhere in the consolidated financial statements.

Foreign exchange risk

The bulk of the Group's transaction risk is linked to sales in currencies other than the functional currency of its sales business. The exposure is largely connected to EUR, USD and GBP. Hedging of contracted currency revenues is managed through forward currency contracts. Hedging of the currency exposure deriving from trade receivables is managed through forward currency contracts and by drawing on the overdraft facility in the same currency. Details of the Group's exposure in foreign currency can be found in Notes 6 and 8. Forward currency contracts, see Note 16. Given the financial instruments in effect on 31 December 2017, a 2 per cent reduction in the value of the NOK towards USD would decrease the Group's profit by KNOK 1 174, a 2 per cent reduction in the value of the NOK towards EUR would decrease the Group's profit by KNOK 3 909, and a 2 per cent reduction in the value of the NOK towards GBP would decrease the Group's profit by KNOK 4 889. The contractual future revenues that the instrument hedge (hedged items) are not recognized in the accounts.

Interest rate risk

The Group's interest-bearing debt is currently exposed to variable interest rates. This means that the Group is exposed to changes in interest rates. The Group's interest bearing debt is capitalised at amortised cost. Given the financial instruments in effect on 31 December 2017, an increase of 100 basis points in the interest rates level would decrease the Group's profit by KNOK 6 335, assuming all other variables are constant.

Credit risk

The Group's exposure to credit risk is affected largely by circumstances related to each individual customer. The Group is not materially exposed to any single counterparty. Historically, bad debts have been small – see Note 6 for further details. Trade receivables are monitored continuously, and the Group's policy is to insure all major trade receivables against non-payment. In addition to trade receivables, the Group is exposed in connection with the derivatives entered into by the Group. The counterparty in the agreements are major financial institutions and the credit risk associated with the counterparty is very low.

Price/liquidity risk

Liquidity risk is the risk that the Group will have trouble meeting those financial obligations which must be settled in cash or with other financial assets. Liquidity management shall, as far as possible, ensure that available liquidity is sufficient to meet such obligations as they fall due.

The Group monitors its liquidity continuously and estimates expected future developments through budgets and updated forecasts. The Group's liquidity depends in large measure on developments in the price of salmon, making it significantly exposed to changes in salmon prices. Other key risks include fluctuations in production and harvested volumes.

To reduce this risk long-term fixed-price contracts are entered into for a portion of the volume. If the sales business concludes fixed-price contracts, the margin is closed at the same time by concluding financial contracts to buy fish to an equivalent volume at Fish Pool or possible physical contracts with suppliers. In addition, contracts are entered into with the aim of hedging the price of the self-produced fish in the Group. In 2017 Norway Royal Salmon entered into agreements to secure the price of self-produced fish in the Group. 35 per cent of harvested volume were hedged. The Group had a net exposure of Fish Pool contracts for purchase of 5 736 tonnes at 31 December 2017. Given the financial instruments in effect on 31 December 2017, a NOK 5.00 reduction in the price of salmon would reduce the Group's profit by NOK 28 680. Such a price reduction will also result in a reduction of the Group's fair value adjustment of the biomass in the income statement of KNOK 169 109.

The Group's objective is to maintain a balance between long-term funding and flexibility through the use of overdraft facilities. The maturity profile of the company's interest-bearing debt is presented in Note 8.

Norway Royal Salmon entered into a TRS-agreement on own shares. The Company is therefore exposed to changes in the share price of NRS. Given the financial instruments in effect on 31 December 2017, a NOK 1.00 reduction in the share price of NRS would reduce the Group's profit by NOK 1 775.

Capital structure and equity

The Group's objectives when managing capital are to safeguard the continued operation of the Group, have a reasonable debt ratio to ensure adequate returns for shareholders and other stakeholders, as well as maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and adjusts in the light of changes in underlying economic conditions. Capital structure can, in addition to organisation of the operations, be affected through dividends to shareholders, repayment of capital to shareholders, issuing of new shares or sale of assets to reduce debt.

The company's main borrowing covenants are important indicators for measuring risk of the capital structure. The Group's main borrowing covenants are based on standard ratios relating to solvency. The group' finance agreement has one financial covenant requiring an equity ratio of at least 30 per cent and another requiring that the short-term credit facility shall not exceed 75 per cent of the carrying value of inventory and accounts receivables. At the end of 2017, the company keeps covenants under the loan agreement.

The Group's principal financial liabilities apart from bank liabilities consist of trade payables and derivatives. These financial liabilities constitute the majority of the Group's debt financing. The Group has various financial assets such as cash, accounts receivable and shares. The Group also uses financial derivatives, principally forward currency contracts. The purpose is to manage currency risks arising from the operations of the Group. Derivatives of this type are not entered into for speculation purposes.

Equity not considered necessary for further growth will be returned to shareholders through dividends. At 31 December 2017, the Group had equity of NOK 1 851 million. The equity ratio, defined as equity divided by total assets, was at the same time 48.0 per cent. Net interest-bearing debt, defined as total debt less cash and cash equivalents and interest-bearing receivables were NOK 633 million at year-end.

The Company's dividend policy is to distribute at least 60% of profit after tax, provided that the Group's equity ratio is above 40 per cent and that the Group's own capital requirements have been satisfied. The shareholders should obtain a current yield directly correlated with the results. The board has proposed a dividend of NOK 226 575 393 (NOK 5.20 per share) based on the financial statements of 2017. The resolution is passed at the Annual General Meeting on 31 May 2018.

The board of Norway Royal Salmon ASA has received the following powers from the General Meeting:

The board is authorised to purchase up to 4 357 219 treasury shares with a face value of NOK 4 357 219. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1.00, and no higher than NOK 300.00 per share. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018. The Group owns 82 443 treasury shares at the end of 2017. The group also owns TRS agreements to 1 775 377 shares with a contractual right to buy.

The board is authorised to issue up to 4 357 219 shares. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2018.

Note 2. Segment reporting

Operating segments are identified based on the reporting used by Group management to assess performance and profitability at a strategic level. The Group management is defined as the chief operating decision-makers.

The Group's business areas are divided into the Sales and Fish farming. The Sales segment includes the purchase and sale of salmon. The fish farming business includes salmon farming and harvesting activities. The fish farming business is divided into two regions: Region North, which consists of the fish farming business in Troms and West Finnmark; and Region South, which consists of the fish farming business in the border region of Hordaland and Rogaland.

Transactions between the segments are made at market terms.

Group management reviews monthly reports in connection with the segments. Performance is evaluated based on operating results (EBIT) per segment.

	Sales		Fish farming				Total	
			Region North		Region South			
(NOK 1 000)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Total segment revenues	4 931 030	4 219 524	1 354 710	1 300 093	415 640	322 474	6 701 380	5 842 091
Revenues between segments	0	0	-1 354 710	-1 300 093	-415 640	-322 467	-1 770 350	-1 622 560
Revenues from external customers	4 931 030	4 219 524	0	0	0	6	4 931 030	4 219 531
Cost of materials	4 768 542	4 220 416	640 263	440 355	207 153	171 887	5 615 958	4 832 658
Depreciation	44	0	65 536	49 130	12 152	11 934	77 732	61 064
Other costs	40 275	31 375	215 830	154 497	46 318	36 739	302 423	222 611
Operating result before fair value adjustments	122 169	-32 267	433 082	656 112	150 017	101 914	705 268	725 758
Fair value adjustments	-30 265	-29 966	-113 751	138 879	-49 497	55 238	-193 513	164 151
Operating result	91 904	-62 233	319 331	794 991	100 521	157 152	511 756	889 909
Interest income	588	328	1 434	1 417	0	5	2 022	1 750
Interest expenses	-4 547	-5	-10 758	-6 463	-1 011	-4 794	-16 316	-11 262
Other financial items	-1 255	-1 165	54	48	0	-2	-1 201	-1 119
Segment result before tax	86 691	-63 075	310 061	789 993	99 511	152 362	496 261	879 278
Total assets	866 565	544 164	2 133 733	1 960 331	384 940	420 885	3 385 238	2 925 380

Reconciliation of reported segment result before tax with Group result before tax:

(NOK 1 000)	**2017**	**2016**
Segment result before tax for operating segments:	496 261	879 278
Unallocated income statement items:		
Income from associates	52 657	71 865
Depreciation and write-downs	-847	0
Gain on realisation of financial assets	105 099	164 916
Unrealised gains on financial assets	-247 351	146 576
Unallocated non-recurring items	-47 843	-20 322
Unallocated expenses (operations)	-30 134	-64 824
Unallocated interest (finance)	-5 245	-5 069
Result before tax	**322 596**	**1 172 421**

Reconciliation of reported segment assets to total assets:

(NOK 1 000)	2017	2016
Segment assets for reportable segments:	3 385 238	2 925 380
Unallocated assets:		
Investments in associates	572 059	524 250
Investments in other shares	1	1
Other long-term receivables	21 344	4 000
Unrealised losses/gains on financial assets	-247 351	183 273
Bank deposits related to TRS agreements	123 872	76 478
Total assets in the balance sheet	**3 855 163**	**3 713 382**

Geographical market sales:

(NOK 1 000)	2017	2016
Norway	618 191	420 716
Western Europe	3 327 192	2 735 901
Eastern Europe & Russia	227 926	235 575
Asia & Middle East	728 905	780 548
Other countries	35 584	51 598
Total operating revenues	**4 937 798**	**4 224 340**

Note 3. Intangible assets

Cost:

	Fish farming licenses	
(NOK 1 000)	**2017**	**2016**
Acquisition cost as of 1 January	648 887	648 887
Additions during the year	0	0
Acquisition cost as of 31 December	648 887	648 887

Specification of fish farming licenses by region:

(NOK 1 000)	Ordinary licenses	Green licenses	Total	Cost	Book value 31.12.2017
Region North	19	10	29	572 026	572 026
Region South	6	0	6	76 861	76 861
Total	25	10	35	648 887	648 887

Licenses

NRS has two types of licenses; ordinary and green. All licenses are in Norway and are managed by the Department of trade, industry and fisheries.

The main condition for ordinary licenses is that they shall be operated in accordance with current laws and regulations. At 31 December 2017 is maximum allowed biomass in Region North 945 tonnes per license and 780 tonnes per license in Region South.

The main conditions of the green licenses are that sterile fish must be used, smolt must be over 100 grams, nets with material properties which reduces the possibility of escape must be used, lice skirts must be used, and that ice skirts should be used on locations that are particularly vulnerable to icing.

Serious breaches of the terms of the licenses may give rise to loss of the licenses.

Note 3 cont.

Annual impairment test

Fish farming licenses are defined as having an indefinite useful economic life and are not amortised, but are tested for impairment annually, or more frequently when there is an indication that an asset may be impaired. This is done by comparing assets' recoverable amounts with their book values. Licences are considered to have an indefinite life because ownership of licenses has no time limit as long as the owner complies with significant statutory requirements regarding the use of them. See note 1.4 for further details on the Group's assessment that the licenses have indefinite life.

Impairment testing is performed for each cash flow generating unit (CGU). Region North and Region South are defined as CGUs as production management, evaluation of harvesting plans, etc. are treated as one within these regions.

The impairment test is carried out by calculating the present value of estimated future cash flows (estimated value in use) for the cash flow generating unit and comparing this with the book value of the unit's net assets. Impairments are recognised if the book value exceeds the estimated value in use.

Estimated future cash flows are based on budgets and forecasts for the next four years. After that, a terminal value is used. The terminal value is calculated using a growth rate of 2.0 per cent, which reflects future estimated inflation.

The impairment test did not give indications for write-downs of the book value of the licenses at 31 December 2017. There are significant positive differences between estimated recoverable amounts and book values in Region North and Region South.

Key assumptions

Calculations are based mainly on EBIT margin per kg (salmon prices and production costs per kg), investment levels, discount rates and harvesting volumes.

EBIT Margin per kg

EBIT per kilo is highly volatile due to the fluctuations in the price of salmon. Costs can under normal circumstances be forecasted with a relatively high level of accuracy. Due to expectations of continued high salmon prices the next four years, a lower EBIT margin per kg than achieved in 2017, but higher than the historical average margin, has been used in the calculations. After this period, the margin has been reduced to a normalized EBIT per kg of approximate NOK 15,00. Necessary investments to meet anticipated growth has been taken into consideration. In the latter part of the forecast period the investments will equal the depreciations and represents maintenance investments.

Discount rate

The estimated value in use is based on a discount rate after tax of 8.0 per cent. The discount rate is an estimated average capital cost for the Group (WACC). Capital costs are calculated by considering the risk-free interest rate, the market risk premium in the equity market and the company's average interest rate on borrowing. Capital costs are adjusted to reflect conditions at individual cash flow generating units, such as particular risks and interest rate differentials.

Harvest volume

Future production are estimated on the basis of current production and harvest plan, adjusted for expected increases in future output given current licenses. In the calculation it is assumed a production capacity of about 45 000 tonnes.

Sensitivity analysis

Sensitivity analysis have been performed by examining changes in discount rates, EBIT per kg and harvesting volume. The following table shows how much each key assumption can change before book value is lower than estimated value in use.

	Region North	Region South
EBIT margin per kg (NOK)	-12.16	-10.16
Discount rates after tax	22.3 %	21.2 %
Harvest volume	-74.0 %	-70.0 %

Note 4. Companies in Group

The consolidated financial statements for 2017 include the following companies:

(NOK 1 000)	Registered Office	Nominal share capital	Share holding %
Parent company			
Norway Royal Salmon ASA	Trondheim	43 572	
Subsidiaries			
NRS Feøy AS	Torvastad	1 445	100.00 %
NRS Finnmark AS	Alta	9 429	100.00 %
Nor Seafood AS	Torsken	205	82.50 %
NRS Troms AS	Finnsnes	405	100.00 %
NRS Settefisk AS	Trondheim	1 000	100.00 %

All subsidiaries are included in the consolidation. The proportion of the voting rights in the subsidiary held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiaries in the group.

Summarised financial information on subsidiaries with material non-controlling interests:

	Nor Seafood AS	
Summarised balance sheet	**2017**	**2016**
Current		
Assets	274 118	174 871
Liabilities	-96 778	-11 813
Total current net assets	**177 340**	**163 058**
Non-current		
Assets	114 366	100 956
Liabilities	-75 921	-57 694
Total non-current net assets	**38 445**	**43 262**
Net assets	**215 785**	**206 320**

	Nor Seafood AS	
Summarised income statement	**2017**	**2016**
Operating revenues	94 388	227 099
Operational EBIT	38 941	97 335
Result before tax	37 125	114 471
Tax	9 576	26 156
Total comprehensive income	**27 549**	**88 315**
Total comprehensive income allocated to non-controlling interests	4 824	15 464
Dividends paid to non-controlling interests	3 152	0

Note 4 cont.

Summarised cash flows	Nor Seafood AS 2017	2016
Cash flows from operating activities:		
Cash generated from operations	-44 032	85 059
Interest paid	-254	-563
Income tax paid	-24 711	0
Net cash generated from operating activities	-68 997	84 496
Net cash used in investing activities	-21 275	-2 080
Net cash used in financing activities	29 523	-21 667
Net increase in cash and cash equivalents and bank overdrafts	**-60 749**	**60 749**
Cash, cash equivalents and bank overdrafts at beginning of year	60 749	0
Cash and cash equivalents and bank overdrafts at end of year	**0**	**60 749**

Note 5. Biological assets

Specification of biological assets:

(NOK 1 000)	31.12.2017	31.12.2016
Biological assets valued at cost	950 700	813 888
Fair value adjustments of the biological assets	226 978	391 511
Total biological assets	**1 177 678**	**1 205 399**

Specification of changes in book value of biological assets:

(NOK 1 000)	2017	2016
Biological assets as of 1 January	1 205 399	829 928
Increase due to production in the period	1 230 516	967 416
Non-recurring event at cost	-19 879	-19 158
Reduction due to harvesting in the period	-1 073 825	-766 904
Fair value adjustments of the biological assets	-163 237	194 117
Fair value adjustments of the biological assets due to non-recurring events	-1 296	0
Biological assets as of 31 December	**1 177 678**	**1 205 399**

Specification of biological assets – tonnes (ungutted weight):	2017	2016
Biological assets as of 1 January	23 060	22 407
Increase due to fish put in the sea in the period	1 413	1 298
Increase due to production in the period	46 278	33 714
Reduction due to mortality in the period	-3 424	-2 269
Reduction due to harvesting in the period	-38 015	-31 955
Non-recurring event	-242	-135
Biological assets as of 31 December	**29 071**	**23 060**

Specification of biological assets status on the balance sheet date 31.12.2017	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	6 220	3 799	203 819	70 529	274 348
1-4 kg	5 132	9 960	332 324	61 610	393 934
Larger than 4 kg	3 162	15 313	414 557	94 839	509 396
Biological assets	**14 514**	**29 071**	**950 700**	**226 978**	**1 177 678**

Specification of biological assets status on the balance sheet date 31.12.2016	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	7 098	4 575	255 803	109 784	365 587
1-4 kg	4 950	13 027	412 823	171 133	583 956
Larger than 4 kg	1 162	5 458	145 262	110 594	255 856
Biological assets	**13 210**	**23 060**	**813 888**	**391 511**	**1 205 399**

Fair value of biological assets

In accordance with IAS 41, must biological assets be valued at fair value. Fair value is calculated in accordance with IFRS 13. Changes to valuation adjustments are recognised in the income statement on an ongoing basis and classified on a separate line in order to highlight operating results before and after fair value adjustments. The valuation model for biomass makes the fair value within level 3 in the fair value hierarchy.

Valuation model:

Efficient markets for sale of live fish do not exist and the valuation of biological assets involves estimating fair value in a theoretical market for live fish.

The technical model for calculating fair value was changed in 2016 from a growth model to a present value model. Present value is calculated for the biomass on each site/project by estimating the future sales value less remaining production costs discounted to the present value at the balance sheet date.

The fair value of fish in the sea is calculated in the present value model as a function of the expected biomass at the time of harvest multiplied by the expected sales price. For fish that are not harvestable, estimated remaining costs to breed the fish to its harvestable weight are deducted. Cash flows are discounted monthly using a discount factor. The discount factor consists of three main components: 1) risk for events that affect cash flow, 2) hypothetical license and site rent and 3) the time value of money. Expected biomass (volume) is based on the estimated number of individuals in the sea, adjusted for expected mortality until harvesting and multiplied by the expected harvest weight per individual at the time of harvest. The measuring unit is the individual fish, but for practical reasons the calculation is made on site level. Live weight of fish in the sea is translated into gutted weight to get the same measurement unit as the prices are set in.

The price is calculated based on forward prices from Fish Pool. The forward price for the month in which the fish expected to be harvested is used in the calculation of expected cash flow. The price quoted by Fish Pool adjusted for the export cost is the reference price. This rate is further adjusted for expected harvest costs (well boat, harvest and packing) and transport to Oslo. Adjustments for expected size differences and quality differences are also made. The adjustment in relation to the reference price is done at site level.

The principle of highest and best use, according to IFRS 13 is the basis for the valuation and classification. In the fair value calculation, optimal harvest weight is defined as harvest weight according harvest plans.

The valuation model uses the following forward prices:

Fish Pool forward prices 31.12.2017	NOK/kg
Q1-18	53,85
Q2-18	53,05
Q3-18	53,05
Q4-18	55,00
Q1+Q2-19	57,80
Y2019	56,80

Fish Pool forwardpriser pr. 31.12.2016	NOK/kg
Q1-17	74,00
Q2-17	71,80
Q3-17	64,70
Q4-17	64,50
Q1+Q2-18	64,10
Y2018	61,20

Note 5 cont.

The following discount factor is used in the valuation model:

	31.12.2017	31.12.2016
Discount factor	6 %	6 %

Sensitivity analysis:

Based on the Group's biomass at 31 December 2017, a change in some factors will affect the book value of the biomass in the following manner:

	Increase	Effect on biomass value at 31.12.2017	Reduction	Effect on biomass value at 31.12.2017
Change in price	NOK 5,- per kg	167 394	NOK -5,- per kg	-169 109
Change in production cost on finished projects, gutted weight	NOK 1,- per kg	-47 898	NOK -1,- per kg	47 195
Change in discount factor	0.5 %	-42 975	-0.5 %	45 046
Change in discount factor	1 %	-83 036	-1 %	93 435
Change in time of harvest	1 month earlier	47 763	1 month later	-61 676
Biomass at 31.12.2017	1 %	4 950	-1 %	-5 649
Biomass at 31.12.2017	5 %	26 847	-5 %	-26 496

	2017			2016		
Non-recurring events recognised in the income statement [1]	**Cost**	**Fair value adjustments**	**Fair value**	**Cost**	**Fair value adjustments**	**Fair value**
Fish disease ISA, NRS Finnmark AS	36 547	614	37 161			
Destruction of desmoltified fish NRS Finnmark AS [2]	10 000	682	10 682	8 000	0	8 000
Destruction of fish with winter wounds Nor Seafood AS [2]				11 156	0	11 156
Biological assets	**46 547**	**1 296**	**47 843**	**19 156**	**0**	**19 156**

1) Non-recurring event recognised in the income statement, but not allocated to the segments.

2) All events in 2016 is related to fish less than 1 kg. At the time of the events the cost price was seen as the best estimate of fair value.

Note 6. Accounts and other receivables

Specification of accounts and other receivables:

(NOK 1 000)	31.12.2017	31.12.2016
Account receivables	552 052	479 069
Provision for bad debts	-5 969	-855
Net accounts receivables	546 082	478 214
Other short-term receivables	73 888	244 596
Other long-term receivables	14 040	16 000
Other long-term interest-bearing receivables	18 600	0
Total accounts and other receivables	**652 610**	**738 810**

Other short-term receivables comprise:

(NOK 1 000)	31.12.2017	31.12.2016
Fair value of derivatives	0	183 273
Prepaid costs	10 514	9 652
Value added tax repayable	53 576	47 022
Other receivables	9 797	4 649
Total other short-term receivables	**73 888**	**244 596**

At 31 December 2017, accounts receivables of KNOK 128 270 (2016: KNOK 92 580) were past their due date but not impaired. These relate to a number of different customers that have not previously defaulted on their obligations to the group. The age distribution of these receivables are:

(NOK 1 000)	31.12.2017	31.12.2016
Less than 1 month	115 154	76 818
Between 1 and 3 months	12 836	14 762
More than 3 months	280	0
Accounts receivables past due date, but not impaired	**128 270**	**91 580**

Change in provision for bad debts:

(NOK 1 000)	2017	2016
Provision for bad debts as of 1 January	-855	-1 848
Bad debts recorded in the year	1 612	2 561
Change in provision for bad debts	-6 726	-1 568
Provision for bad debts as of 31 December	**-5 969**	**-855**

At 31 December 2017 was nominal accounts receivables of KNOK 7 355 (2016: KNOK 2 771) written down. The size of the provision was KNOK 5 969 at 31 December 2017 (2016: KNOK 855). The individually impaired receivables relate to customers who have had financial problems. Accounts receivables are insured with a deductible mainly between 10 and 20 per cent. The age distribution of the written down receivables are:

(NOK 1 000)	31.12.2017	31.12.2016
2 to 6 months	5 395	0
More than 6 months	1 940	2 771
Accounts receivables written down	**7 335**	**2 771**

Foreign currency exposure on receivables:

(NOK 1 000)	31.12.2017	31.12.2016
CHF	126	1 007
EUR	295 313	287 348
GBP	64 748	43 958
JPY	3 702	7 531
SEK	635	0
PLN	0	2 480
USD	39 820	54 890
NOK	141 739	80 999
Total book value trade receivables	**546 082**	**478 214**

Note 7. Property, plant and equipment

(NOK 1 000)	Land and buildings	Machinery and equip-ment	Boats and floating assets	Other operating assets	Total	Of which leased operating assets*
Acquisition cost as of 1 January 2016	21 964	302 429	227 407	30 432	582 232	345 837
Additions	7 796	53 908	49 250	10 466	121 421	52 212
Disposals	0	-8 594	-2 437	-5 338	-16 369	-42 364
Acquisition cost as of 31 December 2016	**29 760**	**347 744**	**274 221**	**35 561**	**687 285**	**355 685**
Acquisition cost as of 1 January 2017	29 760	347 744	274 221	35 561	687 285	355 685
Additions	12 541	92 182	97 873	8 867	211 462	119 105
Disposals	-61	-12 230	-5 934	-7 564	-25 789	-28 483
Acquisition cost as of 31 December 2017	**42 240**	**427 697**	**366 159**	**36 864**	**872 958**	**446 307**
Accumulated depreciation as of 1 January 2016	9 098	133 788	63 709	17 688	224 283	104 726
Depreciation for the year	1 083	39 629	15 663	4 688	61 063	28 787
Disposals	0	-7 783	-2 436	-5 338	-15 557	-29 096
Accumulated depreciation as of 31 December 2016	**10 181**	**165 634**	**76 936**	**17 038**	**269 790**	**104 417**
Accumulated depreciation as of 1 January 2017	**10 181**	**165 634**	**76 936**	**17 038**	**269 790**	**104 417**
Depreciation for the year	1 457	49 298	20 544	6 434	77 732	30 042
Impairments	0	0	3 484	847	4 331	0
Disposals	-22	-12 005	-5 649	-5 224	-22 900	-19 174
Accumulated depreciation as of 31 December 2017	**11 615**	**202 927**	**95 315**	**19 095**	**328 953**	**115 285**
Book value as of 1 January 2016	12 866	168 641	163 698	12 743	357 948	241 112
Of which leased as of 1 January 2016	0	107 649	133 463	0	241 112	
Book value as of 31 December 2016	**19 579**	**182 110**	**197 285**	**18 521**	**417 496**	**251 268**
Of which leased as of 31 December 2016	0	87 888	163 381	0	251 269	
Book value as of 31 December 2017	**30 624**	**224 770**	**270 845**	**17 767**	**544 006**	**331 023**
Of which leased as of 31 December 2017	0	101 676	229 347	0	331 023	

* Disposal leased assets relate to the purchase of leased assets

Economic life	20 years	5–10 years	5–20 years	3–5 years
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line

Write-downs and other non recurring items

In 2017 the Group recognised write-downs of TNOK 3 484 related to non-recurring events on property, plant and equipment.

The remaining write-down is related to assets under construction in the parent company.

Note 8. Interest bearing debt

Long-term interest bearing debt:

(NOK 1 000)	31.12.2017	31.12.2016
Debt to financial institutions	250 000	150 000
Long-term finance leases	211 241	153 781
Total long-term interest bearing debt	**461 241**	**303 781**

Short-term interest bearing debt:

(NOK 1 000)	31.12.2017	31.12.2016
Liabilities to financial institutions	286 619	0
First year's instalment long-term debt	55 998	47 635
Total short-term interest bearing debt	**342 617**	**47 635**
Total interest bearing debt	**803 858**	**351 416**
Other long-term receivables	18 600	0
Cash and cash equivalents	151 779	69 257
Net interest bearing debt	**633 479**	**282 159**
Unused credit facility long-term debt	550 000	350 000
Limit credit facility	600 000	400 000
Drawn upon credit facility	-321 800	0
Unutilised drawing rights	**828 200**	**750 000**

Group loan agreements

Norway Royal Salmon ASA has an agreement with Danske Bank where the Group's credit facilities totals NOK 1 400 million. NOK 800 million is a long-term credit facility. NOK 500 million is instalment-free until 2022 and has an annual credit review for a further extension of 5 years. NOK 300 million is instalment-free until 2020 and has an annual credit review for a further extension of 3 years. NOK 600 million is a short-term multi-currency overdraft facility. The agreement covers all companies in the Group.

Interest on the long-term debt is floating and linked to the 3-month NIBOR plus a margin. Interest on the multi-currency credit line is 3-month NIBOR/ 1-week LIBOR/ Danish BOR plus a margin.

Leasing liabilities

At 31 December 2017 the book value of the company's leasing liabilities amounted to KNOK 267 239. Interest rates on these leasing liabilities are three-month NIBOR plus a margin.

Financial covenants

The Group's loan covenants are based on standard ratios. The Group shall have an equity ratio of at least 30 per cent and another requiring that the short-term credit facility shall not exceed 75 per cent of the inventory and accounts receivables. At the end of 2017 the Group is in compliance with the terms of its loan agreements.

Note 8 cont.

Foreign currency exposure in connection with company's interest bearing debt at 31.12.2017:

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Other	Total
Long-term interest bearing debt	250 000	0	0	0	0	0	250 000
Long-term finance leases	211 241	0	0	0	0	0	211 241
Liabilities to financial institutions	242 255	-39 161	2 188	75 833	4 494	1 010	286 619
First year's instalment long-term debt	55 998	0	0	0	0	0	55 998
Total interest bearing debt	**759 494**	**-39 161**	**2 188**	**75 833**	**4 494**	**1 010**	**803 858**

Short-term foreign exchange liabilities are hedging currency exposure on trade receivables.

Foreign currency exposure in connection with company's interest bearing debt at 31.12.2016:

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Other	Total
Long-term interest bearing debt	150 000	0	0	0	0	0	150 000
Long-term finance leases	153 781	0	0	0	0	0	153 781
Liabilities to financial institutions	-94 762	25 756	9 632	47 245	8 378	3 751	0
First year's instalment long-term debt	47 635	0	0	0	0	0	47 635
Total interest bearing debt	**256 654**	**25 756**	**9 632**	**47 245**	**8 378**	**3 751**	**351 416**

Short-term foreign exchange liabilities are hedging currency exposure on trade receivables.

Maturity structure of Group's interest-bearing debt:

(NOK 1 000)	31.12.2017	2018	2019	2020	2021	2022	After 2022
Long-term debt to financial institutions *	250 000	0	0	200 000	0	50 000	0
Interest on long-term debt	17 085	5 025	5 025	5 025	1 005	1 005	0
Long-term finance leases *	267 239	55 998	47 222	39 310	31 735	25 024	67 950
Interest on finance leases	17 969	5 411	4 244	3 265	2 462	1 820	768
Short-term debt to financial institutions	286 619	286 619	0	0	0	0	0
Total interest bearing debt	**838 912**	**353 053**	**56 490**	**247 600**	**35 202**	**77 849**	**68 718**

* First year's instalment long-term debt are in the Group accounts classified as short-term debt. In this note it is presented as long-term debt.

Maturity structure of Group's interest-bearing debt:

(NOK 1 000)	31.12.2016	2017	2018	2019	2020	2021	After 2021
Long-term debt to financial institutions *	150 000	0	0	0	0	150 000	0
Interest on long-term debt	15 360	3 840	3 840	3 840	3 840	0	0
Long-term finance leases *	201 417	47 635	40 650	33 313	25 616	17 487	36 718
Interest on finance leases	14 137	4 664	3 505	2 533	1 760	1 194	482
Total interest bearing debt	**380 914**	**56 139**	**47 995**	**39 686**	**31 216**	**168 681**	**37 200**

* First year's instalment long-term debt are in the Group accounts classified as short-term debt. In this note it is presented as long-term debt.

Note 9. Pledges and guarantees etc.

Reported liabilities secured by pledge:

(NOK 1 000)	31.12.2017	31.12.2016
Long-term liabilities to financial institutions	250 000	150 000
Long-term finance leases	211 241	153 781
Short-term interest-bearing debt	342 617	47 635
Total liabilities secured by pledges	**803 858**	**351 416**
Guarantee obligations and guarantor liabilities	15 537	0

Book value of assets pledged:

(NOK 1 000)	31.12.2017	31.12.2016
Licenses	648 887	648 887
Property, plant and equipment	544 006	417 496
Inventories and biological assets	1 277 004	1 307 035
Trade receivables	546 082	478 214
Total book value of pledged assets	**3 015 979**	**2 851 632**

Note 10. Investments in associates

2017 (NOK 1 000)	**Business local authority**	**Share-holding**	**Book value 31.12.2016**	**Share of result for the year**	**Dividend received**	**Equity changes**	**Book value 31.12.2017**
Company							
Wilsgård Fiskeoppdrett AS	Torsken	37.50 %	134 544	25 456	-7 125	0	152 875
Måsøval Fishfarm AS	Frøya	36.10 %	10 489	9 472	-1 264	235	18 932
Hellesund Fiskeoppdrett AS	Lillesand	33.50 %	67 033	18 088	-5 030	-461	79 630
Arctic Fish*	Isafjörður	50.00 %	281 219	-2 141	0	8 194	287 272
Hardanger Fiskeforedling AS	Kvam	31.10 %	9 903	466	0	0	10 369
Espevær Laks AS	Bømlo	33.33 %	2 910	-164	0	0	2 745
Ranfjord Fiskeprodukter AS	Mo i Rana	37.75 %	21 814	1 120	0	0	22 935
Skardalen Settefisk AS	Kåfjord	30.00 %	3 547	360	0	1 800	5 707
Other			48	0	0	0	48
Total associates			**531 507**	**52 657**	**-13 419**	**9 768**	**580 510**

Wilsgård Fiskeoppdratt, Måsøval Fishfarm, Hellesund Fiskeoppdrett and Arctic Fish are engaged in fish farming activities, Hardanger Fiskeforedling and Espevær Laks operate harvesting plants and Ranfjord Fiskeprodukter and Skardalen Settefisk are smolt producers.

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 36 095 as of 31 December 2017. The fair value adjustments at the start of the year were KNOK 45 609. The decrease of KNOK 9 514 less tax is included in income from associates.

* The change directly against equity is translation differences.

Note 10 cont.

The Group accounts include the Group's share of result from associates by using the equity method. The equity method is considered a consolidation method. Some associates own shares in Norway Royal Salmon ASA. These are treated as treasury shares in the Group accounts. The fair value of the shares that the associates companies own is thus not included in the Group accounts.

Associates that own shares in NRS as of 31 December 2017:

	Shareholding	Number of shares	Fair value 31.12.2017	NRS' share of fair value adjustment 31.12.2017
Måsøval Fishfarm AS	36.10 %	255 497	34 364	12 406
Hellesund Fiskeoppdrett AS	33.50 %	1 639 482	220 510	73 871
Total		**1 894 979**	**254 875**	**86 276**

2016 (NOK 1 000)	Business local authority	Share-holding	Book value 31.12.2015	Share of result for the year	Dividend received	Equity changes	Book value 31.12.2016
Selskap							
Wilsgård Fiskeoppdrett AS*	Torsken	37.50 %	64 733	52 949	0	16 862	134 544
Måsøval Fishfarm AS	Frøya	36.10 %	16 729	617	-6 859	0	10 487
Hellesund Fiskeoppdrett AS	Lillesand	33.50 %	51 995	17 567	-2 012	-517	67 033
Arctic Fish**	Isafjörður	50.00 %	0	-957	0	282 175	281 218
Hardanger Fiskeforedling AS	Kvam	31.10 %	8 544	1 361	0	0	9 905
Espevær Laks AS	Bømlo	33.33 %	2 222	687	0	0	2 909
Ranfjord Fiskeprodukter AS	Mo i Rana	37.75 %	20 689	1 125	0	0	21 814
Skardalen Settefisk AS	Kåfjord	30.00 %	5 032	-1 485	0	0	3 547
Other			48	0	0	0	48
Total associates			**169 991**	**71 865**	**-8 871**	**298 520**	**531 504**

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 45 609 as of 31 December 2016. The fair value adjustments at the start of the year were KNOK 24 793. The increase of KNOK 20 816 less tax is included in income from associates.

* The change in equity is related to gain on sale of shares in Norway Royal Salmon ASA.
** The change directly against equity is in connection with a direct private placement against NRS. See separate specification.

Associates that own shares in NRS as of 31.12.2016:

	Shareholding	Number of shares	Fair value 31.12.2016	NRS' share of fair value adjustment 31.12.2016
Måsøval Fishfarm AS	36.10 %	252 520	52 272	18 870
Hellesund Fiskeoppdrett AS	33.50 %	1 620 380	335 419	112 365
Total		**1 872 900**	**387 690**	**131 235**

Summary of financial information for investments (100% basis) – converted to IFRS:

2017 (NOK 1 000)	**Wilsgård Fiskeopp-drett AS**	**Måsøval Fish farm AS**	**Hellesund Fiske-oppdrett AS**	**Arctic Fish**	**Other**
Operating revenues	357 785	101	181 942	67 682	165 687
Depreciation	19 142	77	3 233	0	11 303
Net interest expenses	-996	-87	1 286	-2 245	-2 073
Result before tax	99 616	34 982	91 367	-4 282	5 845
Net result for the year	67 882	26 237	53 995	-4 282	5 172
Translation differences and OCI posts	0	0	0	8 194	0
Comprehensive income	**67 882**	**26 237**	**52 438**	**3 913**	**5 172**
Current assets	438 104	44 467	222 597	94 075	85 180
Non-current assets	179 136	13 601	21 110	355 836	95 233
Current liabilities	135 394	9 010	37 251	50 924	38 661
Non-current liabilities	120 061	16 661	3 169	41 399	52 839
Net assets	**361 785**	**32 397**	**203 287**	**357 588**	**88 913**
Net interest bearing debt	**-42 696**	**-32 000**	**-162 879**	**41 399**	**30 186**

2016 (NOK 1 000)	**Wilsgård Fiskeopp drett AS**	**Måsøval Fish farm AS**	**Hellesund Fiske-oppdrett AS**	**Arctic Fish**	**Other**
Current assets	361 514	100	143 997	27 834	168 974
Non-current assets	8 338	77	2 688	0	9 730
Current liabilities	-2 476	-191	690	-2 357	-2 195
Non-current liabilities	180 496	2 468	68 231	-35 049	6 341
Net assets	141 199	1 708	52 438	-35 049	4 469
Net interest bearing debt	0	0	0	12 688	208
Totalresultat	**141 199**	**1 708**	**52 438**	**-22 361**	**4 677**
Current assets	378 477	19 875	171 501	258 204	78 737
Non-current assets	168 097	13 353	28 915	209 233	101 177
Current liabilities	110 904	7 865	22 075	26 612	52 913
Non-current liabilities	122 763	17 645	13 519	74 778	49 261
Net assets	**312 907**	**7 718**	**164 822**	**366 047**	**77 740**
Net interest bearing debt	**-10 763**	**-8 763**	**-63 069**	**72 348**	**23 267**

Note 10 cont.

23 August 2016, Norway Royal Salmon ASA entered into an agreement to acquire 50 per cent of Arctic Fish ehf. through a direct private placement of EUR 29 million. The transaction was financed through existing cash and loan facilities. The remaining 50 per cent ownership in Arctic Fish is owned by Bremesco Holding Ltd and Novo ehf, with 47.5 per cent and 2.5 per cent respectively.

The Board of Arctic Fish consists of two directors elected by Norway Royal Salmon ASA and two chosen by Bremesco Holding. In addition, the parties have appointed an independent Chair of the Board so that the Board consists of five members. None of the owners have through representation on the Board control and the company is considered to be an associated company accounted for by the equity method.

The transaction was recognised in the accounts at 3 October 2016, when Norway Royal Salmon ASA had the possibility to appoint the Board. The Board was formally registered on 24 October 2016.

Company	Currency	Acquisition date	Office	Share-holding	Voting share
Arctic Fish ehf.	ISK	03.10.2016	Isafjörður	50 %	50 %

Book value (NOK 1 000)	**Arctic Fish ehf.**
Acquisition cost 3 October 2016	269 487
Book value 31 December 2016	281 218
Share of profit/loss in the period	-2 141
Translation differences	8 194
Book value 31.12.2017	**287 271**

Calculation of this year's share of profit/loss	**31.12.2017**
Share of profit/loss	-2 141
Depreciation rate attributable added value	0 %

Added value in the Arctic Fish ehf Group are linked to land property and fish farming licenses. Approved farming licenses are considered an intangible asset. Applications for fish farming licenses are not considered an intangible asset as the assets are not controlled by the company before the licenses are approved.

Two types of licenses are required to run fish farming operations on Iceland: A production license issued by the Icelandic Food and Veterinary Authority (IFVA) and an operating license granted by the Environmental Agency of Iceland (EAI). An environmental survey must be completed before applying for the two licenses. The survey must be approved by Icelandic National Planning Agency.

Fish farming licenses are normally granted with a 10-year lifetime with a maximum average volume harvested per year. The license regulation on Iceland is new and under continuous development, it aims to ensure sustainable development. Arctic Fish ehf is therefore subject to requirements, and the company is liable to penalties, sanctions or revocation of the licenses if the company fails to comply with the licensing requirements. The licensing requirements for the production licenses means that the company must, annually, report production volume for each site, location of the site, feeding, origin of the fish, diseases and other events affecting production or other conditions that the company sees relevant for the authorities to ensure its surveillance responsibilities to the Icelandic Food and Veterinary Authority (IFVA). A production diary shall always be available to the authorities.

The licensing requirements for an operating license means that the company is required to have established internal control related to environmental threats in the operations, such as pollution or emissions of chemicals.

Information about the controls and possible incidents shall be recorded and be available for review by the Environmental Agency of Iceland (EAI).

The licenses require renewal after a certain period. On a general basis, no assigned licenses on Iceland has expired. The intention of the licensing regulation is that licenses will be renewed if there is not a specific reason to deny the extension. The licenses can therefore be renewed without significant costs to the company, as long as the company comply with the licenses requirements. Based on its understanding of the licensing regulations Norway Royal Salmon considers the fish farming licenses as an intangible asset with an indefinite useful life that are not to be depreciated.

Financial information converted to NOK for Arctic Fish ehf based on 100 % numbers

(NOK 1000)	**31.12.2017**	**31.12.2016**
Operating revenues	67 682	27 834
Cost of goods sold	-64 226	-28 974
Operating costs	-2 751	-14 925
Operational EBIT	**705**	**-16 065**
Fair value adjustments	-	-28 760
Net operating result	**705**	**-44 825**
Net interest costs	-2 245	-2 357
Other financial income	-2 742	12 133
Result before tax	0	0
Result after tax	-4 282	-35 049
Translation differences and comprehensive income posts	**-4 282**	**-35 049**
Comprehensive income	8 194	12 688
The group's share of the result (50 %)	**3 913**	**-22 361**
The Group's share of translation differences and comprehensive income posts	-2 141	-957
Konsernets andel av omregningsdifferanser og utvidet resultatposter	8 194	12 688
Non-current assets	358 858	209 233
Current assets excl. cash	63 975	61 666
Cash	30 100	196 538
Total assets	**452 932**	**467 437**
Long-term liabilities	41 399	74 778
Short-term liabilities	48 399	26 612
Total liabilities	**89 797**	**101 390**

Reconciliation of equity against Norway Royal Salmon's share	**31.12.2017**	**31.12.2016**
Equity in Arctic Fish ehf (100 %)	357 587	353 715
The group's share of equity (50 %)	178 794	176 858
Value added connected to properties, licenses and goodwill	130 188	125 247
Deferred tax	-21 711	-20 888
Book value at 31 December 2016	**287 271**	**281 218**

Note 11. Other current liabilities

Specification of other short-term liabilities:

(NOK 1 000)	**31.12.2017**	**31.12.2016**
Official taxes due	9 288	21 358
Accrued option costs	4 512	26 822
Holiday pay	13 171	8 891
Unrealised value forward currency contracts	17 242	3 772
Provision for onerous sales contracts [1)]	0	89 994
Provision for unrealised derivatives - Total return swap (TRS)	64 078	0
Other short-term liabilities and accruals	47 689	32 080
Total other short-term liabilities	**155 980**	**182 916**

1) Physical sales contracts with fixed price where the price is lower than the price which underlies the fair value of the biomass, posted as a liability in the financial statements in accordance with IAS 37

Note 12. Operating expenses

Specification of other operating expenses:

(NOK 1 000)	**2017**	**2016**
Rental of premises and equipment	30 670	18 418
Maintenance	66 693	48 909
Off-balance sheet equipment	13 654	12 541
Fuel	14 601	10 481
External fees	13 289	9 906
Insurance	4 989	4 077
Bad debts	6 861	1 568
Other	49 421	30 369
Total other operating expenses	**200 178**	**136 269**

Non-recurring items:

(NOK 1 000)	**2017**	**2016**
Operating expenses		
Costs related to verdict against Nord Senja Laks AS	0	1 136
Cost of materials		
Fish disease ISA, NRS Finnmark AS	36 547	0
Destruction of fish with winter wounds Nor Seafood AS	0	11 186
Destruction of desmoltified fish NRS Finnmark AS	10 000	8 000
Total	**46 547**	**20 322**

Note 13. Taxation

TAX ON THE RESULT

Tax on the result is as follows:

(NOK 1 000)	2017	2016
Tax payable	113 485	79 350
Change in deferred tax	-30 229	84 962
Tax posted over OCI	3 572	0
Corrections from previous years	-649	3 395
Tax	**86 180**	**167 707**

Tax on items recognised in comprehensive income:		**2017**			**2016**	
(NOK 1 000)	**Before tax**	**Tax expense**	**After tax**	**Before tax**	**Tax expense**	**After tax**
Cash flow hedges	-9 524	2 191	-7 333	28 196	-6 767	21 429
Actuarial losses on benefits pension scheme	-6 004	1 381	-4 623	-1 790	429	-1 361
Total	**-15 528**	**3 572**	**-11 956**	**26 406**	**-6 336**	**20 068**

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2017	2016
Result before tax	322 596	1 172 421
Tax calculated at nominal tax rate (24 % in 2017 and 25 % in 2016)	77 423	293 105
Permanent differences:		
Equity method associates	-12 638	-17 966
Gain/Loss Total Return Swap (TRS)	34 140	-77 858
Expenses not deductible for tax purposes	314	484
Other deductions and income	7 527	-11 371
Share based share of option scheme	-3 932	-4 654
Changes in deferred tax caused by changed tax rate	-16 005	-14 033
Corrections from previous years	-649	0
Tax on the result	**86 180**	**167 707**
Effective tax rate	**27 %**	**14 %**

Note 13 cont.

DEFERRED TAX LIABILITIES

Breakdown of deferred tax and basis for deferred tax:

(NOK 1 000)	**31.12.2017**	**31.12.2016**	**Change**
Intangible assets	339 325	339 325	0
Property, plant and equipment	139 179	134 120	5 059
Property, plant and equipment under financial leasing	331 023	251 269	79 754
Debt under financial leasing	-267 239	-201 417	-65 822
Current assets	1 171 199	1 294 081	-122 882
Pension liabilities	-16 727	-11 382	-5 345
Short-term liabilities	-75 754	-136 952	61 198
Other temporary differences	489	-24 100	24 589
Tax losses carried forward	-36 465	0	-36 465
Basis for deferred tax	1 585 030	1 644 944	-59 914
Tax rate	**23 %**	**24 %**	
Estimated deferred tax liabilities	**364 557**	**394 786**	**-30 229**

Change in deferred tax liabilities in balance sheet:

(NOK 1 000)	**2017**	**2016**
Book value as of 1 January	394 786	303 485
Defererred tax posten in income statement	-10 806	101 411
Tax posted directly over OCI	-3 572	6 339
Changes in deferred tax caused by changed tax rate	-15 850	-16 449
Book value 31 December	**364 557**	**394 786**

Note 14. Fair value adjustments

Fair value is part of consolidated EBIT, but is presented on a separate line to give a better understanding of the Group's operating results on goods sold.

Specification of fair value adjustments in the income statement:

(NOK 1 000)	Note	**2017**	**2016**
Change in fair value adjustments of biomass	5	-164 533	194 117
Change in provision for sales contracts		89 994	-62 227
Change in fair value on financial Fish Pool contracts	16	-120 259	32 261
Total fair value adjustments		**-194 799**	**164 151**

Specification of fair value adjustments in the balance sheet:

(NOK 1 000)		**31.12.2017**	**31.12.2016**	**Endring**
Fair value adjustments biomass (biological assets)	5	226 978	391 511	-164 533
Provision for onerous sales contracts (other current liabilities)		0	-89 994	89 994
Fair value of financial Fish Pool contracts (other current receivables)	16	-25 712	94 547	-120 259
Total fair value adjustments		**201 266**	**396 064**	**-194 799**

Note 15. Financial instruments by category

The principles applied for subsequent measurement of financial instruments in the balance sheet are as follows:

As of 31.12.2017

(NOK 1 000)	**Loans and receivables at amortised cost**	**Assets at fair value through profit or loss**	**Derivatives used for hedging purposes**	**Available-for-sale**	**Total**
Available-for-sale financial assets	0	0	0	367	367
Derivatives	0	0	0	0	0
Trade and other receivables*	609 456	0	0	0	609 456
Cash and cash equivalents	151 779	0	0	0	151 779
Total	**761 235**	**0**	**0**	**367**	**761 602**

* Trade and other receivables exclude prepayments

(NOK 1 000)	**Liabilities at fair value through profit or loss**	**Derivatives used for hedging purposes**	**Other financial liabilities at amortised cost**	**Total**
Loans (excluding finance leases)	0	0	536 619	536 619
Finance leases	0	0	267 239	267 239
Derivatives **	64 078	30 862	0	94 940
Trade and other payables *	0	0	601 338	601 338
Total	**64 078**	**30 862**	**1 405 196**	**1 500 136**

* Trade and other payables excluding statutory liabilities
** Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 25712 is posted on a bank account which is part of the Group's cash pool.

Note 15 cont.

AS of 31.12.2016

(NOK 1 000)	Loans and receivables at amortised cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available-for-sale	Total
Available-for-sale financial assets	0	0	0	395	395
Derivatives**	0	183 273	0	0	183 273
Trade and other receivables*	529 886	0	0	0	529 886
Cash and cash equivalents**	69 257	0	0	0	69 257
Total	**599 143**	**183 273**	**0**	**395**	**782 811**

* Trade and other receivables exclude prepayments
** Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 94 547 is posted on a bank account which is part of the Group's cash pool.

(NOK 1 000)	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	Total
Loans (excluding finance leases)	0	0	150 000	150 000
Finance leases	0	0	201 416	201 416
Derivatives	0	7 870	0	7 870
Trade and other payables*	0	0	800 203	800 203
Total	**0**	**7 870**	**1 151 619**	**1 159 489**

* Trade and other payables excluding statutory liabilities

Fair value of financial instruments

Fair value of financial instruments recognised at amortised cost
The Group assumes that the recognised value of financial assets and liabilities that are recognised at amortised cost is approximately equal to the fair value of those instruments.

Fair value measurement of financial instruments
Financial instruments which are valued at fair value at the balance sheet date under IFRS 7 are grouped according to a valuation hierarchy based on the level of observability of the market value for establishment and disclosure of fair value of financial instruments:

Level 1: Listed price in an active market for an identical asset or liability
Level 2: Valuation based on other observable factors either directly (price) or indirectly (price-derived) than listed price (used in level 1) for assets or liabilities
Level 3: Valuation based on factors not taken from observable markets (non-observable assumptions)

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2017:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	0	0	0
Available-for-sale financial assets				
– Equity instruments	0	0	367	367
– Debt instruments	0	0	0	0
Total assets	**0**	**0**	**367**	**367**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading purposes	0	64 078	0	64 078
- Derivatives used for hedging*	0	56 574	0	56 574
Total liabilities	**0**	**120 652**	**0**	**120 652**

* Consist of financial Fish Pool contracts of KNOK 25 712 and currency forward contracts of KNOK 30 862

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2016:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	183 273	0	183 273
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	94 547	0	94 547
Available-for-sale financial assets				
– Equity instruments	0	0	395	395
– Debt instruments	0	0	0	0
Total assets	**0**	**277 820**	**395**	**278 215**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading purposes	0	0	0	0
- Derivatives used for hedging	0	7 870	0	7 870
Total liabilities	**0**	**7 870**	**0**	**7 870**

Note 16. Derivatives

The Group uses derivatives to reduce risk and to add desired risk exposure.

As of 31.12.2017

(NOK 1 000)	Bank over-draft	Other short-term receivables	Other current liabilities
Forward currency contracts	0	0	30 862
Financial Fish Pool contracts*	-25 712	0	0
Total return swap	0	0	64 078
Total	-25 712	0	94 940

* Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK -25 712 is drawn from a bank account which is part of the Group's cash pool.

As of 31.12.2016

(NOK 1 000)	Bank over-draft	Other short-term receivables	Other current liabilities
Forward currency contracts	0	0	7 870
Financial Fish Pool contracts*	94 547	0	0
Total return swap	0	183 273	0
Total	94 547	183 273	7 870

* Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 95 547 is posted on a bank account which is part of the Group's cash pool.

Derivatives used to reduce risk

The Group uses forward currency contracts to hedge against currency fluctuations. The Group has used an interest rate swap to hedge against fluctuations in interest rates on its long-term debt. The Sales Operations use derivatives to hedge margins related to deliveries. In those cases where it is entered into fixed-price contracts with customers without being hedged by physical contracts, the Sales Operations enter into agreements to purchase financial Fish Pool contracts to hedge margins. The Farming Operations enter into financial Fish Pool contracts to hedge prices for future deliveries.

Forward currency contracts

Forward currency contracts are recognised at fair value at the balance sheet date. At 31 December 2017 forward currency contracts were nominated in EUR, USD, JPY and GBP. These contracts mature between 3 January 2018 and 22 January 2019 and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables.

As of 31.12.2017

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	19 874	15.01.18-20.12.18	9.588-9.810	-5 893
Forward currency contracts – cash flow hedging	Sale	USD	7 156	16.01.18-20.12.18	7.677-8.277	-1 519
Forward currency contracts – cash flow hedging	Sale	GBP	21 680	10.01.18-22.01.19	10.787-11.132	-5 823
Forward currency contracts – cash flow hedging	Sale	JPY	205 550	10.01.18-15.06.18	0.0720-0.0728	-385
Forward currency contracts – fair value hedging	Sale	USD	5 000	04.01.2018	7.948	-1 310
Forward currency contracts – fair value hedging	Sale	EUR	37 000	03.01.18-04.01.18	9.327-9.426	-15 932
Total forward currency contracts						**-30 862**

As of 31.12.2016

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	22 332	15.01.17-22.12.17	8.970-9.616	1 587
Forward currency contracts – cash flow hedging	Sale	USD	12 318	17.01.17-20.12.17	7.504-8.759	-1 324
Forward currency contracts – cash flow hedging	Sale	GBP	41 252	05.01.17-20.12.17	10.022-12.776	-4 136
Forward currency contracts – cash flow hedging	Sale	JPY	188 575	04.01.17-10.03.17	0.0739-0.0742	101
Forward currency contracts – fair value hedging	Sale	USD	6 000	03.04.2017	8.667	-3 410
Forward currency contracts – fair value hedging	Sale	EUR	32 000	01.04.17-03.04.17	9.033-9.123	-687
Total forward currency contracts						-7 870

The cash flow hedging satisfy the demands for hedge accounting and the changes in unrealised value are recognised in other comprehensive income. Realised profit/loss on the contracts are recognised in revenues.

Specification of cash flow hedges over OCI

	Cash flow hedges per 01.01	Cash flow hedges per 31.12	Inefficiency	Gross change	Tax	Over OCI
2017	-3 722	-13 620	324	-9 848	2 191	**-7 334**
2016	-32 133	-3 772	-165	28 361	-6 767	**21 429**

Financial Fish Pool contracts

Contracts have been signed to purchase 5 736 tonnes on the Fish Pool salmon exchange. The contract prices are in the range NOK 53.00–NOK 62.25 and cover the period from January 2018 to December 2018. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. Realised Fish Pool contracts are posted in the accounts under in the operational result and the unrealised value changes to the Fish Pool contracts are posted under fair value adjustments in the accounts. Realised Fish Pool contracts classified under the operational result amounted to KNOK 49 582 in 2017 (2016: KNOK 202 974). Unrealised loss in 2017 was KNOK 120 259 (2016: Gain of KNOK 32 261).

As of 31.12.2017

(NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	5 736	01.01.18-31.12.18	53.00-62.25	-25 712
Total						-25 712

As of 31.12.2016

(NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	8 952	01.01.16-31.12.18	41.00-67.40	94 436
Fish Pool contracts	Sale	NOK	780	01.01.17-31.12.17	69.00	111
Total						94 547

Interest rate swap

NRS had an interest rate swap agreement that expired in September 2016. The interest rate swap was not recognized as hedge accounting. Subsequent, the fair value changes on the agreement were charged to the income statement as a part of other net financial items.

As of 31.12.2016

Currency	Amount	NRS pays	NRS receives	Maturity	Market value 31.12.2015	Market value 31.12.2016	Change in market value 2016
NOK	100 000	Fixed 3.37 %	3 mnd NIBOR	07.09.16	-1 690	0	1 690

Note 16 cont.

Derivatives that add desired risk exposure

Total return swap

In 2017 the company entered into a TRS (Total Return Swap) agreement against own shares. The Group uses Total Return Swaps(TRS) agreements against own shares to get an economic exposure of an assets without having to acquire the asset. At 31 December 2017, Norway Royal Salmon's total underlying exposures through the TRS agreement is 1 775 377 shares, representing 4.07 per cent of the share capital of the company. The agreement expires 15.03.2018. The exercise price is NOK 170.81. The agreement means that the group get a result and liquidity exposures that are linked to the value of the parent company's shares. The TRS-agreement is recognised at fair value and changes in fair value are recognised in financial items. The company realised previously entered into agreements in 2017.
The gain on realisation amounts to KNOK 105 099 (2016: KNOK 16 916) and is posted as a finance post in the accounts. Unrealised losses on the agreements in 2017 was KNOK 247 351 (2016: Gain of KNOK 146 615).

As of 31.12.2017

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS	1 775 377	170.81	15.03.2018	-64 078
Total	1 775 377			-64 078

As of 31.12.2016

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS	2 351 691	129.62	15.03.2017	183 273
Total	2 351 691			183 273

Note 17. Cash and cash equivalents

(NOK 1 000)	31.12.2017	31.12.2016
Bank deposits	151 779	69 257
Cash and cash equivalents	**151 779**	**69 257**
Of which restricted bank deposits	151 718	67 263

Of the restricted deposits KNOK 22 894 (2016: KNOK 62 569) is pledged as collateral related to the company's trading at Fish Pool. KNOK 123 808 (2016: NOK 0) is pledged as collateral related to its TRS agreements.
The rest is related to guarantees and tax accounts.

Note 18. Personnel expenses and benefits

Wages and personnel expenses

(NOK 1 000)	**2017**	**2016**
Wages and salaries	109 971	125 541
Payroll tax	7 655	15 293
Pension costs defined contribution scheme	2 359	1 025
Pension costs defined benefit scheme	4 887	2 379
Other benefits	13 724	11 230
Total wages and personnel expenses	**138 596**	**155 468**
Average full-time equivalents	**172**	**149**

REMUNERATION TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS:

Senior management:

2017 (NOK 1 000)	**Salary**	**Fees 1)**	**Bonus**	**Share-based payments**	**Payments in kind**	**Total**	**Accrued pension costs 2)**
Charles Høstlund, CEO	2 733	40	553	15 797	174	19 297	220
Ola Loe, CFO	1 826	20	247	9 425	37	11 555	388
Arve Olav Lervåg, COO farming 3)	952	0	0	0	7	959	0
Klaus Hatlebrekke, COO market and business development	1 536	0	208	6 732	32	8 508	275
Total	**7 047**	**60**	**1 007**	**31 954**	**250**	**40 318**	**883**

1) Fees are directors' fees paid by subsidiaries.
2) Accrued pension cost are entitlements under the defined benefits pension scheme for the year. The employees own share of 2 per cent of gross salary has not been deducted.
3) Arve Olav Lervåg started as COO farming on 27 March 2017.

2016 (NOK 1 000)	**Salary**	**Fees 1)**	**Bonus**	**Share-based payments**	**Payments in kind**	**Total**	**Accrued pension costs 2)**
Charles Høstlund, CEO	2 629	70	334	11 006	211	14 250	81
Ola Loe, CFO	1 775	45	217	5 562	36	7 609	35
John Gunnar Grindskar, COO farming 3)	1 379	0	165	2 524	14	4 082	0
Klaus Hatlebrekke, COO market and business development	1 494	0	187	3 973	31	5 685	33
Totalt	**7 278**	**115**	**903**	**23 063**	**292**	**31 651**	**149**

1) Fees are directors' fees paid by subsidiaries.
2) Accrued pension cost are entitlements under the defined benefits pension scheme for the year. The employees own share of 2 per cent of gross salary has not been deducted.
3) John Gunnar Grindskar left as COO farming on 31 December 2016.

Note 18 cont.

Directors fee:

(NOK 1 000)	2017	2016
Helge Gåsø, Board Chair	388	376
Kristine Landmark, Vice Chair	283	270
Inge Kristoffersen	295	276
Trude Olafsen	260	250
Marianne E. Johnsen	290	270
Lars Måsøval	290	4
Martin Sivertsen	5	0
Endre Glastad	0	270
Total	**1 810**	**1 716**

Share-based incentive scheme

In 2014 a bonus scheme based on synthetic options was entered into for the Group management. The bonus scheme confers the right to a cash bonus based on the average price performance of the company's shares in a period from 29 March 2014 for the CFO and the COO market and business development and 24 June 2014 for the CEO.

Bonuses are calculated 12, 24, 36 and 45 months after 29 March and 24 June, and the bonus scheme involves an obligation to invest net bonuses after 50 per cent tax in Norway Royal Salmon shares at their market price at each date. Shares purchased under the bonus scheme will be subject to a 12-month lock-in period. All bonus payments are contingent on full-time employment with the company.

Bonuses are based on the increase in value of shares in Norway Royal Salmon from respectively 29 March 2014 and 24 June 2014 until the given deadlines, and in proportion to the price increase in the period for 250 000 shares for the CEO, 70 000 shares for the CFO and 50 000 shares for the COO market and business development.

At 31 December 2017, the scheme includes 100 000 shares distributed to the CEO. The exercise price of the CEO's options at 31 December 2017 is NOK 31.78.

In 2017, a cost reduction of KNOK 7 691 (2016: cost of KNOK 35 807) is recognized in the income statement in connection with the option scheme. Recognised items includes both realised and unrealised options.
A current liability of KNOK 5 781 (2016: KNOK 26 822) is recognized in the balance sheet.

Movements in the number of outstanding options and related weighted average exercise prices are as follows:

	2017	
	Average exercise price	**Number**
1. January	39.50	370 000
Exercised 29 March 2017	24.12	-120 000
Exercised 24 June 2017	31.78	-150 000
31. December	**31.78**	**100 000**

	2016	
	Average exercise price	**Number**
1. January	42.33	790 000
Exercised 29 March 2016	28.97	-120 000
Exercised 29 March 2016	57.95	-50 000
Exercised 24 June 2016	41.77	-150 000
Terminated		-100 000
31. December	**39.50**	**370 000**

Outstanding options at end of the year have the following exercise dates and exercise prices:

			Number	
Awarded	**Exercise date**	**Exercise price**	**2017**	**2016**
31.03.2014	29.03.2017	26.37		120 000
20.06.2014	24.06.2017	41.77		150 000
20.06.2014	20.03.2018	41.77		100 000
20.06.2014	20.03.2018	31.78	100 000	
			100 000	**370 000**

A bonus program based on options was introduced for senior executives and key personnel in the Group on 1 April 2017. The scheme has been approved by the Board. The scheme comprises 28 people and is divided into 4 different levels. The option scheme has a 24 months' vesting period. The bonus program is a share-based scheme that entitles shareholders to receive shares in NRS based on the price development in Norway Royal Salmon ASA's average share price for a period prior to 20 March 2018. Each employee can at most be granted rights to shares for a value in the interval from 25 to 100 per cent of annual salary. At 31 December 2017, the program includes 401 186 options. The exercise price will be adjusted for dividends and changes in holdings of treasury shares. In 2017, a cost of KNOK 1 144 related to the new option scheme was recognised in the accounts.

Change in number of options	**Program introduced in 2014**	**Program introduced in 2017**	**All programs**
At 31 December 2016	370 000	0	370 000
Exercised in the quarter	-270 000	0	-270 000
Allocated during the year (new program)	0	401 186	419 888
Number of options at 31 December 2017	100 000	401 186	519 888
Exercise price	31.78	149.26	
Number of employees in the program at 31 December 2017	1	28	29

Note 19. Pension costs and liabilities

The Group is required to operate occupational pension schemes under the Norwegian Mandatory Occupational Pensions Act. The schemes offered by all Group companies meet statutory requirements.

The subsidiaries have defined contribution schemes for the employees. In addition, some employees participate in an early retirement scheme (AFP). The scheme is funded through grants from the participating companies and is a defined benefit multi-employer plan. There is currently insufficient information to estimate the proportionate share of the liability for the AFP scheme and fees are therefore recognized in the same way as contribution schemes. The scheme is accounted for as a defined contribution scheme until reliable and sufficient information that enables the Group can recognise its proportionate share of pension costs, pension obligations and pension funds in the scheme.

The parent company operates a defined benefits pension scheme and a defined contribution scheme. The defined benefits scheme covers 34 people. The pension scheme provides an entitlement to defined future benefits, the size of which is largely dependent on the number of years' entitlement, salary upon retirement and state pension benefits. The scheme is financed externally through an insurance company.

As a result of the application of IAS 19R, the period's net interest expense is now calculated by applying the discount rate for the liability at the beginning of the period to the net liabilities. Net interest expense therefore consists of interest on the obligation and return on assets, both calculated at the same discount rate. The change in the net pension obligation as a result of premium payments and pension payments are taken into account.

Note 19. cont.

The Norwegian Accounting Standards Board has announced that the market interest rate for covered bonds (OMF) can be used as the discount rate when estimating the future pension liabilities. Norway Royal Salmon finds it appropriate to use the market interest rate for covered bonds as the discount rate for its pension liability. Norway Royal Salmon believes there is a deep market in covered bonds that satisfy the requirements of high quality. Norway Royal Salmon have in their calculations per 31.12.2017, used a discount rate of 2.3 per cent.

Pension costs:

(NOK 1 000)	**2017**	**2016**
Current service cost	3 425	3 223
Interest cost	293	284
Payroll tax	536	506
Administration cost	84	79
Net curtailment and settlement for new disability pension inc. payroll tax	0	-2 077
Net pension costs service – defined benefit scheme	**4 337**	**2 015**
Cost of defined benefit pension scheme	4 337	2 015
Cost of defined contribution pension scheme	2 359	1 025
Early retirement scheme	1 036	875
Employee contributions to scheme	-486	-511
Total pension costs	**7 246**	**3 404**

Assumptions:	**2017**	**2016**
Discount rate	2.30 %	2.60 %
Future salary increases	2.50 %	2.50 %
Inflation rate	2.25 %	2.25 %
Future pension increase	0.40 %	0.00 %
Demographic factors:		
Disability table	IR02 level	IR02 level
Mortality table	K2013 BE	K2013 BE
Number of employees in the scheme		
Active	34	36
Pensioners	7	6
Total	41	42

	2017	**2016**
Paid into the scheme during the year	4 378	4 297
Forecast payment to the scheme next year	4 937	4 845

Calculation of amount recognised in the balance sheet:

(NOK 1 000)	**31.12.2017**	**31.12.2016**
Present value of funded obligations	56 333	45 653
Fair value of plan assets	-39 606	-34 271
Net pension liabilities in balance sheet	**16 728**	**11 383**

Change in present value pension liabilities:

(NOK 1 000)	**2017**	**2016**
Pension liabilities as of 1 January	45 653	44 561
Current service cost	4 009	3 777
Interest expense	1 183	1 095
Effect of new disability pension	0	-4 303
Payroll tax on this year's payment	-617	-606
Pension payments	-592	-302
Actuarial losses over other comprehensive income	6 697	1 431
Pension liabilities as of 31 December	**56 333**	**45 653**

Change in estimated fair value of plan assets:

(NOK 1 000)	**2017**	**2016**
Estimated fair value of plan assets as of 1 January	34 271	32 083
Return on plan assets	855	780
Effect of new disability pension	0	-2 227
Contributions paid	4 996	4 902
Pension payments	-617	-606
Payroll tax on this year's payment	-592	-302
Actuarial losses/ (gain) over other comprehensive income	693	-359
Plan assets as of 31 December	**39 606**	**34 271**

Pension funds are made up as follows:

(NOK 1 000)	**2017**	**2016**
Shares	10.9 %	9.3 %
Short-term bonds	13.2 %	12.0 %
Money market fund	14.0 %	21.8 %
Long-term bonds	27.2 %	31.6 %
Loans and receivables	23.3 %	17.0 %
Property	10.0 %	6.8 %
Other	1.4 %	1.5 %
Total	**100.0 %**	**100.0 %**

Sensitivity calculations
The Group's pension liabilities and costs are based on assumptions as described above. Changes in these assumptions will result in changes in liability. A 1 per cent increase in the discount rate would result in a gross pension liability of KNOK 4 379. Conversely, reducing the discount rate by 1 per cent would result in a gross pension liability of KNOK 33 325. An 1 per cent increase in the future salary increases, would result in a gross pension liability of KNOK 26 963. Conversely, reducing the future salary increases by 1 per cent would result in a gross pension liability of KNOK 7 499.

Note 20. Financial income and financial expenses

(NOK 1 000)	**2017**	**2016**
Realised gains on TRS agreements	105 099	164 916
Unrealised gains on TRS agreements	0	146 515
Unrealised losses on TRS agreements	-247 351	0
Change in market value interest rate swap	0	1 690
Loss/Gain financial assets	**-142 252**	**313 121**
Interest income	1 694	1 803
Interest expenses	-21 262	-18 020
Net interest expenses	**-19 568**	**-16 217**
Other financial income	67	0
Other financial expenses	-1 046	-1 277
Inefficiency cash flow hedging	-324	165
Net other financial expenses	**-1 303**	**-1 112**
Net financial items	**-163 123**	**295 792**

Note 21. Share capital and shareholder information

Share capital in parent company as of 31 December 2017:	**No. of shares**	**Nominal**	**Value**
Ordinary shares	43 572 191	1.00	43 572 191

The company only has one class of shares. All shares confer the same rights in the company.

Ownership structure – the 20 largest shareholders as of 31 December 2017:

Shareholder	**No. of shares**	**Shareholding**	**Voting rights**
GÅSØ NÆRINGSUTVIKLING AS	6 780 149	15.56 %	15.56 %
GLASTAD CAPITAL AS	5 266 542	12.09 %	12.09 %
MÅSØVAL EIENDOM AS	5 172 196	11.87 %	11.87 %
EGIL KRISTOFFERSEN OG SØNNER AS	4 734 545	10.87 %	10.87 %
HAVBRUKSINVEST AS	4 122 912	9.46 %	9.46 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 652 633	3.79 %	3.79 %
HELLESUND FISKEOPPDRETT A/S	1 639 482	3.76 %	3.76 %
SPAREBANK 1 MARKETS AS	1 263 267	2.90 %	2.90 %
NYHAMN AS	1 066 694	2.45 %	2.45 %
LOVUNDLAKS AS	1 063 598	2.44 %	2.44 %
STATE STREET BANK AND TRUST COMP	532 690	1.22 %	1.22 %
SVENSKA HANDELSBANKEN AB	425 417	0.98 %	0.98 %
SEB PRIME SOLUTIONS SISSENER CANOP	330 000	0.76 %	0.76 %
MP PENSJON PK	287 882	0.66 %	0.66 %
HENDEN FISKEINDUSTRI AS	277 154	0.64 %	0.64 %
J.P. MORGAN CHASE BANK, N.A., LONDON	274 544	0.63 %	0.63 %
J.P. MORGAN BANK LUXEMBOURG S.A.	267 093	0.61 %	0.61 %
MÅSØVAL FISHFARM AS	255 497	0.59 %	0.59 %
RAMSFJELL AS/ OLA LOE	224 318	0.51 %	0.51 %
HOLTA INVEST AS	206 794	0.47 %	0.47 %
Total 20 largest shareholders	**35 843 407**	**82.26 %**	**82.26 %**
Total other shareholders	**7 728 784**	**17.74 %**	**17.74 %**
Total other shareholders	**43 572 191**	**100.00 %**	**100.00 %**

Shares held by members of the board, CEO and senior executives:

	Occupation	No. of shares	Shareholding	Voting rights
Helge Gåsø v/ Gåsø Næringsutvikling AS	Chair	6 780 149	15.56 %	15.56 %
Kristine Landmark	Vice Chair	40 419	0.09 %	0.09 %
Lars Måsøval v/ Måsøval Eiendom AS og Måsøval Fishfarm AS	Board member	5 427 693	12.46 %	12.46 %
Charles Høstlund v/ Høstlund Invest AS	CEO	129 285	0.30 %	0.30 %
Ola Loe v/ Ramsfjell AS	CFO	224 318	0.51 %	0.51 %
Klaus Hatlebrekke v/ Hatlebrekke Invest AS	COO Market and business development	138 967	0.32 %	0.32 %

Treasury shares:
The board is authorised to acquire treasury shares up to a total nominal value of NOK 4 357 219. This authority runs until the Annual General Meeting in 2018, however not later than 30 June 2018. On the acquisition of such shares, the purchase price per share may not be less than a nominal value of NOK 1.00 and not more than NOK 300.00. The group owns 82 443 treasury shares at the end of 2017, representing 0.19 per cent of the share capital in the company. In 2017 the company entered into a TRS (Total return swap) agreement against own shares. At 31 December 2017 Norway Royal Salmon ASA's underlying exposure through TRS agreements is 1 775 377 shares, representing 4.07 per cent of the share capital in the company.

Treasury shares (NOK 1 000)	No. of shares	Payment
Book value as of 1 January	98 279	
Purchase of treasury shares	600 000	100 500
Sale of treasury shares	-615 836	-97 118
Book value 31 December	**82 443**	

Board mandates:
The board is authorised to increase the share capital by up to NOK 4 357 219. This authority runs until the Annual General Meeting in 2018, however not later than 30 June 2018.

Dividend:
The board has proposed a dividend of NOK 226 575 393 (NOK 5.20 per share) based on the annual accounts for the financial year 2017. The resolution will be adopted at the Annual General Meeting of 31 May 2018. In 2017 an ordinary dividend of NOK 413 935 815 (NOK 9.50 per share) was paid based on the annual accounts for the financial year 2016. The dividend was partly distributed in cash, 7.60 per share, totalling NOK 331 148 652 and partly by distribution of 507 188 shares. The dividend was transferred in June 2017.

Note 22. Earnings per share

Basic earnings per share is based on the earnings attributable to shareholders of the company and the weighted average number of ordinary shares outstanding for the year, less ordinary shares purchased by the company and held as treasury shares.

Result allocated to majority shareholders

(NOK 1 000)	2017	2016
Majority share of net result for the year	**228 538**	**988 007**
The majority's share of fair value adjustments on biomasse after tax	126 457	-146 698
The majority's share of fair value adjustments on onerous contracts and Fish Pool contracts after tax	23 002	22 774
Majority share of value-adjusted result for the year	**377 996**	**864 083**
Weighted average number of ordinary shares outstanding	**43 344 931**	**43 480 197**

Earnings per share:	2017	2016
Basis	5.27	22.72
Diluted	5.27	22.72

Earnings per share shows the majority's share

Earnings per share pre fair value adjustments:	2017	2016
Basis	8.72	19.87
Diluted	8.72	19.87

Earnings per share pre fair value adjustments shows the majority's share

Shares outstanding:

(NOK 1 000)	2017	2016
Shares outstanding as of 1 January	43 473 912	43 501 306
Effect of purchase of treasury shares	-600 000	-667 038
Effect of sale of treasury shares	615 836	639 644
Shares outstanding as of 31 December	**43 489 748**	**43 473 912**

Note 23. Inventory

(NOK 1 000)	31.12.2017	31.12.2016
Raw materials	37 906	35 512
Goods in transit	48 227	44 638
Finished goods	13 192	21 485
Total inventory	**99 326**	**101 635**

Raw materials mainly comprise feed for the farming business. Finished products comprise frozen salmon for resale. Goods in transit to customers are goods where risk and control over the goods have not been transferred to the customer.

Note 24. Operating leases

The Group leases non-current assets defined as finance leases. In addition to items defined as finance leases and recognised in the company's balance sheet, the company also has property rental leases and leases for some smaller equipment.

Specification of operating leases: (NOK 1 000)	**Lease term**	**Annual leasing charges**
Property lease Trondheim	30.06.2020	1 606
Property lease Kristiansand	Three months' notice	316
Other property rental leases		3 843
Leases other equipment		902
Annual operating lease costs		**6 667**

Note 25. Auditor's fees

(NOK 1 000)	**2017**	**2016**
Statutory auditing services	753	397
Other attestation services	91	43
Tax advisory services	0	9
Other services	61	7
Total auditor's fees	**906**	**456**

All auditor's fees are exclusive VAT.

Note 26. Available-for-sale financial assets

2017

(NOK 1 000)	**31.12.2017**	**31.12.2016**
Available-for-sale financial assets	367	395
Total available-for-sale financial assets	**367**	**395**

All the Group's investments in the available-for-sale are unlisted shares. Other shares are financial instruments available for sale and recorded at fair value. The original cost is used as an estimate of fair value. They are included in Level 3 of the fair value hierarchy (see Note 14).

Available-for-sale financial assets comprise:

(NOK 1 000)	**31.12.2017**	**31.12.2016**
Other unlisted shares	367	395
Total available-for-sale financial assets	**367**	**395**

Note 27. Related parties

Group transactions with related parties:
Goods and services purchased:

(NOK 1 000)	2017	2016
Associates – products purchased	445 975	445 462
Associates – services purchased	58 985	42 236
Enterprise controlled by large shareholder – purchase of products	461 970	141 471
Enterprise controlled by board members – purchase of services	12 451	14 582
Total goods and services purchased from related parties	**979 381**	**643 751**

The Group conducts transactions on normal terms with associates and suppliers who are also shareholders in NRS. This applies to the purchase of harvested fish and smolts from such. Purchases of smolt and harvested fish are made at market price.

The Group purchase harvesting services from two of its associates. Harvesting services are purchased at market terms. Administrative services are also purchased and equipment is hired from one of the Group's associates

Services and well boat services are purchased from enterprises controlled by the company's Chair Helge Gåsø. The services are priced at market terms.

Trade payables due to goods and services purchased:

(NOK 1 000)	2017	2016
Associates	52 269	71 869
Shareholders in Norway Royal salmon ASA	78 625	456
Total trade payables related parties	**130 894**	**72 325**

Alternative performance measures

The consolidated financial statements of Norway Royal Salmon ASA are prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, the management prepares alternative performance measures to provide useful and relevant information to the users of the financial statements. Alternative performance measures are designed to increase the understanding of the underlying operational performance and is not a substitute for the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The performance measures are regularly reviewed by the Board. The alternative performance measures can be defined and used differently by other companies.

Net interest-bearing debt
Net interest-bearing debt is defined as the net of long-term debt, short-term debt, bank deposits and interest-bearing receivables. The measure is useful and necessary information to investors and other users of the financial statements to assess the net of the interest-bearing external capital used to finance the group. The measure is used to calculate return on capital employed and highlights the Group's ability to take on more debt.

(NOK 1 000)	31.12.2017	31.12.2016
Reported long-term interest-bearing debt	461 241	303 781
Reported short-term interest-bearing debt	342 617	47 635
Reported long-term interest-bearing receivables	-18 600	0
Reported bank deposits, cash	-151 779	-69 257
Net interest bearing debt	**633 479**	**282 160**

Equity ratio
The equity ratio is defined as equity divided by total assets. The measure is expressed as a percentage. The measure is relevant to users of the financial statements to see how much of the assets are financed with equity, the measure also indicate something about the solvency of the group.

(NOK 1 000)	31.12.2017	31.12.2016
Reported equity	1 851 030	2 047 017
Reported total assets	3 855 163	3 713 382
Equity ratio	**48.0 %**	**55.1 %**

Operational EBIT per kg
Operational EBIT per kg is defined as a central performance measure for Norway Royal Salmon ASA. The measure is used to evaluate the profitability of sold goods and the operations of the Group. The performance measure is useful to users of the financial statements to evaluate the profitability of sold goods and the production. The measure is calculated before unallocated costs and non-recurring events, fair value adjustments, income from associated companies, financial expenses and taxes. The measure is expressed per kg harvested volume.

(NOK 1 000)	2017	2016
Operational EBIT	627 861	640 613
Unallocated expenses	31 064	64 824
Non-recurring events (note 12)	46 547	20 322
Operational EBIT (note 2)	705 472	725 759
Harvested volume	31 918	26 819
Operational EBIT per kg	**22.10**	**27.06**

ROCE
Return on average capital employed (ROCE) is defined as 4-quarters rolling EBIT aligned for fair value adjustments divided by average net interest-bearing debt plus equity less financial assets. The performance measure is expressed as a percentage and is useful for users of Norway Royal Salmon ASA's financial information to evaluate its profitability.

Value-adjusted earnings per share
Earnings per share before fair value adjustments is defined as the period's result adjusted for fair value adjustments after tax. The performance measure is expressed per share and is useful for the users of Norway Royal Salmon ASA's financial information. The performance measure is used as raw data in analysis like of P/E.

(NOK 1 000)	2017	2016
Majority share of net result for the period	228 538	988 007
Majority share of fair value adjustments of biomass after tax	126 457	-146 698
Majority share of fair value of sales contracts and Fish Pool contracts after tax	23 002	22 774
Majority share of value-adjusted result for the period	**377 996**	**864 083**
Weighted average number of ordinary shares outstanding	43 344 931	43 480 197
Value-adjusted earnings per share:	8.72	19.87

Financial statements

ACCOUNTING

NOTES


ROYAL
SALMON

Income statement

(NOK 1 000)	Note	2017	2016
Sales revenues	2	4 931 030	4 219 524
Other operating revenues	2,13	9 548	7 806
Total sales revenues		**4 940 578**	**4 227 330**
Cost of materials	13	4 768 542	4 133 586
Personnel expenses	3,5	43 532	81 103
Depreciation	7	44	0
Write-downs	7	847	0
Other operating expenses	4,7	36 159	22 902
Total operating expenses		**4 849 123**	**4 237 591**
Net operating result		**91 455**	**-10 261**
Financial items			
Income from associates and subsidiaries	6,8	465 160	528 839
Gain on financial assets	6,13,17	15 309	166 606
Net interest expenses	6,13,17	-9 152	-6 436
Net other financial expenses	6,17	-1 357	-1 104
Net financial items		**469 960**	**687 905**
Result before tax		**561 415**	**677 644**
Tax	12	-10 308	7 822
Net result for the year		**551 107**	**685 466**
Allocations:			
Allocated to dividend	11	226 575	413 936
Allocated from/to reserve for valuation variances	11	-66 996	243 184
Allocated to other equity	11	391 527	28 346
Total allocations		**551 107**	**685 466**

Balance sheet

(NOK 1 000)	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Intangible assets			
Deferred tax assets	12	19 497	10 849
Total intangible assets		**19 497**	**10 849**
Property, plant and equipment			
Construction in progress	7,15	893	3 359
Total property, plant and equipment		**893**	**3 359**
Non-current financial assets			
Investments in subsidiaries	8,15	736 254	852 549
Investments in associates	8,15	538 287	480 245
Investments in other shares		1	1
Other non-current receivables	9,15	21 344	4 000
Total non-current financial assets		**1 295 886**	**1 336 795**
Total non-current assets		**1 316 275**	**1 351 003**
Current assets			
Inventory	10,15	61 420	66 123
Total inventory		**61 420**	**66 123**
Receivables			
Accounts receivables	13,15	496 503	463 577
Other receivables	13,15,17	443 754	244 755
Total receivables		**940 256**	**708 332**
Cash and cash equivalents	16	148 655	65 095
Total current assets		**1 150 331**	**839 550**
Total assets		**2 466 606**	**2 190 553**

(NOK 1 000)	Note	31.12.2017	31.12.2016
Equity			
Share capital	11	43 572	43 572
Treasury shares	11	-82	-98
Other paid-in equity	11	88 072	87 757
Total paid-in capital		**131 562**	**131 231**
Retained earnings			
Reserve for valuation variances	11	577 120	644 116
Other equity	11	552 514	171 747
Total retained earnings		**1 129 634**	**815 863**
Total equity		**1 261 196**	**947 094**
Liabilities			
Provisions			
Pension liabilities	5	16 727	11 382
Total provisions		**16 727**	**11 382**
Other non-current liabilities			
Debt to credit institutions	14,15	250 000	150 000
Total other non-current liabilities		**250 000**	**150 000**
Current liabilities			
Debt to credit institutions	15	17 884	14 998
Accounts payables	13	560 067	499 909
Public charges payable		4 538	10 660
Tax payable	12	15 385	0
Dividend	11	226 575	413 936
Other current liabilities	13	114 234	142 574
Total current liabilities		**938 684**	**1 082 077**
Total liabilities		**1 205 410**	**1 243 458**
Total equity and liabilities		**2 466 606**	**2 190 553**
Guarantee liabilities	15	15 537	0

Trondheim, 11 April 2018

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Lars Måsøval

Jon Hindar

Trude Olafsen

Marianne E. Johnsen

Charles Høstlund
Chief Executive Officer

Cash flow

(NOK 1 000)	Noter	2017	2016
Operating result		**91 455**	**-10 261**
Depreciation and write-downs	7	891	0
Pension costs with no cash effect		-659	-2 887
Share based payment		-15 376	-10 703
Change in inventories		4 704	-52 527
Change in accounts receivables		-32 926	13 059
Change in accounts payables		60 158	-51 279
Change in other current assets and other liabilities		-148 028	129 780
Net cash flow from operating activities		**-39 781**	**15 182**
Cash flow from investing activities			
Payments for purchase of property, plant and equipment	7	-937	-2 290
Proceeds from investments in current financial assets (TRS)	8	105 099	164 916
Payments for investing in subsidiaries	8	0	-71 000
Payments for acquisition of associated companies	8	0	-269 487
Dividend from associated companies	8	28 267	8 871
Group contribution and dividends from subsidiaries		322 433	50 000
Change in loans to subsidiaries, associates and others		-14 600	1 000
Net cash flow from investing activities		**440 262**	**-117 990**
Cash flow from financing activities			
New non-current borrowings		100 000	0
Non-current debt repayments		0	-350 000
Net change in overdraft		2 886	14 998
Payments for purchase of treasury shares		-18 754	-68 985
Proceeds from sale of treasury shares		16 068	67 418
Net interest payments		-9 152	-4 581
Dividend payment		-407 968	-111 772
Net cash flow from financing activities		**-316 920**	**-452 922**
Net increase/ reduction in cash and cash equivalents		83 561	-555 730
Cash and cash equivalents as of 1 January		65 095	620 827
Cash and cash equivalents as of 31 December		**148 655**	**65 095**

Notes to the financial statements

Note 1. Accounting principles

The financial statements for Norway Royal Salmon ASA have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting practice in Norway.

Principle for valuation and classification of assets and liabilities

Assets intended for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Similar criteria are used when classifying non-current and current liabilities.

Current assets are valued at the lower of acquisition cost and fair value.

Non-current assets are valued at acquisition cost, but are written down to their recoverable value if this is lower than book value and the impairment is expected to be permanent. Non-current assets with a limited useful economic life are systematically depreciated or amortised.

Other long-term and current liabilities are valued at nominal value.

Revenues

Revenues are recognised as they are accrued, when majority of both risk and control have been transferred to the customer. This will normally be the case when the goods are delivered to the customer. Revenues are recognised at the value of the consideration on the date of the transaction.

Expenses

Expenses are generally recognised in the same period as the corresponding revenue. In cases where there is no clear connection between expenses and revenues, the allocation is determined based on an informed estimate. Other exceptions to the matching principle are specified where relevant.

Functional and presentation currency

The functional and presentation currency is NOK. Transactions in foreign currency are translated at the exchange rate in effect at the transaction date. Monetary items in foreign currency are translated to NOK at the rate in effect at the balance sheet date.

Assets and liabilities in foreign currencies

Transactions in foreign currencies are translated at the exchange rate in effect on the date of the transaction. Monetary items, receivables and liabilities in foreign currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recognised in the accounting period as an operational item.

The company reduces its foreign exchange risk on receivables by entering into forward contracts and raising loans for a corresponding amount in the same currency. As of 31 December, both trade receivables and withdrawals from currency accounts are valued at the day rate. See also the description of forward currency contracts in the Derivatives section.

Derivatives

Currency Forward contracts are capitalised at their fair value on the date the contract was signed. Changes in fair value are recognised in the income statement, unless they qualify for hedge accounting. A derivative qualifying for hedge accounting is classified directly against equity. The instrument is derecognised when the contractual rights expire, or contractual rights and obligations are transferred. Derivative financial instruments are classified as current assets or liabilities.

The company can use interest rate swaps to hedge against fluctuations in interest rates on the long-term debt. The interest rate swaps are not included in hedge accounting and are measured at the lowest of cost and fair value. Value changes are recognized in the income statement as financial items.

Commodity derivatives entered into by the company do not meet the requirements for hedge accounting, and gains and losses are recognised in the income statement on the date they are realised. The effect is classified as an operating item in the company's financial statements.

Property, plant and equipment

Property, plant and equipment are capitalised at historical cost and depreciated in a straight line over the asset's expected useful economic life. If the recoverable value of an operating asset is lower than its book value, it is written down to its recoverable value. Recoverable value is the higher of net sales value and value in use. Value in use is the net present value of the future cash flows the asset is expected to generate.

Shares in subsidiaries and associates

Subsidiaries are defined as companies in which the shareholder has a controlling influence, normally where the shareholding exceeds 50 per cent. Associates are defined as companies in which the Group has a significant, but not controlling, influence. This is normally deemed the case where the shareholding is between 20 and 50 per cent.

Investments in subsidiaries and associates are recognised in accordance with the equity method. The company's share of the profits/losses from subsidiaries and associates will be its share of their profit/loss after tax less any amortisation of excess values on the date of acquisition. Shares of profit/loss are presented net on a separate line under financial items in the income statement. Investments in subsidiaries and associates are presented as non-current assets in the balance sheet.

Other investments in shares classified as non-current assets

Shares and other securities intended for long-term ownership are classified as non-current assets and recognised at their original cost price. A write-down is performed if the fair value is lower than cost price, and this situation is not of a temporary nature. Dividends received from these companies are recognised as other financial income.

Inventory

Inventory is recognised at the lower of acquisition cost and net sales price. The cost price of purchased goods is their acquisition cost plus freight charges.

Receivables

Trade and other receivables are recognised at nominal value less provisions for bad debts. Trade receivables are monitored continuously, and it is the company's policy to insure all material trade receivables. Provisions for bad debts are based on an individual assessment of each receivable.

Bank deposits, cash and cash equivalents

Bank deposits, cash and cash equivalents include cash, bank deposits and other means of payment maturing less than three months after acquisition.

Pensions

Defined contribution pension schemes

A defined contribution plan is a pension plan under which the group pays fixed contributions. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In a defined contribution scheme, the company pays what they have committed in accordance with an agreement, committed by law or voluntarily contributes. The company has no further obligations beyond this payment. Liabilities to pay contributions to defined contribution pension schemes are recognised as costs in the income statement as they accrue.

Defined benefit pension schemes

Pension schemes that are not defined contribution schemes are defined benefit schemes. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a linear accrual method. Pension obligations are calculated based on long-term discount rate and long-term expectations of future salary growth, inflation and pension increases. Pension assets are valued at fair value. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the equity.

Statement of cash flow

The statement of cash flow has been prepared using the indirect method. The statement of cash flow shows a breakdown of the Company's total cash flow by operating activities, investing activities and financing activities. Cash flow associated with the acquisition and divestment of businesses is presented net under investing activities after deductions for cash reserves held by the acquired company.

Tax

The tax expenses are matched to the result before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the direct taxable income for the year) and any change in net deferred tax. The tax expense is divided between ordinary profits and profits from extraordinary items in accordance with the tax basis. Deferred tax liabilities and assets are presented net in the balance sheet.

Note 2. Sales revenues

Specification of sales by region:

(NOK 1 000)	**2017**	**2016**
Norway	620 969	423 707
Western Europe	3 327 193	2 735 901
Eastern Europe & Russia	227 926	235 575
Asia & Middle East	728 905	780 548
Other countries	35 584	51 598
Total operating revenues	**4 940 578**	**4 227 330**

Note 3. Personnel expenses and benefits

(NOK 1 000)	**2017**	**2016**
Wages and salaries	34 220	66 491
Payroll tax	4 443	12 657
Pension costs – defined benefits scheme	4 368	1 610
Other benefits	501	344
Total salary and personnel expenses	**43 532**	**81 103**
Average number of full-time-equivalents	**42**	**39**

For details of the salary and other benefits payable to the Board of Directors, CEO and other senior executives, see Note 18 to the consolidated financial statements.

Note 4. Auditor's fee

(NOK 1 000)	**2017**	**2016**
Statutory auditing services	466	258
Other attestation services	91	43
Tax advisory services	0	9
Other services	61	7
Total auditor's fees	**619**	**317**

All auditing costs are exclusive of VAT.

Note 5. Pension costs and pension liabilities

The company has a statutory obligation to provide an occupational pension scheme under the Norwegian Mandatory Occupational Pension Schemes Act. The company's pension scheme complies with the requirements of this legislation.

The company operates a defined benefits pension scheme and a defined contribution scheme.

The company's defined benefit scheme entitles the 34 members to defined future benefits. These are mainly dependent on the number of years of entitlement, level of salary upon reaching retirement age and the size of the pension benefits paid by the National Insurance Scheme. The liability is funded through an insurance company. The defined contribution scheme includes 9 employees.

As a result of the application of IAS 19R, the period's net interest expense is now calculated by applying the discount rate for the liability at the beginning of the period to the net liabilities. Net interest expense therefore consists of interest on the obligation and return on assets, both calculated at the same discount rate. The change in the net pension obligation as a result of premium payments and pension payments are taken into account. The difference between the actual return on plan assets and the return recognised in the profit and loss accounts are expensed as incurred against equity.

Pension costs:

(NOK 1 000)	**2017**	**2016**
Current service cost	3 425	3 223
Interest expenses	293	284
Payroll tax	536	506
Administrational expenses	84	79
Net curtailment and settlement for new disability pension inc. Payroll tax	0	-2 077
Net pension cost – defined benefit scheme	**4 337**	**2 015**
Employee contributions to scheme	-486	-511
Costs of defined contribution pension scheme	517	106
Total pension costs	**4 368**	**1 610**

Assumptions	**2017**	**2016**
Discount rate	2.30 %	2.60 %
Future salary increases	2.50 %	2.50 %
Inflation rate	2.25 %	2.25 %
Future pension increase	0.40 %	0.00 %
Demographic factors:		
Disability table	IR02	IR02
Mortality table	K2013 BE	K2013 BE
Number of people covered by the defined benefit scheme:		
In work	34	36
Pensioners	7	6
Total	41	42

	2017	**2016**
Paid into scheme during the year	4 378	4 297
Forecast payment to scheme next year	4 937	4 845

Net pension liabilities:

(NOK 1 000)	31.12.2017	31.12.2016
Pension liabilities	56 333	45 653
Fair value of plan assets	-39 606	-34 271
Pension liability	**16 727**	**11 382**

Change in present value pension liabilities:

(NOK 1 000)	2017	2016
Pension liabilities as of 1 January	45 653	44 561
Current service cost	4 009	3 777
Interest expense	1 183	1 095
Effect of new disability pension	0	-4 303
Payroll tax on this year's payment	-617	-606
Pension payments	-592	-302
Actuarial losses over equity	6 697	1 431
Pension liabilities as of 31 December	**56 333**	**45 653**

Change in estimated fair value of plan assets:

(NOK 1 000)	2017	2016
Estimated fair value of plan assets as of 1 January	34 271	32 083
Return on plan assets	855	780
Effect of new disability pension	0	-2 227
Contributions paid	4 996	4 902
Payroll tax on this year's payment	-617	-606
Pension payments	-592	-302
Actuarial losses/ (gain) over equity	693	-359
Plan assets as of 31 December	**39 606**	**34 271**

Pension funds are made up as follows:

(NOK 1 000)	2016	2015
Shares	10.9 %	9.3 %
Short-term bonds	13.2 %	12.0 %
Money market fund	14.0 %	21.8 %
Long-term bonds	27.2 %	31.6 %
Loans and receivables	23.3 %	17.0 %
Property	10.0 %	6.8 %
Other	1.4 %	1.5 %
Total	100.0 %	100.0 %

Note 6. Financial income and financial expenses

Financial items included in the income statement:

(NOK 1 000)	2016	2015
Income from associates and subsidiaries	**465 160**	**528 839**
Realised gains on TRS-agreements	105 099	164 916
Unrealised losses on TRS-agreements	-64 078	0
Unrealised losses on Fish Pool contracts	-25 712	0
Fair value changes Fish Pool contracts	0	1 690
Gain on financial assets	**15 309**	**166 606**
Interest income	5 569	5 790
Interest expenses	-14 721	-12 226
Net interest expenses	**-9 152**	**-6 436**
Other financial expenses	-1 033	-1 269
Inefficiency cash flow hedging	-324	165
Net financial expenses	**-1 357**	**-1 104**
Net financial items	**469 960**	**687 905**

Note 7. Property, plant and equipment

(NOK 1 000)	Movables	Assets under construction	Total
Acquisition cost 1 January 2017	0	4 716	4 716
Additions	937	0	937
Disposals	0	-4 716	-4 716
Acquisition cost 31 December 2017	937	0	937
Accumulated depreciation 1 January 2017	0	1 357	1 357
Depreciation for the year	44	0	44
Write-downs	0	847	847
Disposals	0	-2 204	-2 204
Accumulated depreciation 31 December 2017	44	0	44
Book value 31 December 2017	**893**	**0**	**893**
Useful economic life	5 years		
Depreciation method	Straight-line		
Annual leasing cost of uncapitalised operating assets		2 371	
Lease duration		0-5 years	

(NOK 1 000)	Assets under construction	Total
Acquisition cost 1 January 2016	2 426	2 426
Additions	2 289	2 289
Disposals	0	0
Acquisition cost 31 December 2016	4 716	4 716
Accumulated depreciation 1 January 2016	1 357	1 357
Depreciation for the year	0	0
Disposals	0	0
Accumulated depreciation 31 December 2016	1 357	1 357
Book value 31 December 2016	**3 359**	**3 359**
Annual leasing cost of uncapitalised operating assets	2 294	
Lease duration	0-5 years	

Note 8. Subsidiaries and associated companies

Firma	Consolidated	Registered office	Last acquisi-tion date	Voting and shareholding	Book value
Nor Seafood AS	Yes	Torsken	10.08.2007	82.50 %	144 004
NRS Feøy AS	Yes	Torvastad	10.10.2007	100.00 %	113 161
NRS Finnmark AS	Yes	Alta	01.08.2008	100.00 %	349 267
NRS Troms AS	Yes	Finnsnes	04.03.2016	100.00 %	128 919
NRS Settefisk AS	Yes	Trondheim	01.12.2016	100.00 %	903
Total investment in subsidiaries					**736 254**
Arctic Fish ehf.	No	Island	03.10.2016	50.00 %	287 271
Wilsgård Fiskeoppdrett AS	No	Torsken	19.08.2008	37.50 %	133 264
Måsøval Fishfarm AS	No	Frøya	03.01.2003	36.10 %	14 899
Hellesund Fiskeoppdrett AS	No	Lillesand	21.02.2004	33.50 %	80 712
Ranfjord Fiskeprodukter AS	No	Mo i Rana	30.09.2012	37.75 %	11 723
Hardanger Fiskeforedling AS	No	Kvam	16.05.2011	31.10 %	10 370
Other	No				48
Sum tilknyttet selskap					**538 287**

Note 8 cont.

Subsidiaries:

(NOK 1 000)	NRS Troms AS	Nor Seafood AS	NRS Feøy AS	NRS Finnmark AS	NRS Settefisk AS	Total
Acquisition cost	41 019	23 691	81 198	125 592	988	
Paid excess value	24 473	14 045	18 162	77 824	0	
Opening balance 1 January 2017	158 704	133 653	209 742	349 462	988	852 549
Share of profit/loss for the year	102 215	25 199	116 419	163 112	-392	406 553
Group contribution between subsidiaries	0	0	0	-307	307	0
Group contribution from subsidiary	-132 000	0	-113 000	-163 000	0	-408 000
Equity adjustments and dividend	0	-14 848	-100 000	0	0	-114 848
Closing balance 31 December 2017	**128 919**	**144 003**	**113 161**	**349 267**	**903**	**736 254**

Paid excess value is almost entirely related to the value of licences and is not amortised, but is tested annually for impairment.

Associated companies:

(NOK 1 000)	Arctic Fish ehf	Wilsgård Fiske-oppdrett AS	Måsøval Fishfarm AS	Hellesund Fiske-oppdrett AS	Ranfjord Fiske-produkter AS	Other	Total
Acquisition cost at 31.12.2017	269 487	25 011	10 977	17 472	19 241	2 536	
Paid excess value	99 705	17 205	7 699	11 807	12 211	0	
Of which amortisable excess value/goodwill	0	0	0	0	11 211		
Excess value and goodwill as of 31.12.2017	99 705	17 205	7 699	11 807	1 404	0	
Opening balance 1.1.2017	281 218	110 613	9 180	58 522	10 761	9 952	480 245
Share of profit/loss for the year	-2 141	29 776	6 282	23 262	963	466	58 607
Conversion differences	8 194	0	0	0	0	0	8 194
Dividend	0	-7 125	-1 264	-5 030	0	0	-13 419
Equity adjustments	0	0	701	3 958	0	0	4 659
Closing balance 31.12.2017	**287 271**	**133 264**	**14 899**	**80 712**	**11 724**	**10 418**	**538 287**

Paid excess value is almost entirely related to the value of licences and is not amortised, but is assessed annually for impairment.
The exception is Ranfjord Fiskeprodukter AS. KNOK 11 211 out of a total excess value of KNOK 12 211 has been allocated to goodwill. All the goodwill has been amortised.

Income from subsidiaries and associates	**2017**
Share of profit/loss for the year from subsidiaries	406 553
Share of profit/loss for the year from associates	58 607
Total revenue recognised	**465 160**

Note 9. Receivables due in more than one year

(NOK 1 000)	31.12.2017	31.12.2016
Loans to smolt supplier	18 600	4 000
Other long-term receivables	2 744	0
Total receivables due in more than one year	**21 344**	**4 000**

Note 10. Inventory

(NOK 1 000)	31.12.2017	31.12.2016
Goods in transit	48 227	44 638
Finished goods	13 192	21 485
Total inventory	**61 420**	**66 123**

Note 11. Share capital and shareholders

Share capital as at 31.12.2017 comprises the following classes of share:	**Number of shares**	**Nominal value**	**Book value**
Ordinary shares	43 572 191	1.00	43 572 191

The board has proposed a dividend of NOK 5.2 per share for the year 2017. For details of the largest shareholders and shares owned by board members, the CEO and other senior executives, see Note 21 to the consolidated financial statements.

(NOK 1 000)	Share capital	Treasury shares	Other paid-in equity	Reserve for valuation variances	Other equity	Total
Equity as of 31 December 2016	43 572	-98	87 757	644 116	171 748	947 094
Change in the year:						
Net result for the year	0	0	0	469 270	81 836	551 107
Dividend associates and subsidiaries	0	0	0	-128 267	128 267	0
Conversion differences associated company	0	0	0	0	8 194	8 194
Other changes associated companies	0	0	0	0	4 659	4 659
Allocated, but not distributed dividend	0	0	0	0	5 461	5 461
Cash flow hedges	0	0	0	0	-7 334	-7 334
Share based payment	0	0	315	0	-14 923	-14 609
Actuarial gains	0	0	0	0	-4 623	-4 623
Proposed dividend	0	0	0	0	-226 576	-226 576
Corporate contributions	0	0	0	-408 000	408 000	0
Purchase of treasury shares	0	-93	0	0	-18 154	-18 247
Sale of treasury shares	0	109	0	0	15 959	16 068
Equity as of 31 December 2017	**43 572**	**-82**	**88 072**	**577 120**	**552 516**	**1 261 196**

For additional information on purchase and sale of treasury shares please see Note 21 in the consolidated accounts.

Note 12. Taxation

(NOK 1 000)	2017	2016
Tax payable	15 385	-5 608
Tax on actuarial losses and cash flow hedges directly against equity	3 571	-6 338
Change in deferred tax	-8 648	4 124
Tax related to profit/loss for the year	**10 308**	**-7 822**

Tax payable in the balance sheet:

(NOK 1 000)	31.12.2017	31.12.2016
Tax payable	15 385	-5 608
Tax on group contributions	0	5 608
Tax payable	**15 385**	**0**

Specification of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2017	31.12.2016	Endring
Property, plant and equipment	423	716	-294
Inventories and trade recivables	6 534	-1 587	8 121
Financial instruments	56 574	7 870	48 704
Pensions	16 727	11 382	5 345
Other temporary differences	4 512	26 822	-22 311
Basis for deferred tax	**84 769**	**45 203**	**39 566**
Deferred tax assets	**19 497**	**10 849**	**8 648**

Deferred tax on items recognised directly in equity

(NOK 1 000)	31.12.2017	31.12.2016
Actuarial losses/gains	-6 004	-1 790
Cash flow heding	-9 524	28 197
Basis deferred tax	**-15 528**	**26 406**
Deferred tax on items recognised directly against equity (23 % in 2017 and 24 % in 2016)	**-3 571**	**6 338**

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2017	2016
Result before tax	561 415	677 644
Expected tax after nominal tax rate (24 % in 2017 and 25 % in 2016)	134 740	169 411
Actual tax	10 308	-7 822
Difference	**-124 431**	**-177 233**

(NOK 1 000)	2017	2016
Explanation of difference		
Non-deductible expenses	292	144
Actuarial losses/gains recognised in equity	-1 441	-448
Cash flow hedges and actuarial gains recognized in equity	-2 286	7 049
Permanent differences related to the equity method	-111 638	-132 210
Realised and unrealised TRS gains/losses	-9 845	-41 229
Share-based share of the option scheme	-3 932	-4 654
Tax effect of items recognized directly in equity	3 727	-6 602
Change in deferred tax due to change in tax rate	692	716
Tax on ordinary result	**-124 431**	**-177 233**
Effective tax rate *	**1.8 %**	**-1.2 %**

* The negative effective tax rate in 2016 is due to the results from subsidiaries and associated companies of KNOK 528 829 and realised gains on TRS of TNOK 164 916 being included in profit before tax.

Note 13. Intra-group transactions and balances

Intra-group balances:

	Non-current receivables		Trade receivables		Other current receivables	
(NOK 1 000)	2017	2016	2017	2016	2017	2016
Group companies	0	0	0	0	408 000	273 134
Associated companies	0	0	53	39	0	0
Total	**0**	**0**	**53**	**39**	**408 000**	**273 134**

	Trade payables		Other current liabilities	
(NOK 1 000)	2017	2016	2017	2016
Group companies	239 992	102 952	0	0
Associated companies	48 194	71 869	0	0
Total	**288 186**	**174 821**	**0**	**0**

Transactions with group companies:

(NOK 1 000)	2017	2016
Other operating revenues	3 212	3 504
Cost of goods sold	1 770 354	1 535 730
Other interest income	4 981	5 462

Note 14. Long-term liabilities

Instalment profile – debt to credit institutions:

(NOK 1 000)	2018	2019	2020	2021	2022	Total
Debt to credit institutions	0	0	200 000	0	50 000	250 000
Total	**0**	**0**	**200 000**	**0**	**50 000**	**250 000**

Norway Royal Salmon ASA has an agreement with Danske Bank where the Group's credit facilities totals NOK 1 400 million. NOK 800 million is a long-term credit facility. NOK 500 million is instalment-free until 2022 and has an annual credit review for a further extension of 5 years. NOK 300 million is instalment-free until 2020 and has an annual credit review for a further extension of 3 years. The Group has a short-term multi-currency overdraft facility of KNOK 600 000. At 31 December 2017 the company has drawn KNOK 17 884 on the short-term multi-currency overdraft facility.

The interest on the long-term debt is floating and linked to the 3-month NIBOR plus a margin. Interest on the multi-currency credit line is 3-month NIBOR/ 1-week LIBOR/Danish BOR plus a margin. In addition, the Company had an interest rate swap in 2016. The swap was not recognized as hedge accounting. The change in value of the interest rate swap was recorded as a financial item in the income statement. The interest rate swap expired in September 2016.

The company's covenants are that the Group shall have an equity ratio of at least 30 per cent and that the short-term credit facility shall not exceed 75 per cent of the inventory and accounts receivables.

Note 15. Assets pledged as securities, guarantees, etc.

Capitalised secured liabilities

(NOK 1 000)	31.12.2017	31.12.2016
Long-term debt to credit institutions	250 000	150 000
Short-term debt to credit institutions	17 884	14 998
Total secured liabilities	**267 884**	**164 998**

Book value of assets pledged as security

(NOK 1 000)	31.12.2017	31.12.2016
Property, plant and equipment	893	3 359
Inventories	61 420	66 123
Accounts receivables	496 503	463 577
Total secured liabilities	**558 815**	**533 059**
Guarantee liabilities	**15 537**	**0**

In addition to the above-mentioned guarantees, the company had the following liabilities as of 31 December 2017:

1) Norway Royal Salmon ASA has given guarantees to credit institutions with respect to some of its subsidiaries' leasing liabilities. As of 31 December 2017 the total recognised leasing liabilities for which NRS has pledged security amounted to KNOK 211 241.
2) Norway Royal Salmon ASA has joint liability up to a maximum of KNOK 600 000 for the group overdraft arrangement.
3) In connection with Group funding the company's assets are pledged as security for the liabilities of the subsidiaries.

Note 16. Liquidity

As at 31 December 2017 the company had restricted deposits of KNOK 148 647. Of the funds, KNOK 22 894 (KNOK 62 569) have been pledged as security for the company's trading activities on Fish Pool.

KNOK 123 808 (2016: NOK 0) is pledged as collateral related to its TRS agreements. The rest is related to guarantees and tax accounts.

The company is part of the group's cash pool, for information on unutilized overdraft please see Note 8 to the consolidated financial statements.

Note 17. Derivatives

Forward currency contracts
Forward currency contracts are recognised at fair value at the balance sheet date. At 31 December 2017 forward currency contracts was nominated in EUR, USD, JPY and GBP. These contracts mature between 3 January 2018 and 22 January 2019 and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables. The cash flow hedging satisfy the demands for hedge accounting and the changes in unrealised value are recognised directly against equity. Realised profit/loss on the contract are recognised in revenues.

As of 31.12.2017 (NOK 1 000)	**Type**	**Currency**	**Currency amount**	**Currency period**	**Exchange rate range**	**Book value**
Forward currency contracts – cash flow hedging	Sale	EUR	19 874	15.01.18-20.12.18	9.588-9.810	-5 893
Forward currency contracts – cash flow hedging	Sale	USD	7 156	16.01.18-20.12.18	7.677-8.277	-1 519
Forward currency contracts – cash flow hedging	Sale	GBP	21 680	10.01.18-22.01.19	10.787-11.132	-5 823
Forward currency contracts – cash flow hedging	Sale	JPY	205 550	10.01.18-15.06.18	0.0720-0.0728	-385
Forward currency contracts – fair value hedging	Sale	USD	5 000	04.01.2018	7.948	-1 310
Forward currency contracts – fair value hedging	Sale	EUR	37 000	03.01.18-04.01.18	9.327-9.426	-15 932
Total forward currency contracts						**-30 862**

Pr. 31.12.2016 (NOK 1 000)	**Type**	**Currency**	**Currency amount**	**Currency period**	**Exchange rate range**	**Book value**
Forward currency contracts – cash flow hedging	Sale	EUR	22 332	15.01.17-22.12.17	8.970-9.616	1 587
Forward currency contracts – cash flow hedging	Sale	USD	12 318	17.01.17-20.12.17	7.504-8.759	-1 324
Forward currency contracts – cash flow hedging	Sale	GBP	41 252	05.01.17-20.12.17	10.022-12.776	-4 136
Forward currency contracts – cash flow hedging	Sale	JPY	188 575	04.01.17-10.03.17	0.0739-0.0742	101
Forward currency contracts – fair value hedging	Sale	USD	6 000	03.04.2017	8.667	-3 410
Forward currency contracts – fair value hedging	Sale	EUR	32 000	01.04.17-03.04.17	9.033-9.123	-687
Total forward currency contracts						**-7 870**

Financial Fish Pool contracts

Contracts have been signed to purchase 5 736 tonnes on the Fish Pool salmon exchange. The contract prices are in the range NOK 53.00–NOK 62.25 and cover the period from January 2018 to December 2018. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. Realised Fish Pool contracts are posted in the accounts under the operational result. Realised Fish Pool contracts classified under the operational result amounted to KNOK 49 582 in 2017 (2016: KNOK 202 974). The unrealised loss on the derivatives of KNOK 25 712 (2016: NOK 0) has been recognised in the accounts.

As of 31.12.2017 (NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	5 736	01.01.18-31.12.18	53.00-62.25	-25 712
Total						**-25 712**

As of 31.12.2016 (NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	8 952	01.01.16-31.12.18	41.00-67.40	94 436
Fish Pool contracts	Sale	NOK	780	01.01.17-31.12.17	69.00	111
Total						**94 547**

Total return swap

In 2017 the company entered into a TRS (Total Return Swap) agreement against own shares. At 31 December 2017, Norway Royal Salmon ASA's total underlying exposures through the TRS agreement is 1 775 377 shares, representing 4.07 per cent of the share capital of the company. The agreement expires 15.03.2018. The exercise price is NOK 170.81. The company realised previous agreements in 2017. The gain on realisation amounts to KNOK 105 099 (2016: KNOK 164 916) and is posted as a finance post in the accounts. An unrealised loss on the agreements in 2017 of KNOK 64 078 (2016:NOK 0).

(NOK 1 000)	No. of shares	Exercise price	Maturity	Fair value 31.12.2017
TRS	1 775 377	170.81	15.03.2018	-64 078
Total	**1 775 377**			**-64 078**

(NOK 1 000)	No. of shares	Exercise price	Maturity	Fair value 31.12.2016
TRS	2 351 691	129.62	15.03.2017	183 273
Total	**2 351 691**			**183 273**

Interest rate swap

NRS had an interest rate swap which expired in September 2016. The interest rate swap was not recognized as hedge accounting under IFRS. Subsequent the fair value changes on the agreement was charged to the income statement as a part of other net financial items.

As of 31.12.2016

Valuta	Amount	NRS pays	NRS receives	Maturity	Market value 31.12.2015	Market value 31.12.2016	Change in market value 2016
NOK	100 000	Fixed 3.37 %	3 mnd NIBOR	07.09.16	-1 690	0	1 690

Note 18. Financial risk

For further information relating to the management of financial risk in the parent company and group, see Note 1.6 to the consolidated financial statements.

Note 19. Subsequent events

No subsequent events after 31 December 2017.


NORWAY
ROYAL
SALMON

Responsibility statement

from the Board of Directors and Chief Executive Officer

We confirm that, to the best of our knowledge, the financial statements for the period for 2017 for the group and the parent company have been prepared in accordance with applicable accounting standards, and that the accounts give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of the operations per 31 December 2017.

We also confirm to the best of our knowledge, that the Director's report provides a true and fair view of the development and performance of the business and the position of the group and the company including description of key risks and uncertainty factors pertaining to the group going forward.

Trondheim, 11 April 2018

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Lars Måsøval

Jon Hindar

Trude Olafsen

Marianne E. Johnsen

Charles Høstlund
Chief Executive Officer

To the General Meeting of Norway Royal Salmon ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norway Royal Salmon ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers AS, Brattørkaia 17 B, Postboks 6365 Torgard, NO-7492 Trondheim
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

The business has been largely unchanged compared with last year. The measurement and valuation of biological assets contains approximately the same complexity and risk as last year and has therefore been the focus of our audit this year as well.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement and valuation of biological assets	
Norway Royal Salmon ASA value biological assets at fair value according to IAS 41. At the balance sheet date the fair value of biological assets was NOK 1 177,7 m, out of which NOK 950,7 m is historical cost and NOK 227,0 m is fair value adjustment. Biological assets comprise about 1/3 of total assets. The Group's biological assets include live fish stock related to the Fish farming segment. When auditing material inventories the auditing standards require that the auditor participates the physical inventory counting, unless impracticable. The biological assets are by nature difficult to count, observe and measure, due to lack of sufficiently accurate measuring techniques that at the same time does not affect fish health. There is some uncertainty related to the number of fish and biomass in the sea. Therefore, we have focused on measurement of the biological assets (number and biomass) in the audit, emphasizing the inventory of live fish held for harvesting purposes (ongrowing), which constitutes the majority of the value of the biological assets. The fluctuations in the fair value estimate that arise due to for instance changes in marked price, may have a significant impact on the net operating result for the period. Norway Royal Salmon ASA therefore show the effect of fair value adjustments for biological assets on a separate line, before net operating result. We focused on the valuation of the biological assets due to the size of the amount, the complexity and judgement	The Group's biomass system include information on number of fish, average weight and biomass per site. We reconciled the movement in the inventory of live fish stock (biomass and number of fish). The movement in number of fish is the total of smolt stocked, loss of fish, destruction and harvested fish for the period. The movement in biomass equals the total of stocked biomass, net growth and harvested biomass for the period. We focused mainly on the number of smolt stocked and the net growth in kg for the period, as these have the most significant impact on the measurement at year-end. We reviewed the Group's routines for registration of the number of smolts stocked. To ensure accuracy of the number of smolt registered in the biomass system we checked a selection of registered smolt stockings from the biomass system against supporting documentation. The period's net growth correspond to the feed consumption in the period divided by the feed conversion rate. The feed consumption is closely related to the feed purchase in the period. To evaluate the feed consumption and feed purchase of the period we reviewed the Group's routines for reconciling the feed inventory and reconciled feed purchase against external confirmations from the two main suppliers. Furthermore, we assessed the accumulated feed conversion rate for the stock against our expectation based on industry data per farming region. Where the feed conversion rate differed from our expectation, we obtained explanations and supporting documentation. Our work supported that the estimated growth was reasonable. In order to challenge the historical accuracy of the Group's estimates on biomass and number of fish, we reviewed the harvest deviations for the period. By harvest deviations we refer to the difference between actual harvested biomass (in kg and number of fish) and estimated biomass according to the Group's biomass systems. We found that the deviations were as expected. We tested the Group's model for calculating the fair

(2)

involved when calculating the fair value and the significance of the fair value adjustments on the financial result. Refer to notes 1.4 and 1.5 in the annual report for a description on accounting principles and estimates and note 5 on biological assets.	value by assessing it against the criteria in IAS 41 and IFRS 13. We found no obvious exceptions. We examined whether the biomass in kg and number of fish used in the calculation corresponded with the biomass and number of fish in the Group's biomass system, and tested that the model made mathematical calculations as intended. After ensuring these fundamental elements were in place, we considered if the assumptions the Group used in the model was reasonable. We discussed the assumptions with the group management and compared them to e.g. historical data, industry data and observable market data. We found that the assumptions were reasonable. We satisfied ourselves that the information in the notes appropriately reflected the valuation method and that the assumptions were in accordance with the relevant framework.

Other information

Management is responsible for the other information. Other information consists of all other information in the annual report, but not the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 11 April 2018
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.


STEADY 260

Norway Royal Salmon ASA has four subsidiaries that operate 42.68 fish farming licences. These are located in Alta and Senja in Region North and in the area around Haugesund in Region South.

MAIN OFFICE:

NORWAY ROYAL SALMON ASA
Ferjemannsveien 10
Box 2608, Sentrum
7414 TRONDHEIM

Phone: +47 73 92 43 00
E-mail: nrs@salmon.no

SALES OFFICE:

NORWAY ROYAL SALMON ASA
Gravane 8
Box 110
4662 KRISTIANSAND S

Phone: +47 38 12 26 66
E-mail: nrs@salmon.no

NRS FINNMARK AS
Markveien 38 B
Box 1154
9504 ALTA

Phone: +47 928 96 202
E-mail: per.magne.bolgen@salmon.no

NRS TROMS AS
9300 FINNSNES

Phone: +47 77 84 85 86
Mobile: +47 950 71 879
E-mail: rune.eriksen@salmon.no

NRS FEØY AS
Storasundvegen 291
4260 TORVASTAD

Mobile: +47 995 92 735
E-mail: rolf.berg@salmon.no

NRS SETTEFISK AS
9130 KARLSØY

Phone: +47 73 92 43 00

NOR SEAFOOD AS
9381 TORSKEN

Phone: +47 77 85 53 08
Mobile: +47 905 73 554
E-mail: fredd@wilsgaard.no

25TH-ANNIVERSARY

NORWAY ROYAL SALMON ASA
Ferjemannsveien 10
Box 2608, Sentrum
7414 TRONDHEIM
Phone: +47 73 92 43 00

www.norwayroyalsalmon.com