

A scenic view of a Norwegian coastal landscape. In the foreground, there are snow-covered mountains and a small body of water. In the middle ground, there are several small, colorful houses (red, yellow, and blue) scattered across a snowy area. In the background, there are large, snow-covered mountains and a body of water with several salmon farms (cages) visible. The sky is clear and blue.

ANNUAL REPORT



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COMMITTED
BY NAME

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Message from the CEO

In Norway we live of the sea. For hundreds of years, the sea has been the very basis of our development, and the coastline has been essential to our welfare. In 2018, Norway exported seafood for a record high NOK 99 billion, salmon export is the largest in both volume and value. Salmon represent a tremendous value creation in Norway, and ensures and creates jobs in the many living coastal communities. Thus, it is gratifying to see the development in Norway Royal Salmon (NRS). In 2018, we passed NOK 5 billion in operating revenues, had a record high self-produced volume of 36 000 tonnes and we have never sold so much salmon as we did with the 82 400 tonnes we sold. The numbers show we are in growing and developing, which we also aim to do in the years ahead.

We are now very close to the realisation of the two largest single investments in the Group's history. We will build a state-of-the-art hatchery with RAS technology. This will ensure the group's value chain, and the plant will become the main supplier of smolt to our salmon production in the sea. We will build the facility in Dåfjord in Karlsøy municipality and we are planning to start construction in 2019. In 2019, will we also start building the future's offshore aquaculture facility. We believe in offshore aquaculture and have therefore developed Arctic Offshore Farming (AOF). AOF is a new and groundbreaking production technology, which is designed for harsh areas where the equipment of today cannot be used. Offshore aquaculture will open new sea areas for aquaculture in the future. We are proud that these investment projects, together with our existing activity, will provide new jobs and reinforce the impact of our activities both locally, regionally and nationally.

Food production in the sea provides a low climate footprint. We are all dependent on a clean sea to produce high quality seafood. Norway Royal Salmon has an ambition to develop the future aquaculture industry in a sustainable manner. The UN's 17 sustainability goals set the ambitions for a sustainable development

that reflects both the environment, economy and social conditions. The sustainability goals are important tools for setting a direction in which we who live today do not destroy the opportunities of future generations to meet their needs. We have put emphasis on sustainability goals where we believe the Group can have a real impact and make a difference. Areas that ensure sustainable consumption and production patterns and which preserve and use the sea and marine resources in a way that promotes sustainable development are important to us and are part of our reporting of sustainability goals.

Together, we work daily to improve and develop, and our goal is to be the most efficient producer of Norwegian salmon. In Region North production costs developed positively in 2018, while in Region South costs increased. In order to ensure our competitiveness, we must continue to pursue improvements in the production that ensure further cost reduction at all our sites and units. We have not reached our goals, but will develop the Group through sustainable growth, development and use of new technology and by securing the links in the value chain.

We have fantastic employees and a formidable work effort is laid down every single day to develop the company. We are proud of the name Norway Royal Salmon and 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
Chief Executive Officer



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

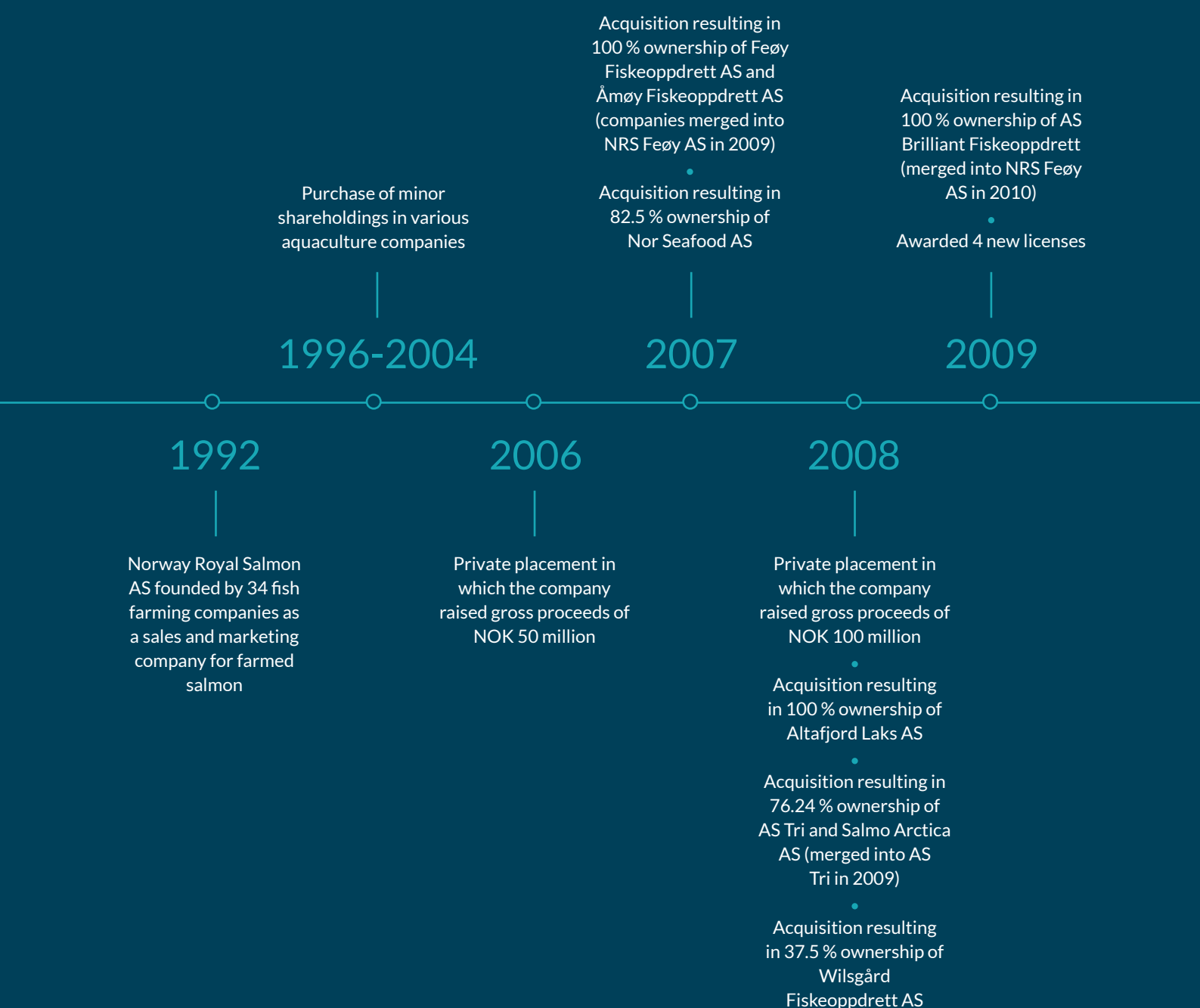
Innovative

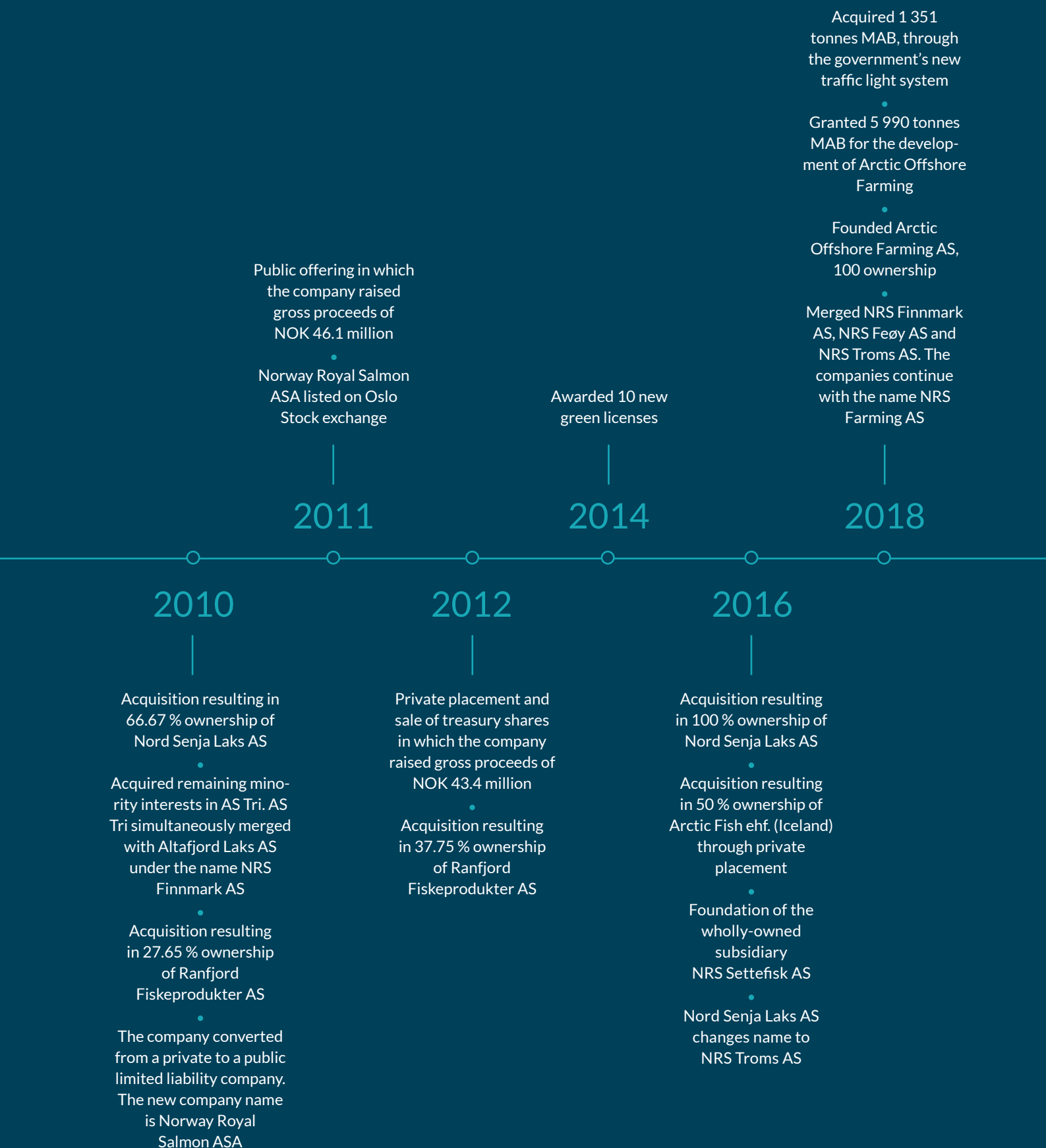
Committed by name

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





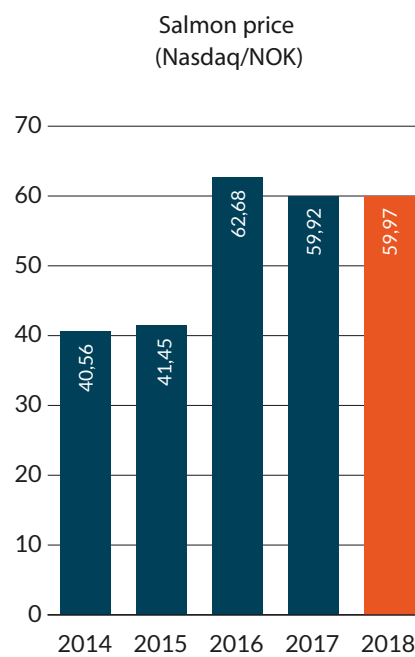
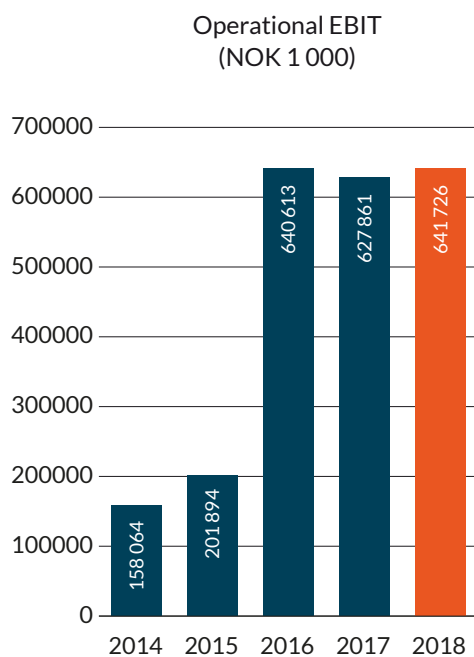
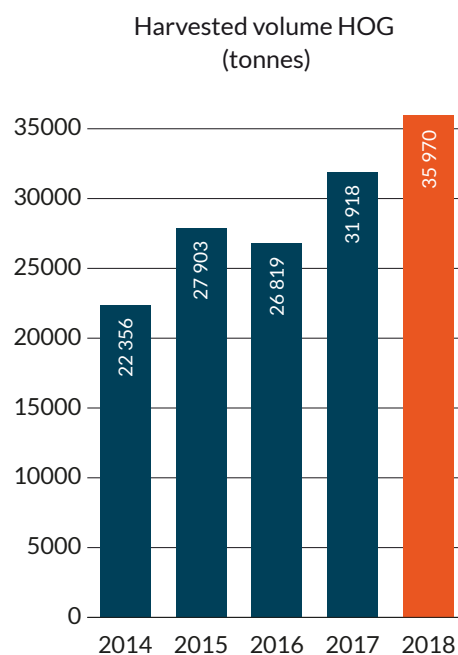
Key figures

(NOK 1 000)	2018	2017	2016
Operating revenue	5 080 806	4 937 798	4 224 340
Volume sold (tonnes)	82 420	77 799	66 808
Volume of own fish harvested (tonnes gutted weight)	35 970	31 918	26 819
Operational EBITDA ¹⁾	731 024	709 923	701 676
Operational EBIT ¹⁾	641 726	627 861	640 613
EBIT	807 739	485 719	876 628
EBT	869 838	322 596	1 172 421
Result for the year	709 091	236 416	1 004 713
EBITDA margin ¹⁾	14,4 %	14,4 %	16,6 %
Operational EBIT margin ¹⁾	12,6 %	12,7 %	15,2 %
ROCE ²⁾	36,8 %	39,8 %	49,6 %
Operational EBIT per kg ³⁾	19,97	22,10	27,06
Book value of biological assets	1 240 393	1 177 678	1 205 399
Total capital	4 090 833	3 855 163	3 713 382
Net interest bearing debt	419 698	633 479	282 160
Book equity	2 320 785	1 851 030	2 047 017
Equity ratio %	56,7 %	48,0 %	55,1 %
Net cash flow from operating activities	806 696	170 504	628 302
Net cash flow from investing activities	-411 818	-107 053	-282 311
Earnings per share	16,21	5,27	22,72
Number of shares as at 31 December	43 572 191	43 572 191	43 572 191
Number of employees (full-time equivalents)	188	172	149

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



Highlights 2018

2018 was an eventful year for Norway Royal Salmon with record high harvest volume, record high sales volume and investments in sustainable growth.



Capacity increase through traffic light system growth

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

In June Norway Royal Salmon acquired 800 tonnes MAB in the Ministry of Trade, Industry and Fisheries' auction.

Development permits

In March NRS was granted 5 990 tonnes MAB in development permits for the development of the concept Arctic Offshore Farming.

Record high harvest volume

The farming operations harvested 35 970 tonnes in 2018.

Record high sold volume

The sales operations sold 82 420 tonnes in 2018.



ISA detected at two sites in Region North

The fish disease ISA (Infectious Salmon Anemia) was detected at the Lubben and Ørnfjordbotn sites in Troms.

GLOBAL G.A.P. Certification

All sites at Norway Royal Salmon are GLOBAL G.A.P. certified.

ASC Certification

12 sites at NRS Farming Region Finnmark are now ASC certified.

Dividend

In June, Norway Royal Salmon ASA distributed an ordinary dividend of NOK 5.20 per share.



Strategy

Norway Royal Salmon shall be the most effective salmon farming company in the market:



Norway Royal Salmon

– a sustainable 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 a sustainable fish farming company in strong growth.



EGGS

SMOLT

ONGROWING/MARINE
PRODUCTION

Fish farming value chain

Smolt

- Smolt supply secured through long term agreements and associated companies
- 100 % ownership in NRS Settefisk AS, operative from 2020. Production capacity of 2 400 tonnes
- 37.75 % ownership in Ranfjorden Fiskeprodukter AS
- 30 % ownership in Skardalen Settefisk AS, co-owned with Wilsgård Fiskeoppdrett AS

Ongrowing/marine production

- 39 426 tonnes MTB
- 34 746 tonnes MAB in Region North, 4 680 tonnes MAB in Region South
- Harvest volume 2018: 35 970 GWT
- Production capacity between 55 000 and 60 000 GWT
- 10 partly owned licenses through associated companies in Norway
- 50 % ownership in Arctic Fish on Iceland with licenses for 11 400 tonnes

The Group is a fish farming company with activities in two main segments: salmon farming and sales. In 2018, the Group's farming operation harvested 35 970 tonnes of salmon, while the sales organisation sold 82 420 tonnes of salmon.

In addition to the sales organisation, the Group currently 39 426 tonnes MAB for salmon farming. The operational companies NRS Farming AS and Nor Seafood AS have together 33 436 tonnes MAB. The subsidiary Arctic offshore Farming AS was granted development permits equivalent to 5 990 tonnes MAB in 2018. Arctic Offshore Farming AS will build a semi-submersible offshore fish farm designed for harsh areas. The farm

will be operational by the from the third quarter of 2020. In addition, the group has a subsidiary, NRS Settefisk AS, which will build and operate a hatchery on Karlsøy in Troms.

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 sales and marketing.



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 internal salmon farming, associated companies and external farmers
- Sale of fresh and frozen salmon and trout
- Sold 82 420 tonnes in 2018
- 82 % export to 56 countries in 2018

Salmon farming – situated in attractive areas

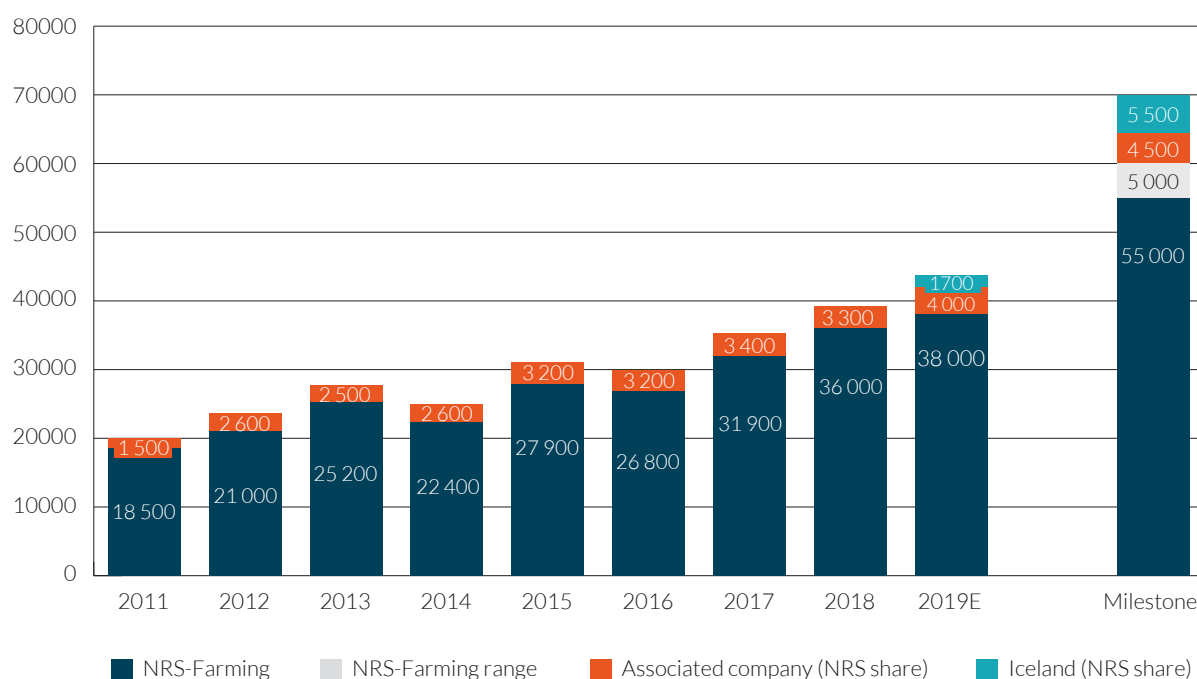
In 2006, Norway Royal Salmon made a strategic decision to become a salmon farmer. From 2007 fish farming has been a part of the Group's activities.

After NRS was awarded 10 green licenses in 2014 and 8 developing permits in 2018, estimated yearly production capacity is between 55 000 and 60 000 tonnes GWT. The criteria for the allocation of the green licenses were to establish a production that reduces the extent of sea lice or reduces the risk of impact on wild salmon as a result of escapes. The developing permits will provide significantly increased area utilization of Norwegian sea waters when positioned farther away from the coast and

will have a limited environmental footprint. The future growth of the aquaculture industry will be through such sustainable solutions. 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.

Norway Royal Salmon aims to be one of the leading ASC certified salmon farming companies in the world. Norway Royal Salmon's objectives are to meet the growing demand for salmon with sustainable production. In a few years, all sites in Region North will be ASC-certified.

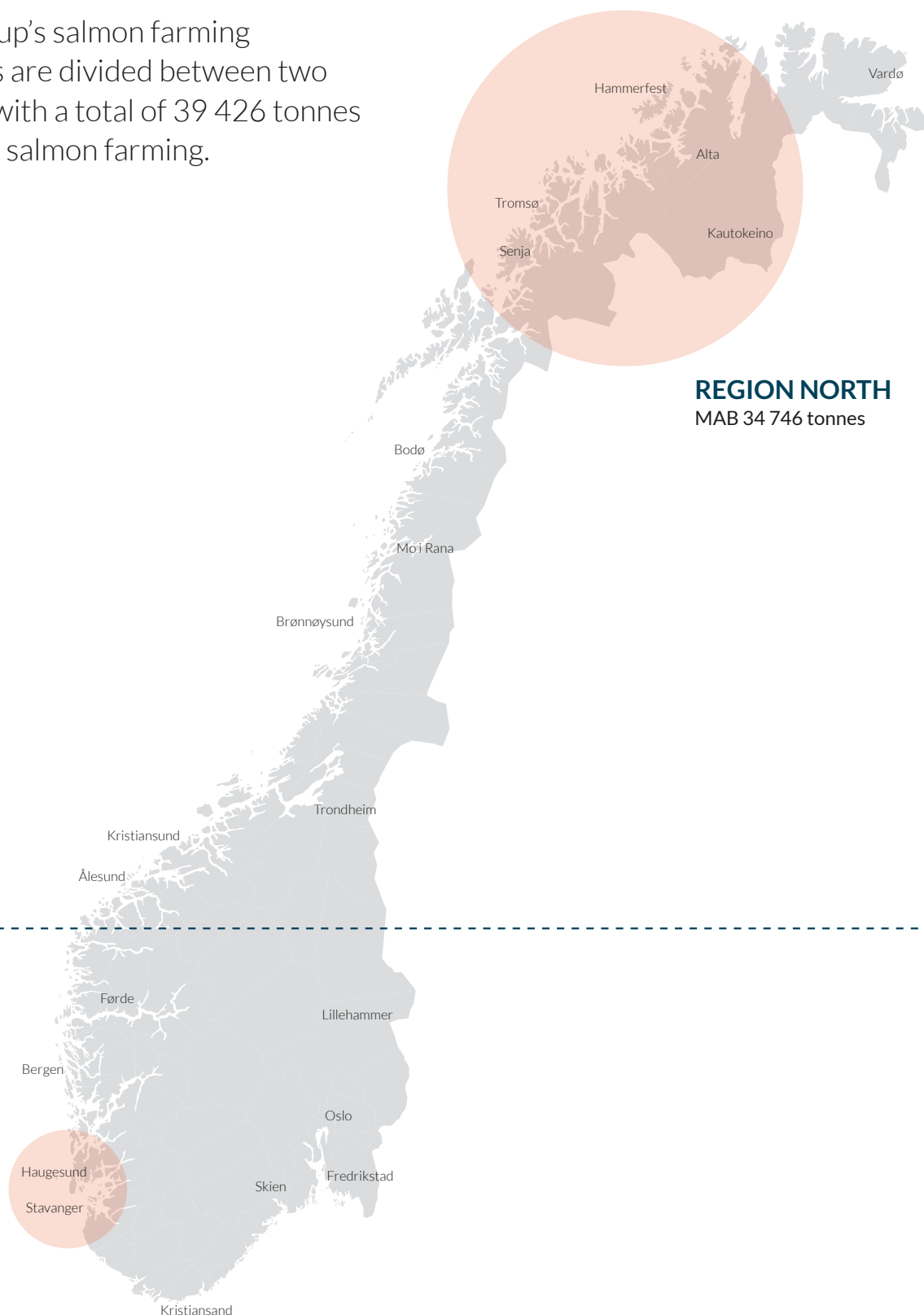
The Group's growth from 2011 to 2018 through utilisation of the capacity of the existing licences is illustrated below:





Salmon farming with green focus

The Group's salmon farming activities are divided between two regions with a total of 39 426 tonnes MAB for salmon farming.



Region North

Region North has operations in West Finnmark and Troms. After being awarded 8 developing permits (equivalent to 5 990 tonnes) in 2018 through Arctic Offshore Farming AS, the Group has 34 746 tonnes MAB for salmon farming in 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 2018 totalled 30 384 tonnes, compared to 24 697 tonnes in 2017. NRS Farming AS Region Finnmark has 19 116 tonnes MAB for salmon farming. This is a region where the Group expects strong growth in harvest volume in

the coming years. In 2018, Region Finnmark harvested 19 960 tonnes of fish. West-Finnmark is an attractive area for salmon production in sea. 12 out of 16 sites at Region Finnmark are ASC-certified.

Region Troms hold a total of 15 630 tonnes MAB for salmon farming. Together with Wilsgård Fiskeoppdrett AS – of which the Group owns 37.5 per cent – these companies form a group that operates 20 450 tonnes MAB for salmon farming. Troms is also an attractive location with good conditions for fish farming. Region Troms harvested 10 424 tonnes in 2018.

Overview of site MAB:

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

Troms	MAB	Nor Seafood and Wilsgård Fiskeoppdrett	MAB
Brensholmen	5 670	Finnstein	2 700
Baltsfjord	5 670	Ytre Lavollsfjord	3 600
Trælvika	3 780	Barbogen	2 700
Ørnfjordbotn	1 800	Korsnes	3 600
Lubben	5 670	Ytre Jøvik	3 600
Finnvika	1 800	Mjøsund	3 600
Skog	2 830	Durmålsvika	5 670
Total	27 220	Total	25 470
		Region Troms	52 690

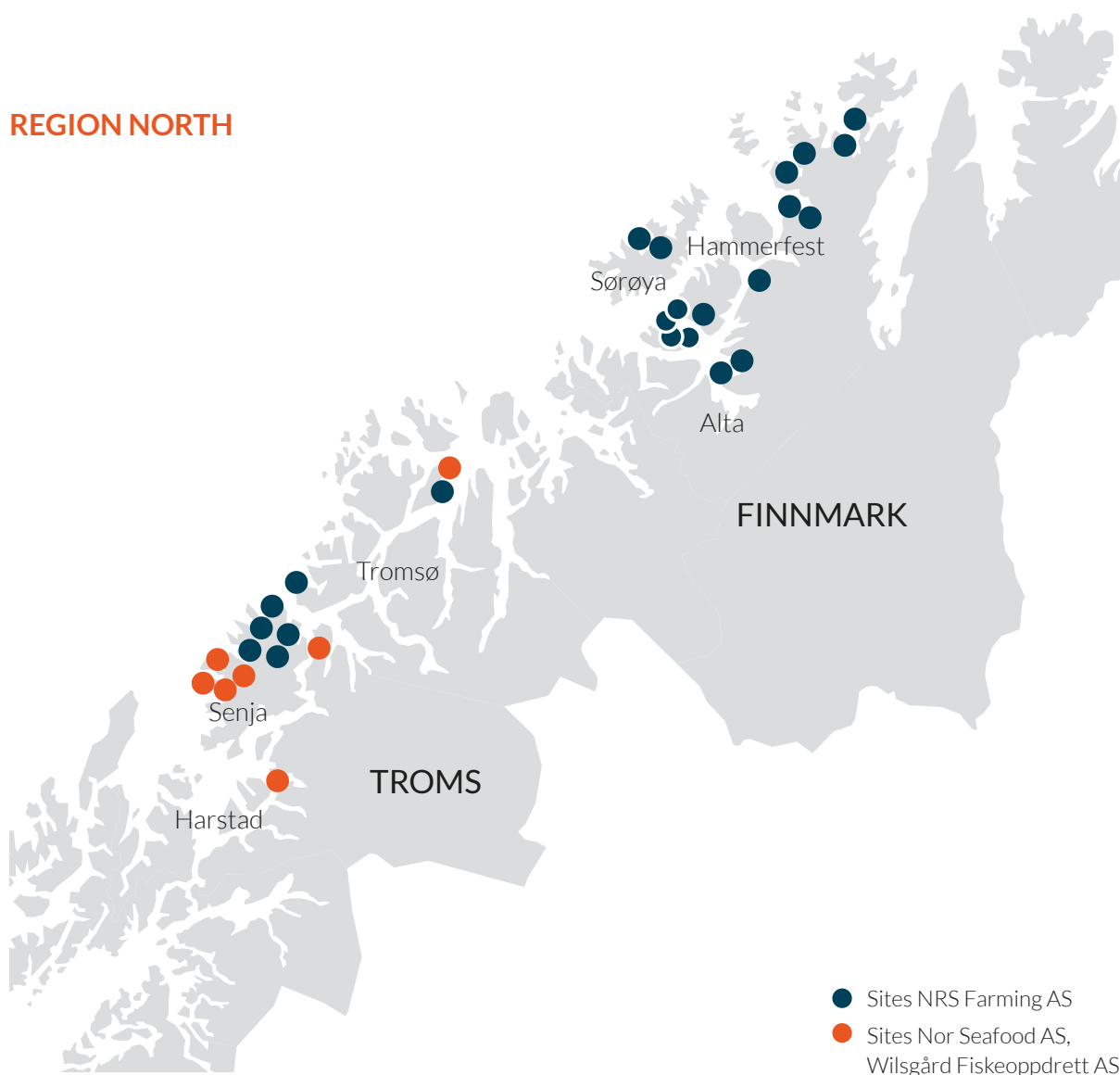
Region South

Region South is located in the border region between Hordaland and Rogaland. The Region holds 4 860 tonnes MAB for salmon farming. 5 586 tonnes were harvested in the Region South in 2018.

Overview of site MAB:

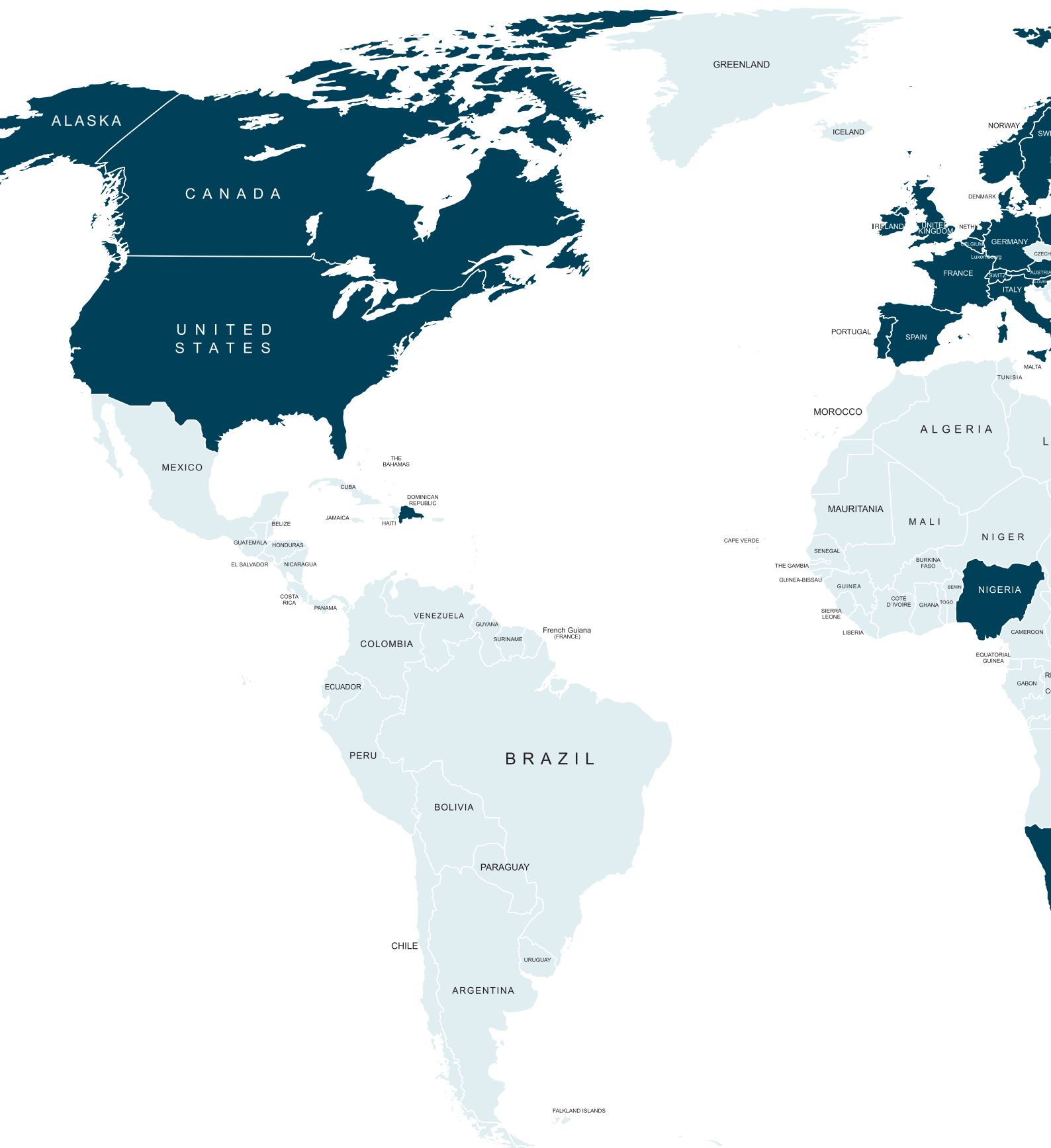
Sør	MAB
Klungsholmen	3 900
Andal	3 120
Kvaløy Øst	3 120
Dalsvågen	3 120
Tuholmane	2 340
Total	15 600

REGION NORTH

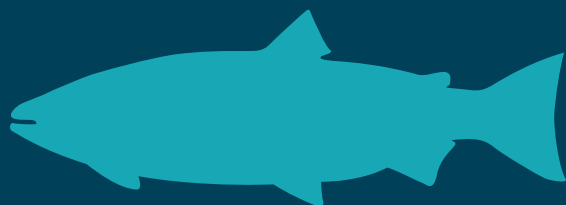


REGION SOUTH









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 production, associates and external producers. The principal products are fresh and frozen salmon, which were sold to customers in 56 countries in 2018. Around 82 per cent of the company's sold volume were exported. Western Europe accounted for 78 per

cent of the company's exports, while the remainder were sold to countries in Eastern Europe (7 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 2018, the company sold 82 420 tonnes. A large share of the sales of fish come from the Group's fish farming operations (44 per cent in 2017).

Key figures

56

countries purchase fresh
and frozen salmon

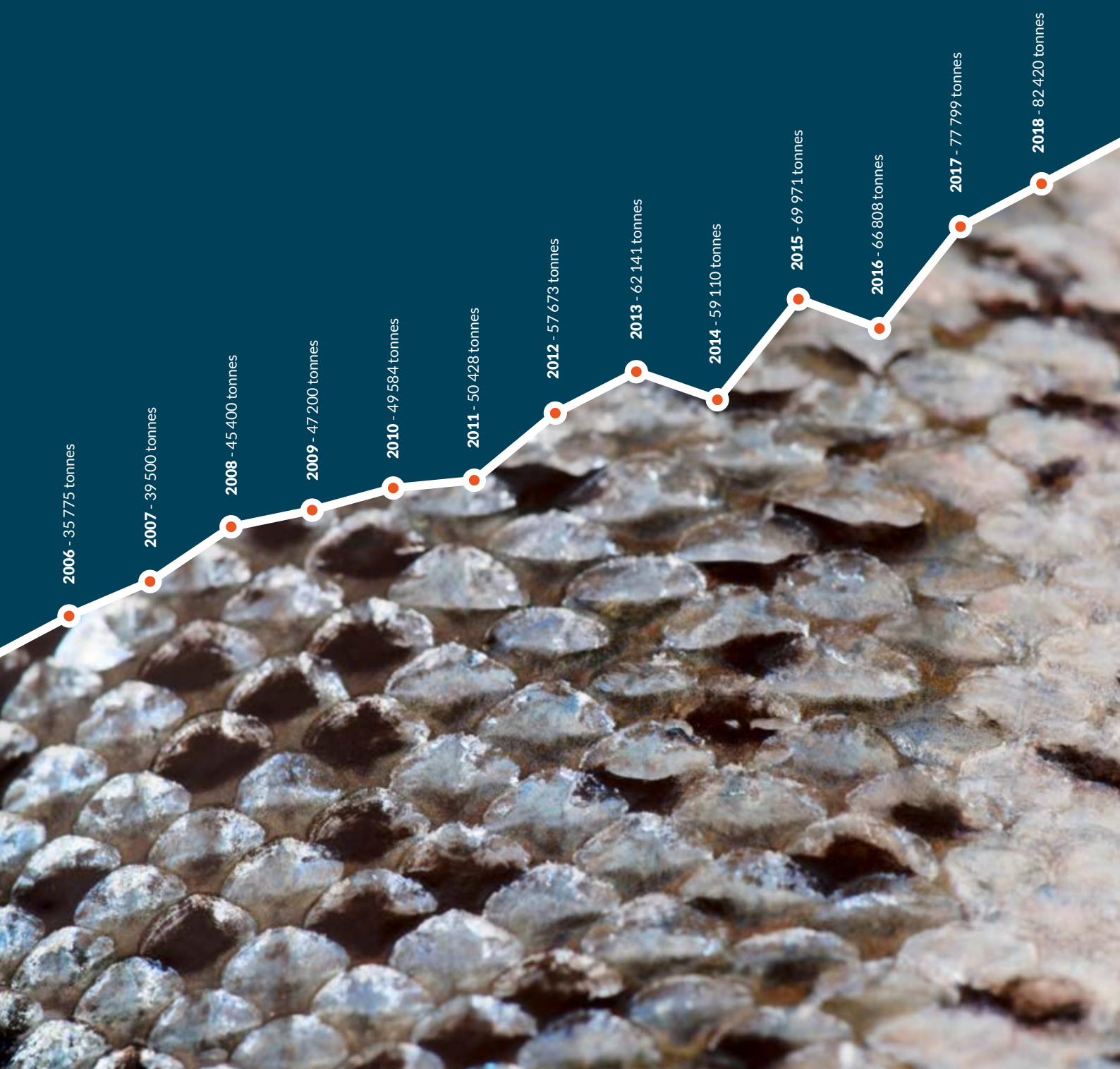
44 %

of the volume comes from
own salmon farming

82 %

of sold volum was
exported

Volume sold in the sales organisation

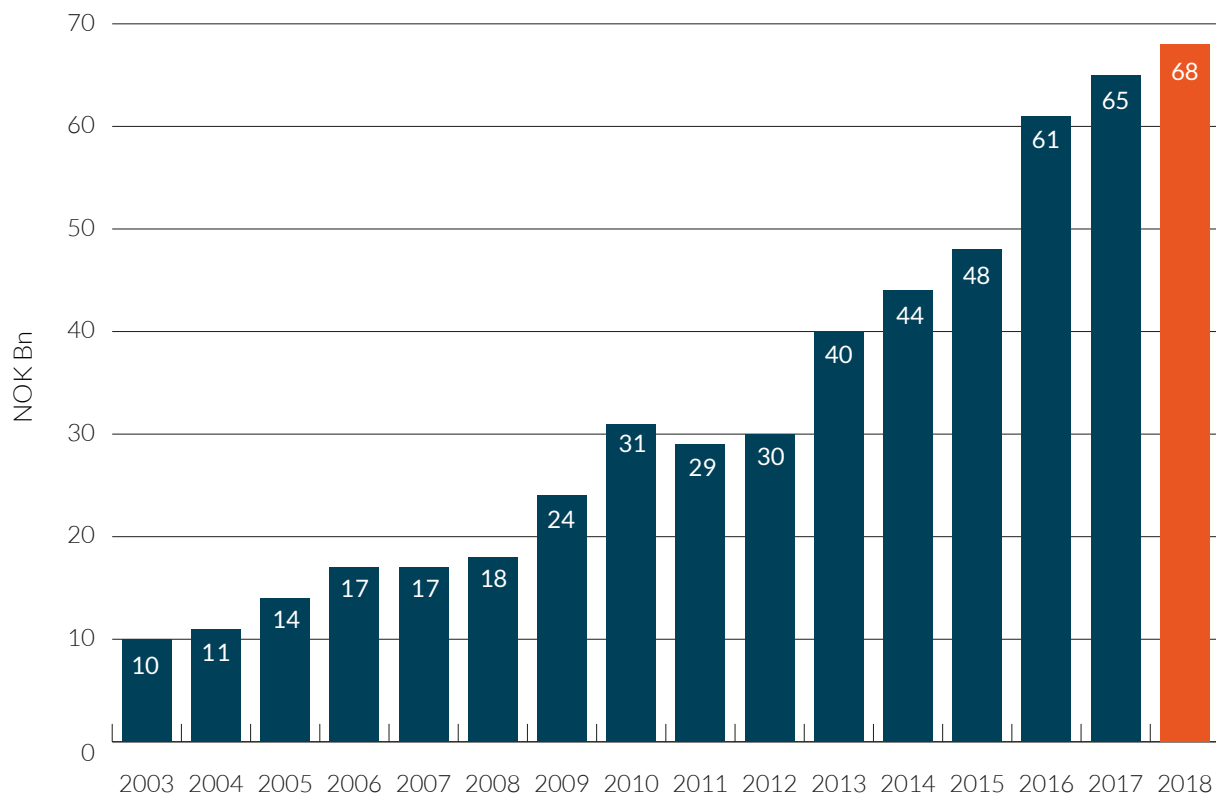


A year with new records

2018 was another good year for Norway Royal Salmon and for the Norwegian salmon industry. The value of Norwegian salmon exports totalled NOK 67.8 billion, an increase of NOK 3.2 billion from 2017. The export volume increased by 4.7 per cent to 1 270 948 tonnes

(round weight). Prices rose by 0.2 per cent to NOK 56.23 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 contributed to the value increase in 2018.

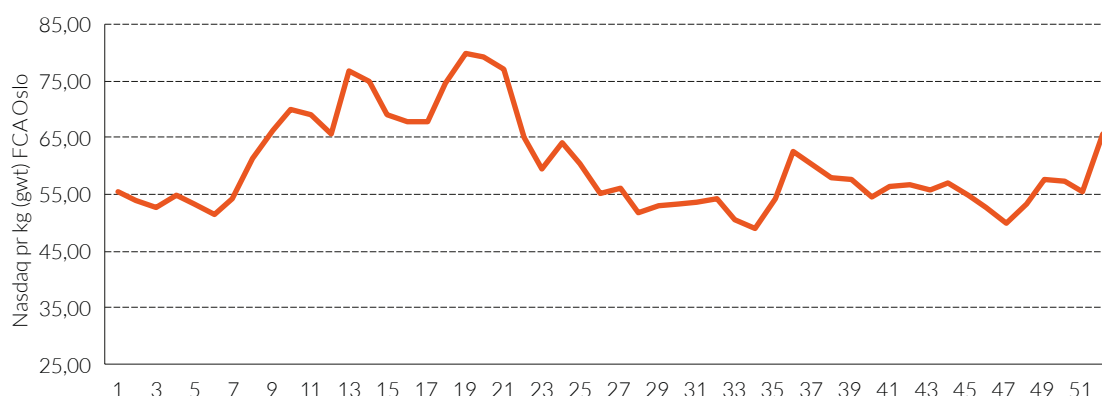
Export value of Norwegian farmed salmon



Prices fluctuated strongly in 2018, both from week to week and in fluctuations through the year. The highest prices were in the period from March to May. Prices fell from the beginning of June and steadily through the summer to the end of August. The price increase in the second quarter was mainly attributable to lower volume growth than in the rest of the year. NRS experienced strong demand from the market throughout the year. There was great demand at prices below NOK 60 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 59.97 per kg (gutted weight), an increase from NOK 59.92 per kg achieved in 2017. The highest spot price for a week, NOK 79.92 per kg, was noted during week 19. The lowest price came in week 34, when the spot price stood at NOK 48.91 per kg. The difference between the year's highest and lowest prices was as much as NOK 31.01 per kg.

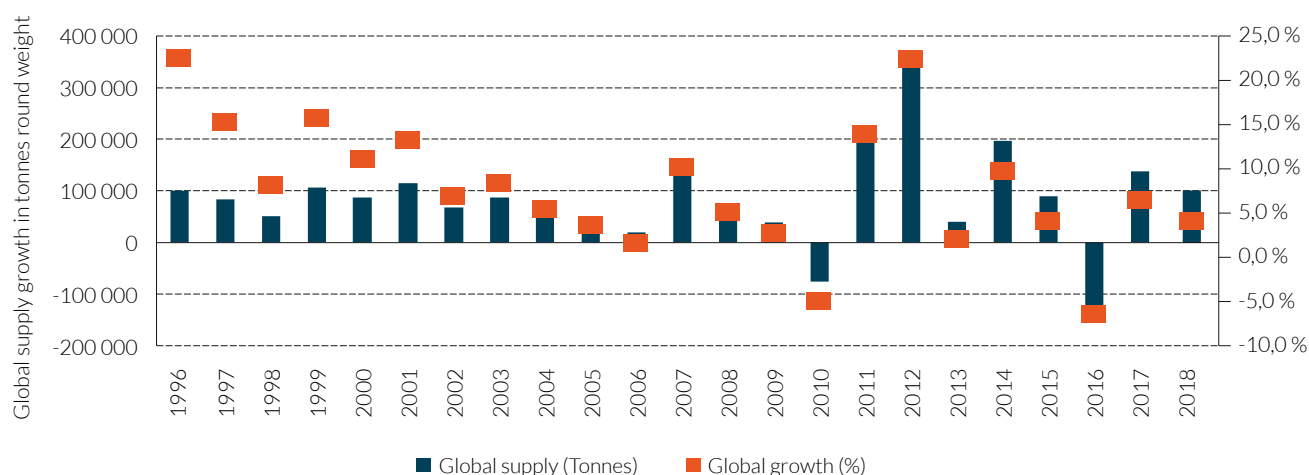
Salmon prices 2018



In 2018, the industry experienced big variations of supply volume through the year. At the start of the year and through the first quarter global supply increased by 11 per cent. This growth declined throughout the year. In the second quarter global supply grew by 5 per cent. In the third quarter supply grew by 3 per cent and by 0.2 per cent in the fourth quarter. In total 4 per cent

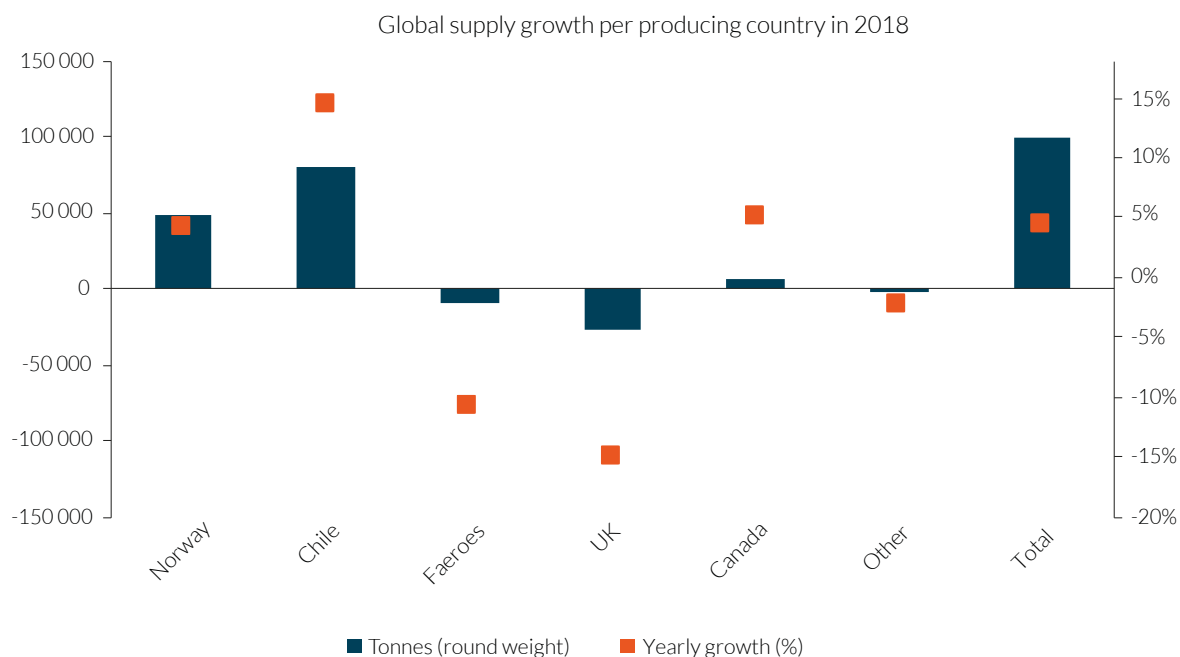
more salmon were harvested in 2018 than in 2017. In 2019, we believe that the global harvest volume will grow with around 6 per cent. In the long-term we still expect moderate growth. The figure below shows the development of global supply growth in tonnes and as a percentage.

Global supply growth 2018



The 4.3 per cent increase in supply in 2018 was a consequence of an increase of 4 per cent in Norway and an increase in Chile of 14 per cent. Harvest volumes increased with 49 400 tonnes in Norway mainly because of good growth, as several regions experienced fewer challenges with sea lice. The increase from Chile was due to improved biological conditions after the algae

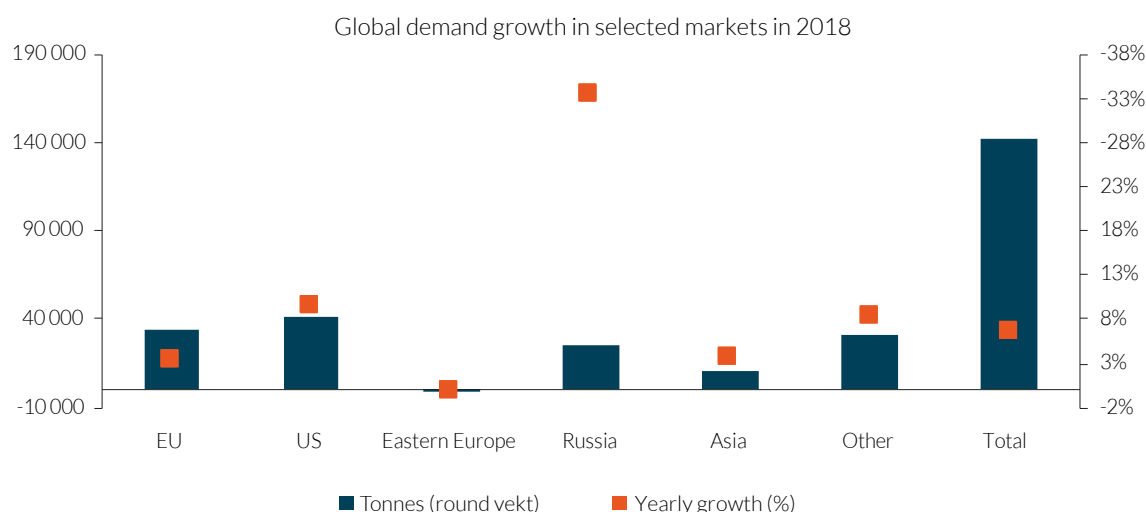
problems in 2016, both growth and mortality showed improvement. Although it has been a substantial decline in volume from the UK have the Faeroes, UK, Canada and other producing countries had limited impact on the global salmon market in 2018. For 2019, we expect a moderate global growth, driven by increased harvest volumes primarily from Norway and UK.



Higher supply and relatively stable price level in 2018 have resulted in growth in the demand for salmon in most markets. In per cent the increase was greatest in the USA and Russia, which reflects the increase in supply from Chile. After a decline in growth in the EU in 2016 and 2017, growth increased by 3 per cent in 2018. The increase in the EU was due to lower in the three first quarters of 2018 than in 2017. In the fourth quarter was the growth low as a result of higher prices in the fourth quarter of 2017. Most markets and regions bought more salmon in 2018 compared with 2017, and demand in most markets was good in 2018. Customers in most markets have spent more money on salmon in

2018 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. 2018, showed once again the industry's and market's flexibility in relation to the flow of goods when prices and volumes change significantly.

Through 2018 we have seen a weak improvement in trade between Norway and China. This gives grounds for optimism. The strong underlying market growth give rise to a huge market potential for fresh Norwegian salmon in the coming years.



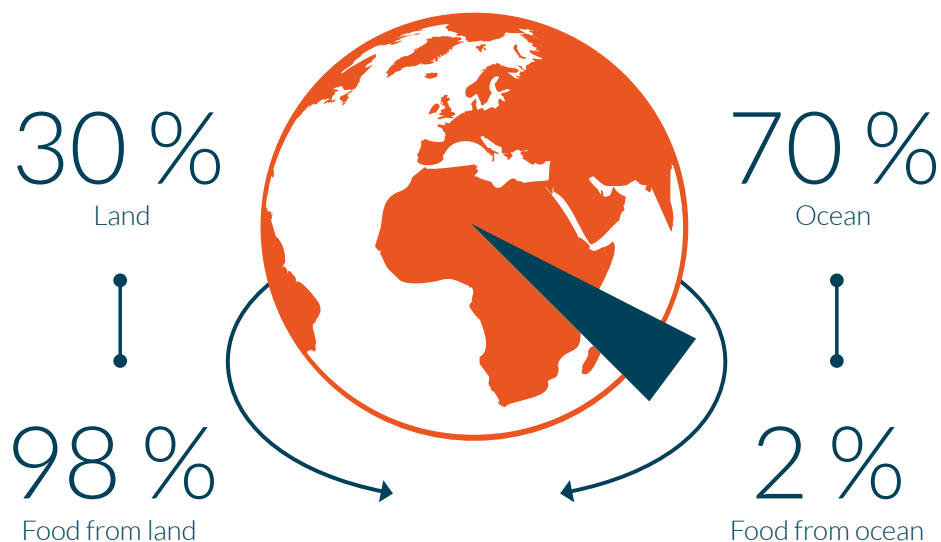
2018 has been an eventful year for NRS, as well as for Norwegian and global salmon industry. The underlying growth in demand is significant, and our customers have never used more money on our products than in 2018.

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

Sustainable food production

Norway Royal Salmon is committed to produce salmon in a sustainable manner. A clean and productive ocean is important to the world's population, and to ensure food safety for all seafood we grow or harvest from the sea.





The future lies in the ocean

Within 2050 it is likely that the world's population will exceed 9 billion, an increase of 2 billion from today. Since a large share of the population is malnourished, the world must produce twice as much food to cover the future needs. The potential for significant growth in food production is in the ocean. Although 70 % of the planet is covered by sea, almost all food – 98 % – is produced on land. The future lies in the ocean.

From a sustainability perspective, salmon farming has low environmental impact. This means that salmon, now and in the future, will be a highly sustainable food resource for people all around the world.

Norway has a long coastline, a total of 100 915 km with all islands. The sea and the seabed are biological treasure chests. Seafood is an important ingredient in a healthy diet. Harvesting the sea in a sustainable way is therefore of great importance to all of us.

A clean ocean is essential for the aquaculture industry. It gives the salmon the optimal water environment. It is the basis for cultivating and harvesting marine raw materials for fish feed, as well as the basis for food safety for all seafood we grow or harvest from the sea. There is an urgent need to find solutions to the environmental challenges. We must all do our part to succeed.

Sustainable production and growth

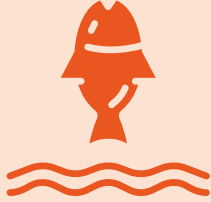
In Norway Royal Salmon we are committed to produce salmon in a sustainable manner. We continually aim to

improve our production and we work hard every day to ensure that we are at the front edge of development. It was no coincidence that we were awarded most licenses – 10 – when the Norwegian Government awarded new green licenses in 2014. Furthermore, in 2018, the Group was awarded 8 development licenses (in total 5 990 tonnes MAB) for the development of Arctic Offshore Farming. Arctic Offshore Farming has a potential to solve the industry's challenges with area demands as the facility is designed for conditions where there are no fish farms today. In addition, the project can make a positive contribution to the environmental challenges of salmon lice as the cage is submersible to under the «lice belt» in the sea. The ambition is to combine knowledge from the aquaculture industry with offshore expertise in order to develop the future aquaculture industry and with this ensure future sustainable growth for the Norwegian aquaculture industry.

The Group is continuously working with further improvements and we are now focused on achieving the strictest environmental certificates within aquaculture. Our first sites were ASC certified in 2015 and in 2022 we aim to ASC certify all of our sites in Region North. All our sites are GLOBAL G.A.P. certified.

If you are raised on the Norwegian coast, you learn to appreciate your surroundings. You respect the environment. It becomes part of your identity. This is also a part of Norway Royal Salmon's identity. Sustainable production is a key factor for our long-term profitability. We are committed to deliver nutritious salmon of high quality, farmed by safe and engaged workers with causing minimum environmental impact.

Norway Royal Salmon ~ Committed by name:



COMMITTED TO
CUSTOMERS



COMMITTED TO
NATURE



COMMITTED TO
PEOPLE

Sustainable development on the agenda

In Norway Royal Salmon our CEO is the highest responsible for the Group's sustainable development. The CEO is supported by the Management Group which ensures focus on sustainable operations throughout the organisation. We have identified several parameters which we monitor and evaluate on several levels in the Group.

HSE, fish welfare, quality and environmental issues are always on the agenda during management meetings in the Group. There is a continuous and systematic risk and opportunity assessment in the Group. The precautionary principle is the basis of all decision-making and activities, and measures are implemented based on the outcome. Norway Royal Salmon has conducted a materiality assessment and prepared a materiality analysis which identifies our key drivers regarding a sustainable value creation. The materiality analysis has been prepared with regard to what is considered important for our stakeholders and an assessment from the management on what is important for sustainable value creation in the group. The materiality analysis helps us prioritise our future activities.

Norway Royal Salmon has identified the following groups of stakeholders:

- Owners
- Employees
- Customers
- Suppliers
- Local communities
- Regulators
- Non-governmental organisations

The most important aspects from the materiality analysis:

Shareholder returns



Healthy seafood
Certification and approval
Food safety



Climate-friendly food production
Prevent escapes
Ensure good fish health / welfare
Sea lice management
Low use of medication
Sustainable and efficient fish feed
Waste management



Ethical guidelines
Health, safety and environment (HSE)
Education and training

Innovations

Norway Royal Salmon supports the UN's Sustainable Development Goals

In autumn 2015, UN adopted the 17 Sustainable Development Goals (SDG), which should be achieved by year 2030. Within a 15-year period the goal is to end poverty, achieve social equality and stop climate changes.

Norway Royal Salmon's operations can contribute positively to several of the SDGs. The Group will focus on the SDGs where we can have the greatest impact.



In a world with growing populations and challenges with both hunger and obesity, sustainably farmed salmon may be a contributor with healthy food high on protein. Farmed salmon is one of the healthiest foods you can eat and it is available all year. Farmed salmon is full of vitamins, minerals, omega-3 and protein. Since the ocean covers more than 70 % of the planet and produces about 2 % of the food, there is an ocean of possibilities to produce food for the population.



Norway Royal Salmon contributes to safe and meaningful employment and local value creation in our production areas (more information under Committed to people).



Farmed salmon is highly efficient food production with low environmental impact. Compared with production of other proteins, salmon has low feed conversion ratio, high retention of energy and protein, and low water usage.

In Norway Royal Salmon we follow the strictest environmental standards and we aim to be one of the leading ASC-certified salmon farmers in the world.



Norway Royal Salmon is dependent on sustainable operations and a clean ocean. We seek to minimize the environmental impact caused by our operations and have established a range of control and steering systems to protect the environment in and around the fish farming facilities.

Our performance

		KPI
PROFITABLE SALMON FARMER	Shareholder returns	ROCE
		ROE (after tax)
  COMMITTED TO CUSTOMERS  	Healthy seafood	Conduct program for monitoring fatty acids
	Certification and approval	Conduct external and internal audits to ensure that our production is in accordance with laws, regulations and internationally accepted standards
	Food safety	Conduct monitoring program for contaminant levels
 COMMITTED TO NATURE   	Climate friendly food production	Emissions per tonne produced fish
		ASC-share of active sites in Region North
		GLOBAL G.A.P.- certified sites
		Share of sites with MOM-B state 1 or 2
	Prevent escapes	Incidents of escapes
	Ensure good fish health / welfare	Survival
	Sea lice management	Minimize number of sites above sea lice action limit
	Low medicine use	Use of antibiotics per tonne produced fish
		Medicine use in sea lice treatments per tonne produced fish
	Sustainable and efficient fish feed	Feed according to ASC requirements and GLOBAL G.A.P. certification
	Waste management	Conduct audit of waste management procedures
 COMMITTED TO PEOPLE 	Ethical guidelines	No identified violations of ethical guidelines
	Health, safety and environment	Absence rate
		Number of injuries which led to absence
	Education and training	Increase number of vocational trained employees in farming

Ambitions	Status	2018	2017
> 15 %	●	36,8 %	39,8 %
> 20 %	●	38,4 %	31,5 %
According to procedure	●	Yes	Yes
Compliant with laws, regulations and standards	●	Yes	Yes
Compliant with own standards	●	Yes	Yes
Reduction in kg CO ₂ e per tonne produced fish	●	119	107
100 % by year 2022	●	60 %	58 %
100 %	●	100 %	100 %
100 %	●	94 %	94 %
Zero	●	0	0
92 %	●	94,3 %	94,6 %
Number of sites above action limit shall be less than 1 % of number of active weeks on sites	●	0,9 %	2,3 %
0,0 %	●	0,0 %	0,0 %
Reduction in medicine use in sea lice treatments	●	No	No
Compliant with standards	●	Yes	Yes
100 % waste management	●	Yes	Yes
Compliant with ethical guidelines	●	Yes	Yes
< 4 %	●	2,40 %	4,00 %
Reduction in injuries leading to absence	●	7	8
Yes	●	Yes	Yes

Committed to customers

Norway Royal Salmon wants to deliver healthy and tasty salmon of high quality. The Group has a strict quality assurance system and keeps strong focus on our salmon's welfare throughout the production phase. Norway Royal Salmon emphasises quality in production, product, traceability and food safety in order to achieve trust with our customers and end users.



Healthy and safe seafood

When it comes to healthy eating, few products can compare with salmon. The fish is full of vitamins, minerals, Omega-3 and proteins. One portion of farmed salmon will cover the need for the essential omega-3 fatty acid for five days. The Norwegian Scientific Committee for Food Safety, in its report for 2014, concluded that everyone should eat more fish, or, as we would put it – eat more salmon. Salmon is more than just healthy, it is a tasteful product which can be prepared in many ways. You can eat it raw. You can poach it, bake it, roast it or grill it. We are proud to see that our sustainable salmon is served as salmon pasta in Italy, as sushi in Japan or grilled in the USA.

Norway Royal Salmon is aware that significant risks may arise from quality discrepancies can affect consumer health and safety. Norway Royal Salmon considers that it has sufficient measures in place to mitigate these risks. The Group 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 that feed suppliers have established systems for traceability. The Group's products comply with the 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 by use of traceability information, by using only approved harvesting plants and by ensuring that hygiene and cleanliness are of the highest standard.

Antibiotics

Antibiotics are very rarely used in Norwegian salmon farming and only in cases when authorised fish health personnel find it necessary. Effective vaccines against



the most common fish diseases contribute to a reduction in use of antibiotics by 99 % since 1987.

As a fish farmer we are obliged to treat sick fish or fish that otherwise suffer. Only authorised fish health personnel can diagnose illness and prescribe medication for fish in Norway. After treatment of antibiotics (or other medicines), fish are subject to a quarantine period, stipulated by the authorities. Harvesting or export of fish that are subject to quarantine is prohibited. This ensures that farmed salmon does not contain any residues of antibiotics when consumed.

The annual test programs carried out by the Norwegian Food Safety Authority and its laboratory (NIFES) have never found residual traces of medicine over the prescribed limit values in Norwegian farmed salmon.

Norway Royal Salmon has not used antibiotics in the treatment of fish in 2017 but has used 0.002 kg of antibiotics (active substance) in treatment of fish wounds in 2018.

Global requirements

In Norway Royal Salmon, we have two main standards that we work towards. These are GLOBAL G.A.P. and Aquaculture Stewardship Council (ASC).

GLOBAL G.A.P.

The work to maintain and develop a high, sustainable standard for the entire Group is firmly based on the requirements laid down in the GLOBAL G.A.P. standards. GLOBAL G.A.P., which is a non-governmental organisation, has set up a strict voluntary standard for producers and actors 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. GLOBAL G.A.P. 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 G.A.P.-certificate on all sites.

Aquaculture Stewardship Council (ASC)

Aquaculture Stewardship Council (ASC) is an

environmental standard negotiated with World Wildlife Fund (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.

Norway Royal Salmon's ambition is to be 100 per cent ASC-certified in Region North. As of 31 December 2018, Norway Royal Salmon has 12 ASC-certified sites, which accounts for 60 per cent of our active sites in Region North. In 2017, we had 11 ASC-certified sites (58 per cent of our active sites in Region North).

In addition to GLOBAL G.A.P. 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

Certifications

100 %

GLOBAL G.A.P.-certified

60 %

ASC-certified sites in Region North



Nutritious salmon

Selenium

Important for the body's immune system. It combats chemical proteins and protects against environmental toxins.

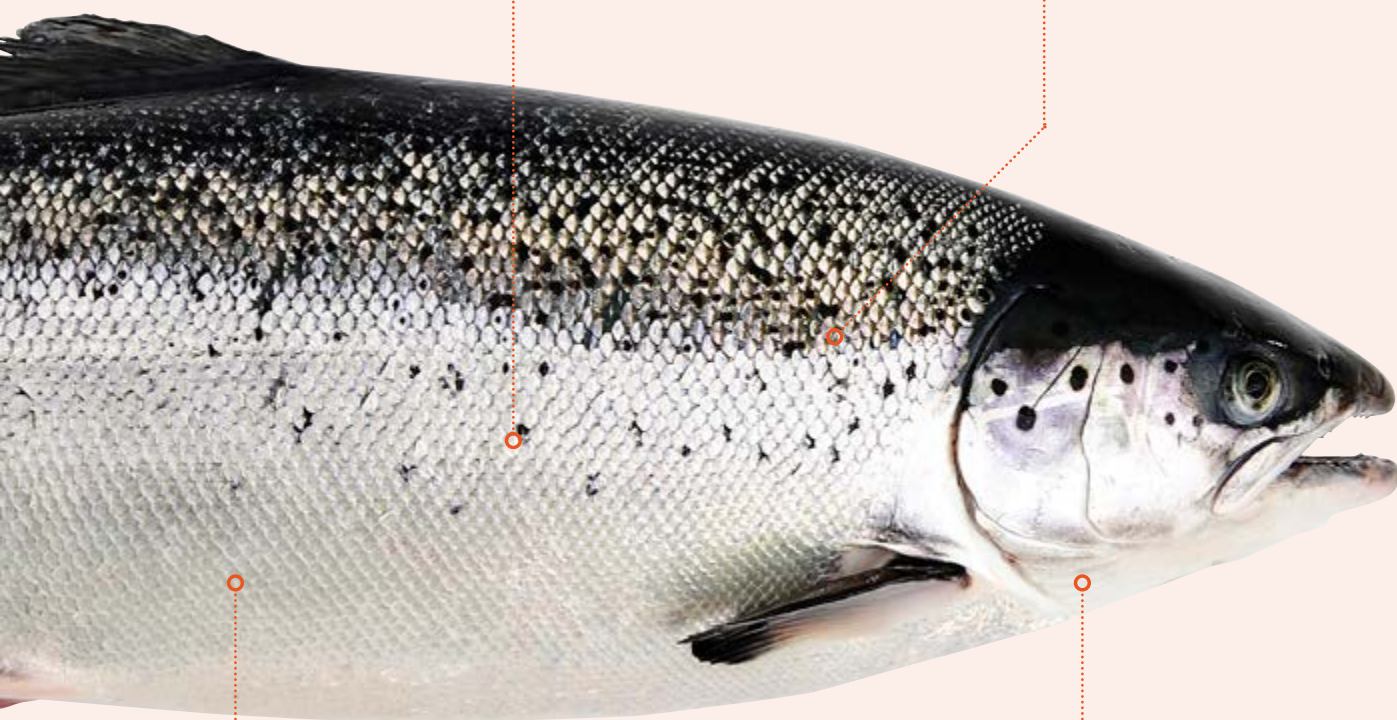


Iodine

Important for ensuring a normal metabolism.

Vitamin B12

Important for the body's ability to produce new cells. If you have insufficient vitamin B12 in your body, you can become anaemic.



Vitamin D

Important for having a correct calcium balance. Important vitamin for maintaining and strengthening bones.

Protein

Needed to build and maintain the body's cells.

Vitamin A

For good vision and a robust immune system. Also important for foetal development and reproductive ability.

Omega-3

Prevents and halts the development of heart and vascular disease. These marine fatty acids are central building blocks in our brains.

Committed to nature

From a sustainability perspective, salmon farming has a low environmental impact. This means that salmon, now and in the future, will be a highly sustainable food resource for people all around the world.

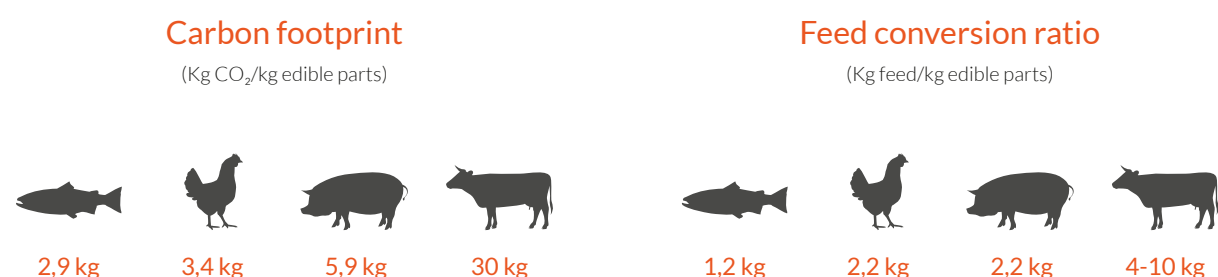


Climate friendly food production

Farmed salmon has a low carbon footprint compared to other farmed animals. Farmed salmon is one of the most energy efficient farmed animals and has the lowest feed conversion ratio amongst farmed animals. One of the reasons for this is Salmon is coldblooded and does not spend energy maintaining body temperature like livestock. Furthermore, swimming requires less energy

that walking on land. Farmed salmon has also the highest edible yield and nearly all the processing by-products are used.

Although farmed salmon already has a low carbon footprint, Norway Royal Salmon wants to further reduce our carbon footprint.



	Salmon	Chicken	Pork	Beef
Water consumption (Litre/kg edible parts)	1 400 litre	4 300 litre	6 000 litre	15 400 litre
Energy retention (Energy in edible parts / gross energy fed)	27 %	10 %	14 %	27 %
Protein retention (Grams protein in edible parts / grams protein in feed)	24 %	21 %	18 %	15 %
Edible (Edible meat kg/total body weight kg)	68 %	46 %	52 %	41 %

Sources: Ytrestøl et. al. (2014), National Beef Association UK (2014), Volden, H and N. I. Nielsen, (2011) Energy and metabolizable protein supply, www.journalofanimalscience.org, Skretting (2012) Delivering Sustainable Feed Solutions for aquaculture, SINTEF Report (2009) Carbon Footprint and energy use of Norwegian seafood products.

Emissions and energy

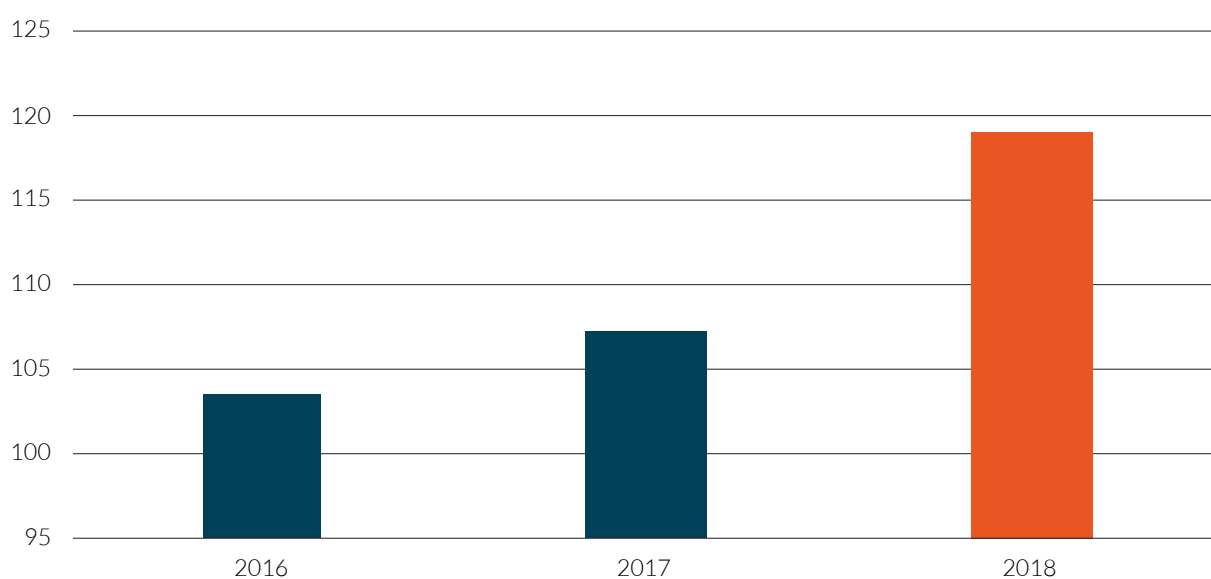
Below is a summary of our energy consumption and emissions of greenhouse gases converted into CO₂ equivalents. We have used Cemsys reporting system which is in accordance with the Greenhouse Gas Protocol. The standard is used worldwide for measuring greenhouse gas emissions. Our reporting is based on the emissions from operations Norway Royal Salmon manage and thus can have an impact on. Direct emissions of greenhouse gases are related to fossil fuels required for our farming operations.

Our indirect emissions related to emissions of CO₂ from the production of electricity consumed in our farming operations. These emissions are calculated based on an emission factor for Nordic energy mix. In addition, the aquaculture industry has emissions related to feed production. Norway Royal Salmon used 47 010 tonnes of fish feed in 2018. For more information on emission related to feed, please check feed producers' report of results.

Energy consumption		2018	2017	2016
Scope 1: Fossil fuel	litre	1 890 781	1 887 270	1 331 254
Scope 2: Electricity	MWH	1 462	1 296	1 512
Scope 1: Fossil fuel	TJ	72	72	51
Scope 2: Electricity	TJ	5	5	5
Total energy consumption		77	77	56
Emissions		2018	2017	2016
Scope 1: Fossil fuel	tCO ₂ e	5 071	5 043	3 563
Scope 2: Electricity	tCO ₂ e	66	67	85
Total emission (Scope 1 and 2)		5 136	5 110	3 647

Intensity of GHG Emissions

Kg CO₂e per tonne produced fish



In 2018, CO₂ emission per tonne produced fish increased due to cases of the fish disease infectious salmon anemia (ISA) which led to less produced tonnes in the Group.

Emissions of nutrient salts

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 emissions. 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 are in focus when the Group 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 also complies with the statutory requirement.

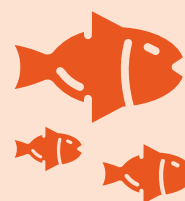
Prevent escapes

The escape of fish is unfortunate with respect to wild salmon populations and for the industry's reputation. Norway Royal Salmon has a zero vision when it comes to escapes. The Group has not had any escapes over the past five years.

Our installations at sea has a certificate stating that the installation meets the requirements in standard NS 9415. The certificate acknowledge that the technical installation and its components are designed to prevent situations which can lead to fish escapes.

We are working continuously with respect to staff training and have reviewed and improved our routines to achieve the industry's zero vision. 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. Since 2014, Norway Royal Salmon has put sterile (triploid) salmon in the sea. By triploid means fish with an extra set of chromosomes compared to diploid fish, triploid fish is sterile. Triploidisation is an accepted method, and so far, the only practically available method for sterilisation for salmon. As part of documenting fish welfare of triploid salmon, Norway Royal Salmon has a collaboration with Institute of Marine Research. In this project, the triploid salmon is monitored throughout its production cycle from egg to edible fish and the fish's welfare is registered by use of operative welfare indicators. The Institute of Marine Research will report on the results from this project.

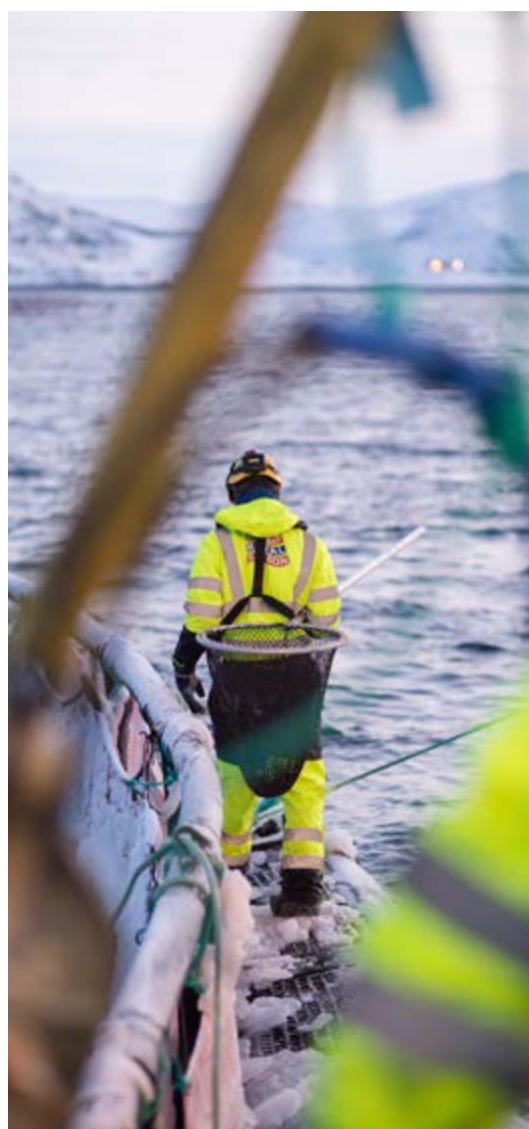
Due to the allocation of green licences, Norway Royal Salmon plans to put more sterile fish in the sea and use more nets with material characteristics that will help to reduce the risk of escape.



0

escapes

The Group has not had any escapes over the past five years.



Fish health and fish welfare

The Group 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, which is positive for both the environment and the economy.

The farming strategy is to prevent diseases using vaccination, cleaner-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 authorised fish health personnel. 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.

Farming operations cooperate with external fish health services in addition to internal fish health personnel. 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 treatment is oral and to the Food Safety Authority.

Fish mortality

Fish mortality is a key indicator for evaluating fish health in farming. Reduced mortality is a key target 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 5.7 per cent of the number of fish in the sea at the beginning of the year and fish put in the sea during 2018. This is an increase of 0.3 per cent from 2017. Overall mortality in 2018 was 11.2 per cent, of this represented the culling of fish 5.5 per cent. Total mortality in 2018 was 3.4 per cent lower than in 2017. The mortality rate in Region South was 13.6 per cent, while in Region North it was 11.4 per cent including culling and 4.3 per cent without.

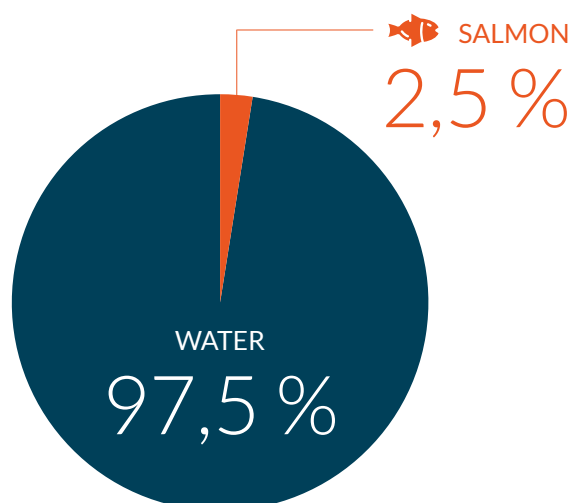
Medication

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. Treatments, use of

medication and measurement of the results of the treatments are recorded and evaluated with on-site fish health personnel. 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 considered effective for the particular species and particular 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 vaccinated with at least a six-component vaccine in appropriate time before they are put in the sea.



The cage

The cages are designed so that the salmon has plenty of space and can move and behave naturally over relatively large areas. In Norway Royal Salmon's cages, at least 97.5 per cent of the volume is water. The cages are adapted to the environment on site with good water flow. Furthermore, the cages are designed to protect the fish from predators and is made of materials that are not harmful to the fish.

Transport, handling and harvesting

Transport can be stressful for fish; Norway Royal Salmon endeavours 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.

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 regions.

Cleaner-fish is used in all regions. In Region South, both wild and farmed cleaner-fish is used, while farmed lumpfish is used in Region North. Cleaner-fish is strategically used based on the expectations of sea lice on each site. In some cases, cleaner fish is not used due to environmental conditions such as currents and the lice situation does not require it.

The Group has continued the practice using lice-skirts where appropriate and possible, and especially at sites with green licenses.

In 2017 and 2018, the use of non-medical methods against sea lice has increased significantly compared to previous years, and increasingly replaced the traditional methods using chemicals. Norway Royal Salmon now treats separate cages to a greater extent rather than delouse the entire site as previously practiced.

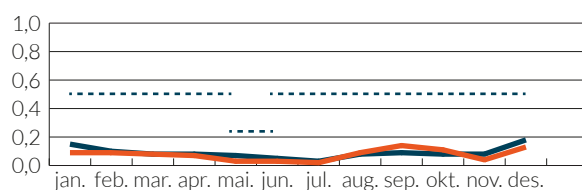
The Group is actively monitoring new methods for preventing or treating sea lice and participates in research and development processes which can lead to new methods for fighting sea lice.

In our research and development project, Arctic Offshore Farming, lice control is a part of the concept. The cages will be submersible and located under the «sea lice-belt» in the sea. The fish welfare is taken care of by ensuring access to air and removing the fish away from the upper water masses where the waves are greatest and where the risk of significant lice infestation is greatest. NRS expects that this solution may reduce lice infestation.

Compared to 2017, our sites in Finnmark had lower levels of sea lice in the first half of 2018, while the levels in the last half year were at the same level as 2017. At our sites in Troms, levels were higher during the first half of 2018 than in the same period in 2017, while the levels in the latter half of the year was higher than the year before. In Region South, lice levels were steadily lower in 2018 than in 2017.

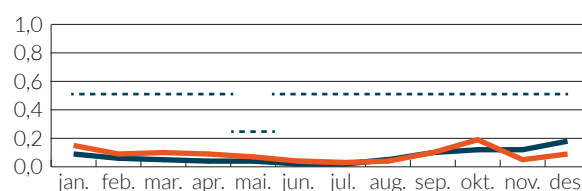
SEA LICE FINNMARK

Average number



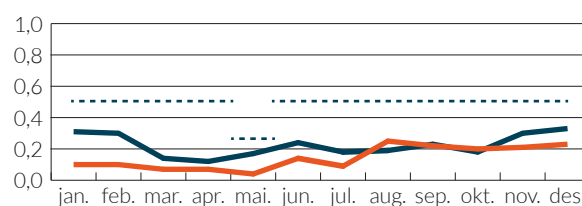
SEA LICE TROMS

Average number



SEA LICE SOUTH

Average number

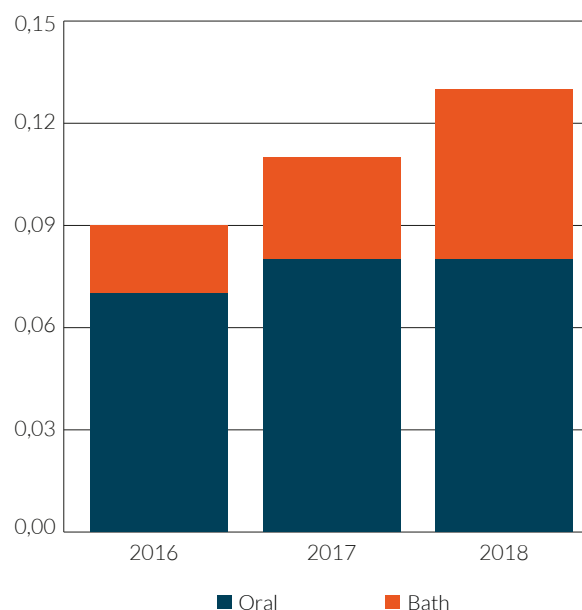


— Mature female lice 2017

— Mature female lice 2018

..... Sea lice limit

MEDICAL TREATMENT OF SEA LICE
Active substance (gram) per produced tonne



Sustainable and efficient use of feed

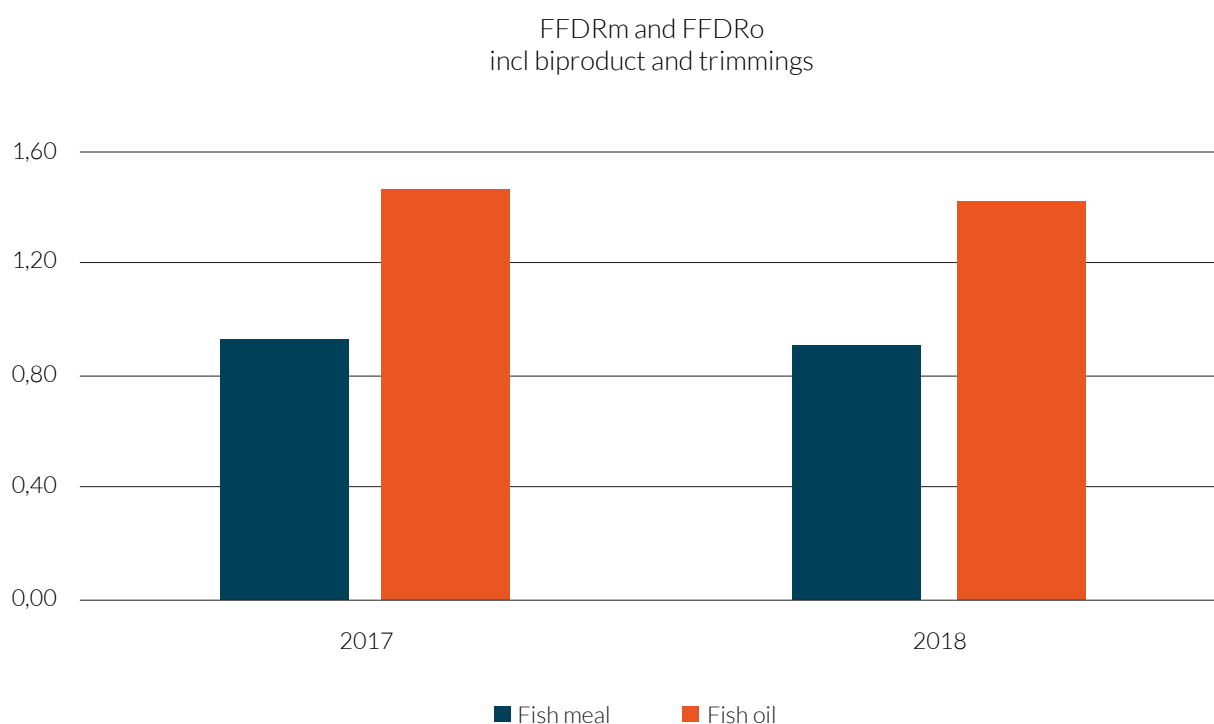
Fish feed for salmon is under continuous development and there is a strong focus on sustainable raw materials. In recent years, feed producers have lowered the marine content in their feed and subsequently increased the use of vegetable products. As a result of this change, work is continuously being done to ensure that these raw materials are safe and sustainable. Norway Royal Salmon ensures that feed suppliers have documentation and certification on their raw material purchases. Among other things, our feed suppliers only use responsible produced raw materials. NRS purchase feed that is Global G.A.P- and ASC-certified, and only purchase soy which is ProTerra certified.

Norway Royal Salmon is in continuous dialogue with feed suppliers about the use of different raw materials. The raw materials are purchased according to strict specification requirements when it comes to, among other things, sustainability, nutrient content and undesirable substances. Feed producers continuously monitor their suppliers and perform several audits annually. 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. For more information on feed, feed ingredients and certifications, see www.skretting.no, www.biomar.com/NO/biomar-norge and www.ewos.no.

The feed conversion rate (F_cR) is an important indicator of how much feed we use to produce the fish. F_cR is often defined as kg feed used / kg biomass produced. Farmed salmon is very effective in feed utilisation compared to other livestock, see previous table. Norway Royal Salmon reported a feed factor of 1.12 in 2018. This means that NRS used 1.12 kg of feed to produce 1 kg of salmon.

The figure below presents NRS' Fish Forage Dependency Ratio (FFDR) included by-products and trimmings over the past two years. The figures show how much fish meal or fish oil is needed to produce 1 kg of salmon. In the ASC standard, the target for the FFDR fishmeal (FFDR_m) is <1.2 and FFDR fish oil (FFDR_o) < 2.25. In 2018, NRS achieved FFDR_m 0.91 and FFDR_o 1.43. These are values that are far below the upper limit of the ASC standard.



Waste Management and recycling

Norway Royal Salmon is dependent on a clean ocean in order to continue offering premium salmon in the future. We seek to minimize the environmental impact caused by our operations and have established a range of control and steering systems to safeguard the environment in the fish farm's surroundings. Among other things, the Group has established waste management plans and procedures to ensure that all waste is treated and removed in such a way that people, product or environment are not exposed to it. All of our facilities have a waste management plan with waste categorisation. The plans and procedures are adapted to the individual municipal waste systems and access to approved recipients for different categories. Larger waste units such as plastic rings and nets are delivered to special reception centres for recycling. It is stated in the documentation that disposal of waste outside the specified system and burning of waste is strictly prohibited. All waste must be registered with quantity.

Biological waste such as dead fish is collected every

day, grinded and preserved with formic acid for silage. This is done in closed and approved tanks. The silage is delivered when needed to approved recipients who use it as raw material for various new products. Quantity delivered is registered.

Clean shorelines and reducing plastic in the sea

In recent years, our employees have been cleaning up plastic and other waste from the shorelines surrounding our sites. Sports clubs and other voluntary organisations are invited and compensated when participating in the coastal cleanup. We have provided necessary equipment for picking garbage, containers and disposal of waste. Participants have reported the amount of waste and the share of garbage which can relate to aquaculture. It turns out that very little of the waste originates from aquaculture industry. We are pleased to see that our waste management works and what a great effect the cleanup has. This year's inspection and cleanup showed that the shoreline in our operating areas are cleaner than previous years. Our efforts will continue to keep the ocean and our shores clean.



Committed to people

The skilled and dedicated workforce in Norway Royal Salmon is one of the prerequisites to farm high quality salmon. The Group is committed to create good relations and values in the local communities which we operate in and offer a safe workplace.



Values and ethical guidelines

Norway Royal Salmon has continuous focus on compliance with ethical guidelines and standards for areas located under corporate social responsibility.

The Group's corporate values are:

Safe – A safe and secure workplace and a safe product is the core value and is crucial for our business

Engaged – Engaged workers are necessary to develop processes, products and the organisation.

Innovative – In order to be at the forefront in the industry, we constantly search for innovative and sustainable solutions for the future

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

The ethical 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. For details regarding the ethical guidelines, please visit our webpage www.norwayroyalsalmon.com.

Responsible employer

The employees' efforts and contributions have been essential for Norway Royal Salmon's operations in both the farming and sales business in 2018. The employees are our most valuable resources and we want to offer safe and meaningful jobs. The Group seeks to be a preferred employer, by offering competitive benefits, competitive equipment, good HR and HSE, and a safe and stable employment.

Employee health and safety

Health, safety and environment (HSE) has the highest priority in Norway Royal Salmon. Safe is the first value in the Group. HSE vision on no injuries on personnel, environment and equipment is a governing and long-term goal for the Group's activities.

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.

For Norway Royal Salmon it is important to consider HSE in the entire value chain. Laws, regulations and routines are essential for our behaviour, and governing for our operations. Both management and employees are involved in HSE-work. The Group both encourage and expect that employees also takes a personal responsibility in HSE-related matters.

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.

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. The Group has a HSE responsible employee and safety representatives are elected in the parent company and the farming operations. All employees have been informed of the Group policies for health, safety and working environment when hired. All policies are available on the Group's internal control systems, both in electronic and written form. The safety systems are repeated for the employees annually.

The Group had a sickness absence rate of 2.4 per cent in 2018 (2017: 4.0 per cent). The corresponding figure for the parent company was 2.2 per cent in 2018



(2017: 3.4 per cent). Seven injuries, which led to absence in 2018, have been registered, none of these were serious. Seven injuries which did not lead to absence were registered in 2018.

The group has conducted an employee satisfaction survey in cooperation with Great Place to Work. In the survey, the employee's experience of the organisation 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 in this survey, we will prioritise our improvement areas and through various measures improve productivity and competitiveness by developing a trust-based leadership and corporate culture. The Group will continue to use employee satisfaction surveys as a tool for improvement.

Worker's rights and social matters

In Norway Royal Salmon we value diversity and equal opportunities. The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2018, women made up 21.1 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 39.8 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 shall be a workplace in which women and men enjoy complete equality. There shall be no gender-based discrimination with respect to pay, promotion or recruitment, or in any other matter. The Group shall be a good and safe workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion or reduced functional

capacity or in any other matter. We respect the freedom of association.

Norway is currently affiliated with most relevant human rights conventions, incorporated into Norwegian law through the Human Rights Act. The Group follows Norwegian law and custom and has therefore not established its own guidelines that deal with human rights in particular. Nevertheless, Norway Royal Salmon emphasises that the Group does not tolerate any form of discrimination against our employees, any form of forced labour or child labour.

Norway Royal Salmon will be a preferred employer, with good and safe working conditions and fair and competitive conditions for all employees.

Competence development

In Norway Royal Salmon we have employees with a high level of expertise in both salmon farming, but also many other fields. The Group wants to facilitate for further competence development, and many employees has achieved certificate of apprenticeship within aquaculture. We continuously educate workers both through the annual employment of new apprentices, as well as facilitating that other employees can achieve the certificate as private students while they are in paid employment. We stimulate employees to study for the certificate by providing supplementary salary to those who have achieved the certificate. We offer internships for students through special programs in cooperation with upper secondary schools.

Our employees are trained and educated continuously in several (both statutory and preferred) areas, within both management, production, fish health, HSE and within technical areas. All employees must have prepared their own competence plan, which shall ensure that necessary and desirable training / education is completed. Highly skilled and trained workers are essential to ensure that our operations can take place in the most professional, safe and careful manner.

Contribution to the local society 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.

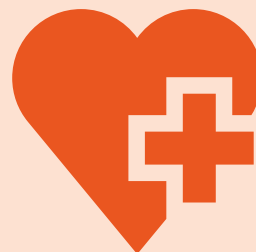
Salmon farming depends on good cooperation with local populations and authorities. It is important that our managers maintain an open dialogue with them and that we are perceived as serious and solutions-oriented. The aquaculture industry competes with other stakeholders for the attractive coastal areas.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

Norway Royal Salmon wants to support local sports clubs and other voluntary organisations in the local communities where we operate.

Demonstration center in Alta

During the summer of 2019, Norway Royal Salmon will open a demonstration center for aquaculture in Alta, Finnmark. The main purpose of the demonstration center is to share knowledge about the aquaculture industry to students. However, the center will also be suitable and available for local people and tourists. The information on the center will be a neutral and balanced presentation of the aquaculture industry.

We will collaborate with Alta Upper Secondary School, which will be an important target group. The collaboration aims to offer school classes / student groups to use the exhibition and the farming site Mortensnes as learning arenas, in order to acquire curriculum-relevant knowledge. We aim to increase knowledge and interest in marine and aquaculture studies, to contribute to increased interest and recruitment to Alta Upper Secondary School and higher education, and to contribute to increased knowledge of the many career opportunities aquaculture has to offer. We have also an agreement with the Alta Municipality so that secondary school students will have the opportunity to use the demonstration facility as a learning arena with suitable teaching programs.



Sickness absence in the Group

2018

2.4 %

2017

4.0 %

Injuries

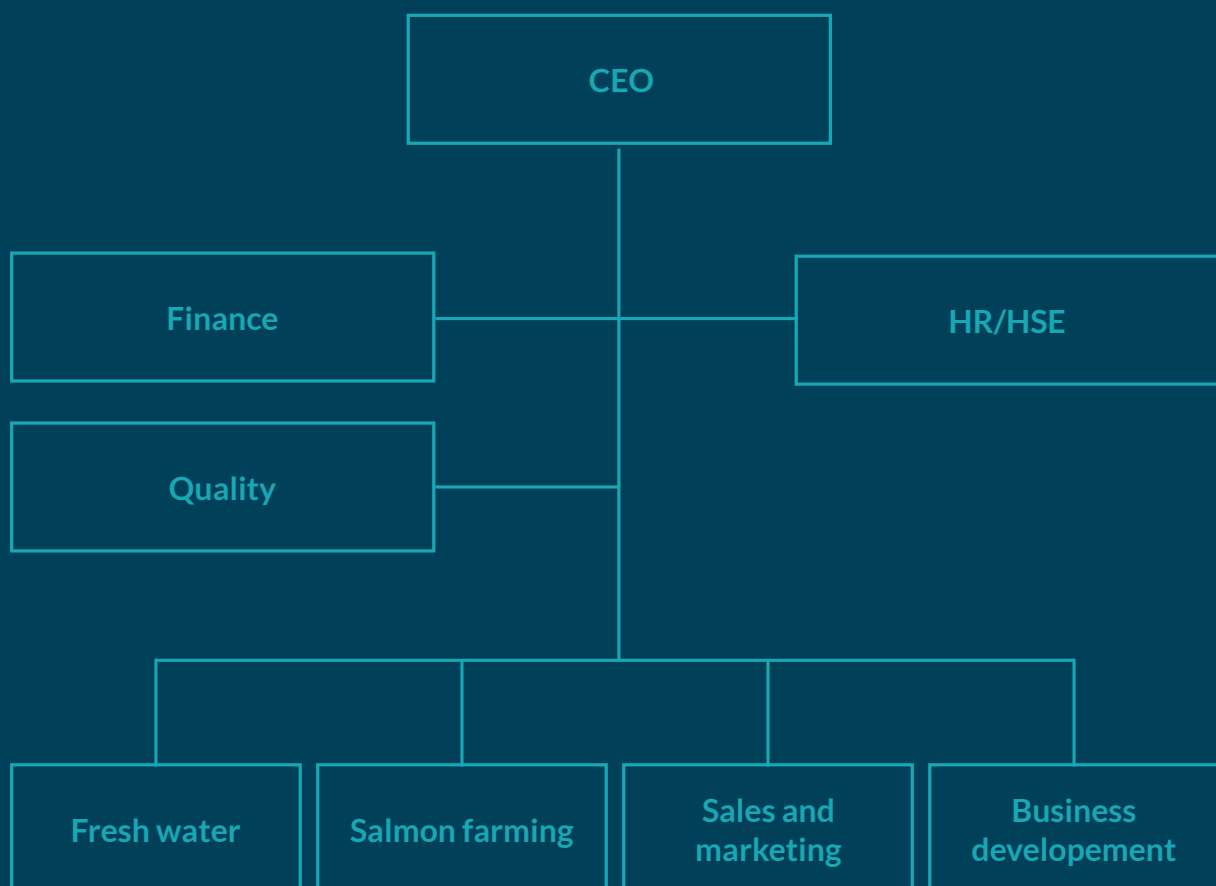
Seven injuries, which led to absence in 2018, have been registered, none of these were serious.

Seven injuries which did not lead to absence were registered in 2018.



Organisation

The organisation is intended to clarify Norway Royal Salmon's most important business areas in order to focus on targeted development of these main areas.



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 Northern Region. He joined Norway Royal Salmon in October 2014.

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 at Lerøy Midt AS. He joined Norway Royal Salmon in April 2017.

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, Mowi and Fjord Seafood.

Klaus Hatlebrekke (1974)

Chief Operating Officer Business development

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

The Board of Directors



Helge Gåsø (1961)

Chair

Helge Gåsø is 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.



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. She 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.



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.



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.



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/consulting, in addition to have held several elected positions in the industry.



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 operates nine fish farming licenses, and has salmon farming operations on Iceland.

Shareholder information

NRS had 2 519 shareholders at 31 December 2018 (2 248).

The 20 largest shareholders owned 79.68 per cent of the shares at 31 December (82.26 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 2018. 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 31 May 2018, the board was authorised to purchase treasury shares up to a total nominal value of NOK 4 357 219, which corresponded to 10 per cent of the share capital. 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 2019.

At the company's ordinary general meeting 31 May 2018, the board was authorised to issue up to 4 357 219 shares with a nominal value of NOK 1.00 per share. 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 2019.

Analyst coverage:

Stockbroker	Phone
ABG Sunndal Collier	+ 47 22 01 60 67
Carnegie	+ 47 22 00 93 54
Danske Bank	+ 47 85 40 70 74
DNB Bank Markets	+ 47 24 16 90 79
Fearnley Securities	+ 47 22 93 64 69
Handelsbanken Capital Markets	+ 47 22 39 72 99
Kepler Cheuvreux	+ 47 23 13 90 71
Nordea Markets	+ 47 22 48 79 49
Norne Securities	+ 47 97 47 60 64
Pareto Securities	+ 47 24 13 39 41
SEB	+ 47 22 82 71 26
SpareBank 1 Markets	+ 47 24 14 74 18

Option schemes

Option schemes for the senior management and key personnel are established. Currently 46 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 2018 of NOK 179.00 per share. 28 316 816 shares were traded during the year (2017: 19 635 935). The NRS share price increased by 33 per cent during 2018. The main index at the Oslo Stock Exchange increased 16.2 per cent in the same period. The company's total market value at 31 December 2018 was NOK 7 789.0 million.

FINANCIAL CALENDAR 2019 for Norway Royal Salmon ASA

12.02.2019	Presentation of preliminary annual results 2018
30.04.2019	Annual report
21.05.2019	Presentation Q1 2019
06.06.2019	Annual General Meeting 2019
27.08.2019	Presentation Q2 2019
12.11.2019	Presentation Q3 2019

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

For financial year 2018, the Board proposes to the Annual General Meeting that a dividend of NOK 6.00 per share is distributed. In 2018 an ordinary dividend of NOK 5.20 per share for the financial year 2017 was distributed.

Share price 2014/2018

NOK



Ownership structure – the 20 largest shareholders as of 31 December 2018:

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 829 605	15,67 %
MÅSØVAL EIENDOM AS	5 208 581	11,95 %
NORWAY FRESH AS	5 000 000	11,48 %
HAVBRUKSINVEST AS	4 151 915	9,53 %
EGIL KRISTOFFERSEN OG SØNNER AS	3 767 850	8,65 %
NYHAMN AS	1 767 191	4,06 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 682 675	3,86 %
HELLESUND FISKEOPPDRETT A/S	1 651 015	3,79 %
LOVUNDLAKS AS	1 071 080	2,46 %
BNP PARIBAS SECURITIES SERVICES	790 885	1,82 %
STATE STREET BANK AND TRUST COMP	535 404	1,23 %
MP PENSJON PK	315 077	0,72 %
JPMORGAN CHASE BANK, N.A., LONDON	276 127	0,63 %
STATE STREET BANK AND TRUST COMP	272 148	0,62 %
MÅSØVAL FISHFARM AS	257 295	0,59 %
EIKA NORGE	241 461	0,55 %
J.P. MORGAN BANK LUXEMBOURG S.A.	239 238	0,55 %
HENDEN FISKEINDUSTRI AS	238 684	0,55 %
RAMSFJELL AS/ OLA LOE	225 897	0,52 %
SVENSKA HANDELSBANKEN AB	194 145	0,45 %

The share in 2018

Highest traded price	NOK	253,50
Lowest traded price	NOK	122,00
Share price at 31 December	NOK	179,00
Outstanding shares at 31 December	Antall	43 514 238
Market value at 31 December	NOK	7 789 048 602

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 17 October 2018. 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 – A safe workplace and a safe product are the most important value and essential for our business.

Engaged – Committed employees are necessary to

be able to develop work processes, product and the organisation.

Innovative – We work in a future-oriented industry, but we must also be in search of forward-looking and sustainable solutions so that we as an organisation manage to be at the forefront.

Credible – There must be consistency between what we say and what we do in all parts of the business and credibility is a central part of our culture.

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 leads the company's strategic planning and makes decisions that form the basis for the company's day-to-day management to prepare and implement investments and structural measures. Goals, strategies and risk profiles are assessed annually by the board, so that the company supports value creation for the shareholders. 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

Trough:

- 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 2018, the Group's total equity amounted to NOK 2 320 785, which represented 56.7 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 2018, the Board proposes that a dividend of NOK 6.00 per share is distributed.

Capital increase

At the Annual General Meeting of 31 May 2018, 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 2019.

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 31 May 2018, 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 1.00, and no higher than NOK 300.00 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 2019.

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 and associated companies in 2018. Goods were purchased from companies controlled by shareholders and from associated companies. These were purchased on market terms and conditions. Further information on the transactions is found in Note 26 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 2019 is scheduled for Thursday 6 June. 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.

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. At the most recent election at the Annual General Meeting the Chair and three 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 7 May 2018. 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 2018.

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. Performance monitoring is given high priority, and measures are implemented in areas that do not have the desired development. 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 26 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 the remuneration 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 board's statement on establishment of salaries and other remuneration for senior executives and to note 18 in the consolidated financial statements.

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

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 2018

In addition to their fixed salary, the following benefits were paid to Group management in 2018:

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 2018, the scheme comprises 50 000 options and runs until 20 March 2019.

In 2017, a share-based bonus scheme was introduced for the Group management and key personnel. The scheme continued in 2018. 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 and shall not exceed a year's salary. The scheme introduced in 2017 runs until 20 March 2019 and the scheme introduced in 2018 until 20 March 2020.

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 parking, free Internet and free paper.

2. Principles on remuneration for the 2019 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, parking, 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 2018, the scheme comprises 50 000 options and runs until 20 March 2019.

The Group has a share-based bonus scheme 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 and shall not exceed a year's salary. The scheme introduced in 2017 runs until 20 March 2019, the scheme from 2018

until 20 March 2020, the scheme from 2019 until 20 March 2021.

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.

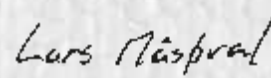
Other variable remuneration components

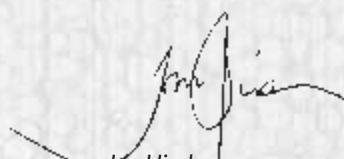
Other than as stated above, the company shall not offer its senior executives any variable remuneration components or particular benefits in addition to their basic salary.

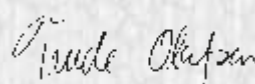
Trondheim, 11 April 2019

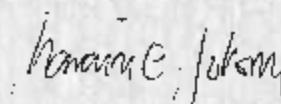

Helge Gåsø
Chair


Kristine Landmark
Vice Chair


Lars Måsøval


Jon Hindar


Trude Olafsen


Marianne E. Johnsen



Board of Directors report for 2018

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 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 Group's strategy 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 in West Finnmark and in Troms and has licenses equivalent to 34 746 tonnes MAB. Region South comprises fish farms in Hordaland and Rogaland and has licenses equivalent to 4 680 tonnes MAB. Sales operations are conducted from the company's office Kristiansand. The Group has shares in eight associates. Of these, three are fish farming companies in Norway with 10 licenses and one is a fish farming company on Iceland. Among the associated companies there are three harvesting companies and two are hatcheries.

Highlights in 2018

2018 was an eventful year for Norway Royal Salmon characterised by record high harvesting and sales volumes.

- The Group generated operating revenues of NOK 5 081 million, an operational EBIT of NOK 642 million and a result before tax of NOK 870 million.
- The farming operations harvested 35 970 tonnes in 2018. Region North produced 84 per cent of the harvest volume for the Group, while Region South produced 16 per cent.
- The sales operations sold 82 420 tonnes in 2018.
- The Directorate of Fisheries granted 5 990 tonnes MAB in development permits for the development of the concept.

- Norway Royal Salmon acquired 1 351 tonnes MAB in the Ministry of Trade, Industry and Fisheries' auction and sale of MAB.
- The fish disease ISA (Infectious Salmon Anemia) was detected at the Lubben and Ørnfjordbotn sites in Troms. This has resulted in a significant cost in 2018 and reduced harvest volumes both in 2018 and 2019.
- One site in Finnmark was ASC certified in 2018. At the beginning of 2019, the first site in Troms was certified. 13 sites in Region North are now ASC certified.
- The Board proposes a dividend of NOK 6.00 per share for 2018.

Sustainable focus and organic growth potential

Arctic Offshore Farming granted development permits

In March 2018 the Directorate of Fisheries granted 8 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. When positioned farther away from the coast the facility will provide increased area utilisation of Norwegian sea waters and will have a limited environmental footprint.

The facility will be significantly more exposed than today's locations. The environmental conditions on such sites are very attractive for salmon, with good water exchange that will ensure good fish welfare and growth.

After the development permits were granted, Norway Royal Salmon, through its subsidiary Arctic Offshore Farming AS, has placed considerable effort and investments in order to realize the project. The goal is to release the first fish in the sea in the third quarter of 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 growth.

Demonstration facility in Alta

In 2017, the Norwegian Directorate of Fisheries granted NRS a demonstration facility license with a MAB of 780 tonnes for 10 years. The demonstration facility will be established in Alta. «Laksens Hus» opens in the «Kunnskapsparken» in the summer of 2019 and will be an innovative and exciting arena for dialogue and knowledge sharing. Norway Royal Salmon looks forward to conveying knowledge about sustainable salmon farming in one of the northernmost areas of the world to the local community and visitors in Alta.

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. As a result of most of Norway Royal Salmon's production is located in green production areas, the Group's MAB increased by 1 351 through the traffic light system 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 either reduces the extent of sea lice or reduce the risk of impact on wild salmon because of escapes. The new licenses resulted in an increased production capacity of 40 per cent. In 2018 Norway Royal Salmon was awarded 8 development permits, which increased the Group's production capacity with another 18 per cent. In addition, the Group's MAB increased by 4 per cent through the traffic light system. Following these awards, the Group has 39 426 tonnes MAB. 88 per cent of the Group's MAB 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. 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. Thirteen sites at NRS Farming AS are now certified. Norway Royal Salmon's goal is that that most of the production in Region North shall be ASC certified.

Financial performance

The income statement

Norway Royal Salmon generated record high consolidated operating revenues of NOK 5 080.8 million in 2018, compared with NOK 4 937.8 million in 2017. Operational EBIT totalled NOK 641.7 million (2017: NOK 627.9 million). The Group had a consolidated operating result of NOK 807.7 million (2017: NOK 485.7 million). The Group's consolidated net result for the year totalled NOK 709.1 million (2017: NOK 236.4 million). The reason for the increase in operational EBIT is mainly higher harvesting volumes.

The Group recognised NOK 13.8 million in share of the result from associates in 2018 (2017: NOK 52.7 million). The main reason for the decrease is losses related to the fish disease ISA at an associated company. The Group's associates harvested 8 981 tonnes in 2018, compared with 9 422 tonnes in 2017. The Group's share of the volume was 3 258 tonnes compared with 4 019 in 2017. In 2017, the Group had net interest expenses of NOK 14.6 million (2017: NOK 19.6 million). Gains on financial assets in 2018 was NOK 82.0 million (2017: a loss of NOK 142.3 million).

The parent company made a net result for the year of NOK 592.9 million in 2018 (2017: NOK 551.1 million). Operating result totalled NOK -19.6 million, compared with NOK 91.5 million in 2017. The volume sold by the parent company increased from 77 799 tonnes in 2017 to 82 420 tonnes in 2018. The decrease in operating profits is due to higher payroll expenses, lower gains on fixed price contracts and lower margins from the sales organisation. The increase in the net result for the year is attributed to an increase of NOK 48.1 million in share of the profits from investments in subsidiaries and associates from NOK 465.2 million in 2017 to NOK 513.3 million in 2018, recognised profit from TRS-agreements increased by NOK 41.0 million from NOK 41.0 million in 2017 to NOK 82.0 million in 2018. The parent company recognised an unrealised gain on Fish Pool contracts of NOK 25.7 million in 2018 and a loss of NOK 25.7 million in 2017.

Fish Farming

The fish farming business generated operating revenues of NOK 2 036.0 million in 2018 (2017: NOK 1 770.4 million), an increase of 15.1 per cent. The increase is mainly due to the higher volume of fish harvested with



12.7 per cent. The fish farming business harvested 35 970 tonnes in 2018, compared with 31 918 tonnes in 2017. Operational EBIT totalled NOK 695.6 million (2017: NOK 583.1 million), which amounts to NOK 19.34 per kg (2017: NOK 18.27). The increase in operating result was mainly due to higher volume compared to 2017 and higher margins. The fish farming business volume of biomass in the sea decreased by 4 396 tonnes from 29 071 tonnes at the start of the year to 24 675 tonnes at the close. The reason for the reduction is mainly due to ISA incidents in 2018. Norway Royal Salmon will focus on increasing the biomass through 2019.

Region North generated operating revenues of NOK 1 718.4 million in 2018 (2017: NOK 1 354.7 million). The segment harvested 30 384 tonnes in 2018, compared with 24 697 tonnes the year before, an increase of 23.0 per cent. The Group has fish farming licences equivalent to 34 746 tonnes MAB in Region North. The segment made an operational EBIT of NOK 616.2 million (2017: NOK 433.1 million). Operational EBIT came to NOK 20.28 per kg harvested in 2018 (2017: NOK 17.54). Operational EBIT increased because of higher prices, lower production costs and higher harvesting volume.

In 2018, Region South generated operating revenues of NOK 317.7 million (2017: NOK 415.6 million). The segment harvested 5 586 tonnes in 2018, compared with 7 221 tonnes the year before, a decrease of 22.6 per cent. The Group licences equivalent to 4 680 tonnes MAB in Region South. The segment had an

operational EBIT of NOK 79.4 million (2017: NOK 150.0 million). Operational EBIT came to NOK 14.21 per kg harvested in 2018 (2017: NOK 20.77). Operational EBIT decreased mainly because of higher production costs and lower harvest volumes. The production costs affected by biological challenges and high mortality on big fish, mainly as a result of the fish disease yersiniosis and CMS.

Sales

Sales' operating revenues increased from NOK 4 931.0 million in 2017 to NOK 5 074.6 million in 2018. The increase was due to higher sales volumes. The segment sold 82 420 tonnes during the year, compared with 77 799 tonnes the year before, an increase of 5.9 per cent. Sales had an operational EBIT of NOK 22.8 million in 2018 (2017: NOK 122.2 million), and a result before tax of NOK 49.8 million (2017: NOK 86.7 million). The sales operations operational EBIT decreased due lower margins and due to gain on fixed price contracts was reduced from NOK 88.0 million in 2017 to NOK 9.5 million in 2018.

Balance sheet

At the close of 2018, the Group had total assets of NOK 4 091 million (2017: NOK 3 855 million).

The increase in total assets is due to changes in several balance sheet items. Investments in licenses of NOK 197.9 million and a net increase of NOK 128.6 million in operating assets gives a total of NOK 326.5 million. The fair value of the biomass increased during the year from NOK 1 177.7 million to NOK 1 240.4 million. The

increase in the value of the biomass is due to increased fair value adjustments of NOK 126.3 million, biomass at cost decreased by NOK 63.6 million resulting in a net reduction of NOK 62.7 million. The Group's biomass decreased by 4 396 tonnes to 24 675 tonnes at the end of the year. Inventory decreased by NOK 18.0 million.

The financial assets of the Group increased by NOK 42.5 million, mainly as a result of positive results in associated companies of NOK 13.8 million and an increase in loans to associated companies of NOK 57.6 million. Accounts receivables decreased by NOK 177.1 million. Other receivables decreased by NOK 4.9 million. Cash increased by NOK 3.9 million.

The Group's net interest bearing debt as at 31 December 2018 totalled NOK 419.7 million, compared with NOK 633.5 million at the close of the previous year. The decrease in interest bearing debt is mainly due a positive operational EBITDA of NOK 731.0 million, a realised gain on TRS-agreements of NOK 47.3 million, dividends received from associated companies of NOK 11.5 million, received cash from Fish Pool contracts of NOK 27.9 million and decreased working capital of NOK 187.4 million. Investments in fixed assets and licenses of NOK 412.9 million, a dividend of NOK 224.7 million, taxes paid of NOK 112.2 million and interest paid of NOK 19.9 million had the opposite effect.

The net increase in equity of NOK 469.8 million was mainly due to a positive total comprehensive income for the period of NOK 689.4 million. Paid dividend of NOK 224.7 million has decreased the equity. At the close of 2018, the Group had an equity ratio of 56.7 per cent, compared with 48.0 per cent at the close of 2017.

The parent company's total assets stood at NOK 2 755.0 million at the close of the year (2017: NOK 2 466.6 million). Total financial assets increased by NOK 169.2 million from the end of 2017, mainly due to good results in subsidiaries and associated companies of NOK 513.3, the foundation of Arctic Offshore Farming AS with a share capital contribution of NOK 50 million and loans given to associated companies of NOK 58.8 million. Received group contributions of NOK 425.3 million, dividend from associated companies of NOK 11.4 million and translation differences of NOK 18.0 million had the opposite effect. Bank deposits increased by NOK 223.5 million. Total receivables decreased by NOK 120.6 million, mainly due to reduced accounts receivables of NOK 160.8 million, received last years group contribution of NOK 408.0 million and this year's accrual for group contributions of NOK 425.2 million. At 31 December 2018, the parent company's equity ratio was 57.3 per cent (2017: 51.1 per cent).

Cash flow

The Group's cash flow from operating activities in 2018 was NOK 806.7 million (2017: NOK 170.5 million). The positive cash flow is mainly due to an EBITDA of NOK 731.0 million, a decrease in inventory and biological assets at cost of NOK 81.5 million, a decrease in accounts receivables of NOK 177.1 million, received cash settlement on forward contracts of NOK 27.4 million and a change in other current assets and liabilities of NOK 3.7 million. Paid taxes of NOK 112.2 million and a decrease in accounts payables of NOK 102.5 million had a negative effect on the cash flow.

Net cash outflows relating to investing activities in 2018 totalled NOK -411.8 million (2017: NOK -107.1 million). These are, for the most part, attributable to investments in operating assets and licenses of NOK 412.9 million and net payment of loans to associated companies of NOK 57.6 million. Received dividends from associates of NOK 11.5 and gain on realisation of TRS agreements of NOK 47.3 million had a positive effect on the cash flow. The Group had cash and cash equivalents at the close of the year of NOK 155.7 million (2017: NOK 151.8 million). The Group has distributed a dividend of NOK 224.7 million in 2018. At 31 December 2018, the Group had a net interest-bearing debt of NOK 419.7 million (2017: NOK 633.5 million).

The parent company had a positive cash flow from operating activities of NOK 51.6 million (2017: negative cash flow of NOK 39.8 million). The positive cash flow is a result of decreased accounts receivables of NOK 160.8 million, decreased inventory of NOK 11.4 million and accruals of NOK 8.0 million, where cash settlement on forwards contracts amounts to NOK 25.7 million. A negative operational result of NOK 19.6 million, paid taxes of NOK 15.5 million and decreased accounts payables of NOK 94.2 million and had a negative effect on the cash flow.

The parent company had a positive cash flow from investing activities of NOK 318.6 million (2017: NOK 440.3 million). Received group contributions from subsidiaries of NOK 408.0 million, realised profit from exercising TRS-agreements of NOK 47.3 million and dividend from associated companies of NOK 11.5 million have given a positive cash flow effect. Loans given to associated companies of NOK 59.6 million, foundation of Arctic Offshore Farming AS of NOK 50.0 million and purchase of fixed assets of NOK 38.6 million have resulted in a negative cash flow effect.

The parent company had a negative cash flow from financing activities of NOK 146.6 million (2017: NOK 316.9 million). Payment of dividend of NOK 224.7 million, interest payments of NOK 7.9 million and reduction of the overdraft facility of NOK 17.9 had a negative effect on the cash flow. Increased long-term

debt of NOK 100.0 million and net purchase/sale of treasury shares of NOK 3.9 million had a positive effect on the cash flow.

The total positive cash flow of NOK 223.5 million has resulted in net bank deposits totalling NOK 372.2 million (2017: NOK 148.7 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:

- Arctic Offshore Farming. Project 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 development permits equivalent to 5 990 tonnes MAB.
- 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 applied for six development permits to realize the concept. The application was rejected at the end of 2018, but Norway Royal salmon has appealed the rejection.
- Internal project to survey the welfare of sterile salmon in commercial farming.
- 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 are 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 necessary measures.

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 geographical locations in which we operate.

To enhance smolt quality, Norway Royal Salmon work continuously to follow up smolt and smolt suppliers.

Norway Royal Salmon has increased its own fish health staff throughout the year. In addition, available fish health services are also used 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 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 the last five 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.

The group has risk in relation to licenses and demands from public authorities. 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 depends on predictable terms and permissions for production. Divergent views on production criteria for green licenses 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, but in a lesser degree than it has historically. The balance between the total supply and demand for salmon is a key parameter. Increased supply can cause prices to decline. This may have an 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. Norway Royal Salmon believes 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 2018, there were barriers in the trade with Russia. 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 from the end of 2017 exports to China increased. This trend continued in 2018, but the changes is slower than anticipated. That trade with China now seems to normalise is very positive as the long-term potential in the region is good.

The sales operations sold fish to 56 countries in 2018 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 85 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 2018 Norway Royal Salmon meet with good margins. Overall, the Group's liquidity risk is at an acceptable level.

Corporate Social Responsibility

Norway Royal Salmon will ensure long-term profitability through sustainable food production. We exercise our social responsibility by putting sustainable development of food production on the agenda.

An overview of how Norway Royal Salmon takes social responsibility is available in the annual report in the chapter «Sustainable food production».

Issues described in the chapter «Sustainable food production with regards to Corporate social responsibility» are:

- The external environment - «Committed to nature»
- Employee rights and social issues - «Committed to people»
- Human rights - «Committed to people»
- Anti-Corruption

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. The desire and need for long-term solutions are the foundation for the company's approach to environmental issues. The Group invests to minimize its impact on the external environment and is well underway with the development of Arctic Offshore Farming, which will provide increased area utilisation.

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.

Work environment

At 31 December 2018, the Group had 188 full-time employees, 44 of whom are employed by the parent company Norway Royal Salmon ASA. The head office of Norway Royal Salmon is in Trondheim.

The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2018, women made up 21.1 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 39.8 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 and safe workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion, reduced functional capacity or in other areas. All employees have freedom of association.

The Group had a sickness absence rate of 2.4 per cent in 2018 (2017: 4.0 per cent). The corresponding figure for the parent company was 2.2 per cent in 2018 (2017: 3.4 per cent). Seven injuries which led to absence and seven injuries which did not lead to absence have been registered, none of these were serious.

The share and shareholders

As at 31 December 2018, Norway Royal Salmon ASA had 43 572 191 shares divided between 2 519 shareholders. At the close of the year, the Group held 57 953 treasury shares. The share price at the end of the year was NOK 179.00 (2017: NOK 134.5).

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

2018 was another exiting year for Norway Royal Salmon and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 67.8 billion, a new record and an increase of NOK 3.2 billion from 2017. The export volumes increased 5 per cent and was 1 207 948 tonnes (round weight) in 2018. The spot price (FCA Oslo) was NOK 56.23 per kg in 2018 (2017: NOK 56.11). Mainly, the prices rose because of strong demand. With higher harvest volumes, exporters have worked well to develop the value of Norwegian salmon. This has led to that the customers never have paid more for Norwegian salmon than they did in 2018.

Norway Royal Salmon ASA sold 82 420 tonnes, an increase of 5.9 per cent. Most of this was fresh gutted salmon. The share of in-house produced salmon sold through the sales business totaled 44 per cent. Revenues were divided on 56 countries, of which 64 per cent were sold in Western Europe. Apart from this, the export was divided between Asia (12 per cent), USA (1 per cent) and Eastern Europe (5 per cent), while the rest was sold in Norway.

Harvest volumes in Norway in 2019 is expected to be 6 per cent higher than in 2018. The harvest volumes of Atlantic salmon from Chile is expected to increase by 2 per cent, from the UK by 16 per cent and some growth is expected from other smaller producer nations, so that

the global volume increase is expected to be around 6 per cent. The increase in global supply growth and an expected continuous demand growth provide good prospects for the market conditions for salmon products. The sale of salmon at the start of 2019 has been strong, both prices and volumes have been high so far in 2019.

Norway Royal Salmon believes 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. Norway Royal Salmon believes trade relations with China will be further normalized during 2019, which could enhance market opportunities for Norwegian salmon further.

Allocation of profit for the year

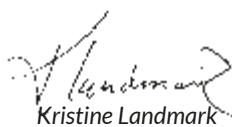
The parent company, Norway Royal Salmon ASA, made a net profit for the year of KNOK 592 867 in 2018. The Board of Directors proposes the following allocation of the net profit for the year:

Dividend	KNOK 261 433
Transferred to the reserve for valuation variances	KNOK 69 509
Transferred to other equity	KNOK 261 925
Total allocation of funds	KNOK 592 867

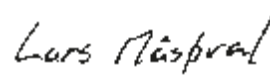
Trondheim, 11 April 2019



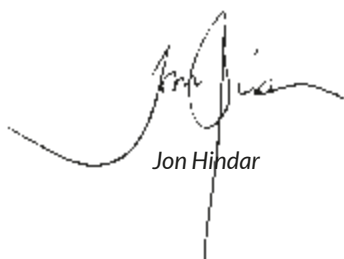
Helge Gåsø
Chair



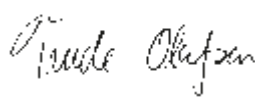
Kristine Landmark
Vice Chair



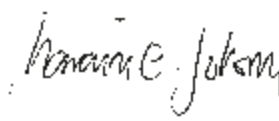
Lars Måsøval



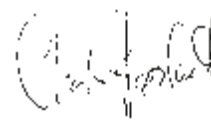
Jon Hindar



Trude Olafsen



Marianne E. Johnsen



Charles Høstlund
Chief Executive Officer





Accounting

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Consolidated income statement

(NOK 1 000)	Note	2018	2017
Operating revenues	2	5 080 806	4 937 798
Cost of materials		3 994 231	3 889 102
Personnel expenses	18,19	158 713	138 596
Depreciation	7	89 299	82 063
Other operating expenses	6,12,24,25	196 839	200 178
Total operating expenses		4 439 081	4 309 938
Operational EBIT		641 726	627 861
Fair value adjustments	14	152 260	-194 799
Income from associates	10	13 753	52 657
Net operating result		807 739	485 719
Financial items			
Loss/Gain financial assets	16,20,26	82 030	-142 252
Net interest expenses	20	-14 562	-19 568
Net other financial expenses	20	-5 368	-1 303
Net financial items		62 100	-163 123
Result before tax		869 838	322 596
Tax	13	-160 748	-86 180
Net result for the year		709 091	236 416
Profit attributable to:			
Owners of the parent company		705 311	228 538
Non-controlling interests		3 780	7 878
Net result for the year		709 091	236 416
Basic earnings per share (NOK)	22	16,21	5,27
Diluted earnings per share (NOK)	22	16,21	5,27

Consolidated statement of comprehensive income

(NOK 1 000)	Note	2018	2017
Net result for the year		709 091	236 416
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation differences and OCI posts from associated companies		-15 859	8 194
Cash flow hedges (net of tax)	16	-2 699	-7 334
Items not to be reclassified to profit or loss:			
Actuarial losses on defined benefit plans (net of tax)	19	-1 154	-4 623
Comprehensive income for the year		689 379	232 654
Comprehensive income attributable to:			
Owners of the parent company		685 600	224 776
Non-controlling interests		3 780	7 878
Comprehensive income for the year		689 379	232 654

Consolidated balance sheet


ASSETS (NOK 1 000)	Note	31.12 2018	31.12 2017
Assets			
Non-current assets			
Intangible assets			
Licences	3,9	846 807	648 887
Total intangible assets		846 807	648 887
Property, plant and equipment			
Land, buildings and other real estate	7,9	37 780	30 624
Machinery and equipment	7,9	313 584	224 770
Boats and fleets	7,9	299 614	270 845
Fixtures, office equipment, etc.	7,9	21 599	17 767
Total property, plant and equipment		672 577	544 006
Non-current financial assets			
Investments in associates	10	568 443	580 510
Other financial assets		367	367
Other long-term receivables	6,15,26	87 191	32 640
Total non-current financial assets		656 001	613 517
Total non-current assets		2 175 385	1 806 410
Current assets			
Inventories	23,9	81 376	99 326
Biological assets	5,9,14	1 240 393	1 177 678
Total inventory		1 321 769	1 277 004
Receivables			
Accounts receivables	6,9,15	369 030	546 082
Other short-term receivables	6,15,16	68 997	73 888
Total short-term receivables		438 027	619 970
Cash and cash equivalents	8,15,17	155 653	151 779
Total current assets		1 915 449	2 048 753
Total assets		4 090 833	3 855 163

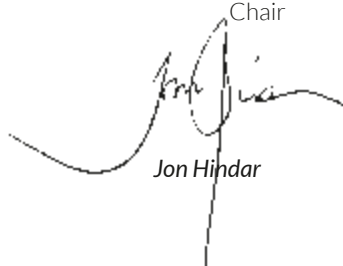
EQUITY AND LIABILITIES (NOK 1 000)	Note	31.12 2018	31.12 2017
Equity			
Share capital	21,22	43 572	43 572
Treasury shares	21,22	-58	-82
Retained earnings		2 235 729	1 769 778
Total equity attributable to owners of the parent company		2 279 243	1 813 268
Non-controlling interests		41 542	37 762
Total equity		2 320 785	1 851 030
Non-current liabilities			
Pension liabilities	19	19 005	16 728
Deferred tax liabilities	13	385 754	364 557
Non-current interest bearing debt	8,9,15	551 054	461 241
Total non-current liabilities		955 813	842 526
Current liabilities			
Current interest bearing debt	8,9,15	102 514	342 617
Accounts payables	15	446 993	549 526
Tax payable	13	134 777	113 485
Other current liabilities	11,15,16	129 952	155 980
Total current liabilities		814 235	1 161 607
Total liabilities		1 770 048	2 004 133
Total equity and liabilities		4 090 833	3 855 163

Trondheim, 11 April 2019

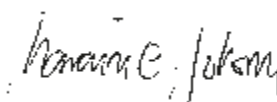

Helge Gåsø
Chair


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	2018	2017
Operational EBIT		641 726	627 861
Adjusted for:			
Taxes paid	13	-112 223	-79 351
Depreciation	7	89 299	82 063
Share based payment		-297	-15 376
Pension costs with no cash effect		798	-659
Change in inventories/biological assets		81 527	-134 503
Change in account receivables and accounts payables		74 678	-164 857
Change in other current assets and other current liabilities		31 190	-144 673
Net cash flow from operating activities		806 696	170 504
Cash flow from investing activities			
Payments for purchase of fixed assets and licenses (MAB)	7	-412 941	-214 000
Proceeds from realisation of current financial assets (TRS)	16,20	47 282	105 099
Proceeds from investments in non-current financial assets	10	11 458	13 448
Change in loans to associates and others		-57 617	-11 600
Net cash flow from investing activities		-411 818	-107 053
Cash flow from financing activities			
Receipts from new non-current debt		241 189	470 992
Non-current debt repayment		-156 471	-305 170
Net change in bank overdraft		-235 008	286 619
Net proceeds from sale of treasury shares and payments for purchase of treasury shares		3 887	-2 686
Net interest payments		-19 918	-19 568
Dividend payment		-224 684	-411 117
Net cash flow from financing activities		-391 005	19 070
Net increase in cash and cash equivalents		3 874	82 522
Cash and cash equivalents as of 1 January		151 779	69 257
Cash and cash equivalents as of 31 December		155 653	151 779

Consolidated statement of changes in equity

Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity as of 1 January 2018		43 572	-82	1 769 778	1 813 268	37 762	1 851 030
Net result for the year		0	0	705 311	705 311	3 780	709 091
Other comprehensive income		0	0	-19 711	-19 711	0	-19 711
Total comprehensive income		0	0	685 600	685 600	3 780	689 379
Transactions with shareholders							
Dividend	21	0	0	-224 710	-224 710	0	-224 710
Share based payment	18	0	0	-297	-297	0	-297
Equity changes associated companies	10	0	0	1 496	1 496	0	1 496
Net purchase and sale of treasury shares	21	0	24	3 863	3 887	0	3 887
Total transactions with shareholders		0	24	-219 649	-219 624	0	-219 624
Equity as of 31 December 2018		43 572	-58	2 235 729	2 279 243	41 542	2 320 785

Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
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
Net purchase and sale of treasury shares	21	0	16	-2 195	-2 179	0	-2 179
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

Notes to the annual 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 2018 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 2019.

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 2018.

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:

- Biological assets (Note 5)
- Derivatives (Note 16)

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 applied the following standards for the first time in 2018:

IFRS 9 Financial Instruments has been applied for the annual reporting period commencing 1 January 2018. The implementation of the standard has no significant impact on the measurement of financial assets and liabilities. According to IFRS 9 are financial assets classified in three measurement categories: fair value through OCI, fair value through P&L and amortised cost. The measurement categories are decided when recognising the assets for the first time. The basis of classification depends on Norway Royal Salmon's business model and the contractual cash flow characteristics of the financial asset. Norway Royal Salmon can choose to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements.

IFRS 15 Revenue has been applied for the annual reporting period commencing 1 January 2018. The implementation of the standard has no significant impact on the Group's revenue recognition policy. IFRS 15 is a 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.

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, the associates' 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.

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.

Financial instruments

Financial instruments are classified in three measurement categories: fair value through OCI, fair value through P&L and amortised cost. The measurement categories are decided when recognising the assets for the first time. The basis of classification depends on Norway Royal Salmon's business model and the contractual cash flow characteristics of the financial asset.

Financial liabilities at fair value through P&L

Forward currency contracts

The Group uses forward currency contracts to hedge against foreign currency fluctuations arising from operating activities. The contracts are measured at fair value. Changes in fair value of derivatives are recognised through profit and loss as financial items, except for currency contracts qualifying for hedge accounting.

Total Return Swaps

The Group uses a Total Return Swaps (TRS)-agreement to get a result and liquidity exposures that are linked to the value of Norway Royal Salmon's shares. The TRS-agreement is recognised at fair value and changes in fair value are recognised in financial items.

Fish Pool – sales operations

The Group also derivatives to hedge margins connected to deliveries in the sales department. In cases where fixed-price contracts have been entered into 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.

Fish Pool – farming operations

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.

Financial liabilities at fair value through OCI

Forward currency contracts -hedge accounting

The Group uses forward currency contracts which qualify for hedge accounting to hedge against foreign currency fluctuations arising from operating activities. The contracts are measured at fair value. Changes in fair value of forward currency contracts qualifying for hedge accounting are recognised in OCI.

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes follows specific guidance in IFRS9 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.

Financial liabilities at amortised cost

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.

Financial assets at amortised cost

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.

Accounts receivables

Accounts receivable are amounts outstanding from customers as a result of ordinary sales of goods as part of ordinary activities. Accounts receivable have ordinary credit time between 30 and 60 days and are classified as current assets. Accounts receivable are initially recognized at fair value. After initial recognition, trade

receivables are measured at amortised cost, less any impairment losses. Accounts receivable are valued at face value less any expected losses.

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.

Financial 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 long-term interest-bearing 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.

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. Changes in provisions are recognised in a separate line for fair-value adjustment. Fair value adjustments are included in the consolidated operating results.

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.

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 synthetic bonus scheme that will be settled in cash. The fair value of the cash-based part 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. The fair value of the share based part is calculated at the time of allocation and is recognised linearly in the vesting period.

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.

Foreign currency

Presentation currency

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the 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

Fair value adjustments 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 2018 and have not been applied in preparing these consolidated financial statements. The standards concerned are as follows:

IFRS 16 Leasing

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard is mandatory from 1 January 2019.

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.

Upon entering into a lease, a lessee will recognize a liability related to future lease payments and an asset that represents the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16 Leasing

On January 1 2019, the Group introduces IFRS 16 based «modified retrospective method», which is a retroactive application of IFRS 16 without any revision of the comparative figures.

The Group chooses to apply the exceptions proposed by the standard on leases where the leases are concluded within 12 months from the date of first use of the standard and on leases where the underlying asset is of low value. In such cases, rental obligations will be treated as short-term rent and recognized as a rental cost.

The Group has leases related to the rental of houses, parking spaces, warehouses and office equipment such as coffee machines and copiers which are of low value.

Leases related to service boats are recognized, measured and presented in accordance with IFRS 16 Leases.

The lease obligation is calculated by discounting future lease payments using the borrowing rate as of 1 January 2019. The discount rate used for the calculation of the lease obligation is: 2.8 per cent.

The Group has leases related to cages, boats and fleets

that have been classified as financial leases under the application of IAS 17. The carrying amount of right-of-use assets and the lease liability at the time of first use is the carrying amount of the leased asset and the lease liability as of 1 January 2019.

In summary, the Group has leases related to:

- a) Machinery and plants
 - a. Cages
- b) Boats and fleets
 - a. Boats
 - b. Fleets
- c) Land and buildings
 - a. Offices

During 2018, the Group carried out a detailed impact assessment of IFRS 16. Summary of effect implementation of IFRS 16 as of 31 December 2018 is described in note 24.

When IFRS 16 is introduced, the Group's operating profit will improve, while interest expenses will increase. This is due to the change in accounting for leases related to service boats that were classified as operational leases in accordance with IAS 17.

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 2018, a 2 per cent reduction in the value of the NOK towards USD would decrease the Group's profit by KNOK 2 681, a 2 per cent reduction in the value of the NOK towards EUR would decrease the Group's profit by KNOK 6 748, and a 2 per cent reduction in the value of the NOK towards GBP would decrease the Group's profit by KNOK 346. 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 2018, an increase of 100 basis points in the interest rates level would decrease the Group's profit by KNOK 4 197, 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 2018 Norway Royal Salmon entered into agreements to secure the price of self-produced fish in the Group. 19 per cent of harvested volume were hedged. The Group had a net exposure of Fish Pool contracts for purchase of 300 tonnes at 31 December 2018. Given the financial instruments in effect on 31 December 2018, a NOK 5.00 reduction in the price of salmon would increase the Group's profit by NOK 1 500. 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 -153 765.

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 2018, a NOK 1.00 reduction in the share price of NRS would reduce the Group's profit by KNOK -1 486.

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's 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 2018, 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 2018, the Group had equity of NOK 2 321 million. The equity ratio, defined as equity divided by total assets, was at the same time 56.7 per cent. Net interest-bearing debt, defined as total debt less cash and cash equivalents and interest-bearing receivables were NOK 420 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 261 433 146 (NOK 6.00 per share) based on the financial statements of 2018. The resolution is passed at the Annual General Meeting on 6 June 2019.

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 2019. The Group owns 57 954 treasury shares at the end of 2018. The group also owns TRS agreements to 1 485 756 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 2019.

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.

(NOK 1 000)	Sales		Fish farming				Total	
	2018	2017	Region North		Region South		2018	2017
			2018	2017	2018	2017		
Total segment revenues	5 074 610	4 931 030	1 718 358	1 354 710	317 660	415 640	7 110 628	6 701 380
Revenues between segments	0	0	-1 718 358	-1 354 710	-317 660	-415 640	-2 036 018	-1 770 350
Revenues from external customers	5 074 610	4 931 030	0	0	0	0	5 074 610	4 931 030
Cost of materials	5 015 371	4 768 542	803 547	640 263	177 041	207 153	5 995 959	5 615 958
Depreciation	151	44	76 346	65 536	12 749	12 152	89 246	77 732
Other costs	36 245	40 275	222 222	215 830	48 482	46 318	306 950	302 423
Operating result before fair value adjustments	22 842	122 169	616 243	433 082	79 388	150 017	718 473	705 268
Fair value adjustments	25 968	-30 265	150 883	-113 751	-24 591	-49 497	152 260	-193 513
Operating result	48 810	91 904	767 126	319 331	54 797	100 521	870 733	511 756
Interest income	2 877	588	809	1 434	498	0	4 183	2 022
Interest expenses	0	-4 547	-11 934	-10 758	-1 068	-1 011	-13 002	-16 316
Other financial items	-1 932	-1 255	30	54	0	0	-1 902	-1 201
Segment result before tax	49 765	86 691	756 031	310 061	54 228	99 511	860 013	496 261
Total assets	634 930	866 565	2 332 785	2 133 733	349 784	384 940	3 317 500	3 385 238

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

(NOK 1 000)	2018	2017
Segment result before tax for operating segments	860 013	496 261
<i>Unallocated income statement items:</i>		
Income from associates	13 753	52 657
Depreciation and write-downs	0	-847
Gain on realisation of financial assets	47 282	105 099
Unrealised gains (+)/ losses (-) on financial assets	34 748	-247 351
Unallocated non-recurring items	-34 000	-47 843
Unallocated expenses (operations)	-42 380	-30 134
Unallocated interest (finance)	-9 579	-5 245
Result before tax	869 838	322 596

Reconciliation of reported segment assets to total assets:

(NOK 1 000)	2018	2017
Segment assets for reportable segments:	3 317 500	3 385 238
<i>Unallocated assets:</i>		
Investments in associates	568 443	572 059
Investments in other shares	1	1
Other long-term receivables	78 217	21 344
Unrealised losses/gains on financial assets	29 331	-247 351
Bank deposits related to TRS agreements	97 344	123 872
Total assets in the balance sheet	4 090 833	3 855 163

Geographical market sales:

(NOK 1 000)	2018	2017
Norway	741 288	618 191
Western Europe	3 302 684	3 327 192
Eastern Europe & Russia	256 435	227 926
Asia & Middle East	745 999	728 905
Other countries	34 399	35 584
Total operating revenues	5 080 806	4 937 798

Note 3.**Intangible assets**

Cost:	Fish farming licenses	
(NOK 1 000)	2018	2017
Acquisition cost as of 1 January	648 887	648 887
Additions during the year	197 920	0
Acquisition cost as of 31 December	846 807	648 887

Specification of fish farming licenses by region:

(NOK 1 000)	Licenses tonnes MAB	Cost	Book value 31 December 2018
Region North	34 746	769 946	769 946
Region South	4 680	76 861	76 861
Total	39 426	846 807	846 807

Licenses

NRS has licenses equivalent to a MAB of 39 426 tonnes. 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.

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

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 2018. 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 the period between 2016 and 2018. 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 50 000 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	-10,97
Discount rates after tax	+21,1 %	+21,6 %
Harvest volume	-74,0 %	-70,0 %

Note 4.

Companies in Group

The consolidated financial statements for 2018 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 Farming AS	Alta	9 429	100,00 %
Nor Seafood AS	Trondheim	1 000	100,00 %
NRS Settefisk AS	Trondheim	50 000	100,00 %
Arctic Offshore Farming AS	Torsken	205	82,50 %

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

Summarised balance sheet	Nor Seafood AS	
	2018	2017
Current		
Assets	224 238	274 118
Liabilities	-50 872	-96 778
Total current net assets	173 366	177 340
Non-current		
Assets	120 286	114 366
Liabilities	-56 270	-75 921
Total non-current net assets	64 016	38 445
Net assets	237 382	215 785

Summarised income statement	Nor Seafood AS	
	2018	2017
Operating revenues	197 406	94 388
Operational EBIT	48 166	38 941
Result before tax	26 291	37 125
Tax	5 350	9 576
Total comprehensive income	20 941	27 549
Total comprehensive income allocated to non-controlling interests	3 667	4 824
Dividends paid to non-controlling interests	0	3 152

Summarised cash flows	Nor Seafood AS	
	2018	2017
Cash flows from operating activities		
Cash generated from operations	136 669	-44 032
Interest paid	-308	-254
Income tax paid	0	-24 711
Net cash generated from operating activities	136 361	-68 997
Net cash used in investing activities	-13 617	-21 275
Net cash used in financing activities	-47 230	29 523
Net increase in cash and cash equivalents and bank overdrafts	75 514	-60 749
Cash, cash equivalents and bank overdrafts at beginning of year	0	60 749
Cash and cash equivalents and bank overdrafts at end of year	75 514	0

Note 5.

Biological assets

Specification of biological assets:

(NOK 1 000)	31.12.2018	31.12.2017
Biological assets valued at cost	887 123	950 700
Fair value adjustments of the biological assets	353 270	226 978
Total biological assets	1 240 393	1 177 678

Specification of changes in book value of biological assets:

(NOK 1 000)	2018	2017
Biological assets as of 1 January	1 177 678	1 205 399
Increase due to production in the period	1 144 418	1 230 516
Non-recurring event at cost	-34 000	-19 879
Reduction due to harvesting in the period	-1 175 113	-1 073 825
Fair value adjustments of the biological assets	156 716	-163 237
Fair value adjustments of the biological assets due to non-recurring events	-29 306	-1 296
Biological assets as of 31 December	1 240 393	1 177 678

Specification of biological assets – tonnes (ungutted weight)

	2018	2017
Biological assets as of 1 January	29 071	23 060
Increase due to fish put in the sea in the period	1 371	1 413
Increase due to production in the period	41 490	46 278
Reduction due to mortality in the period	-3 011	-3 424
Reduction due to harvesting in the period	-42 827	-38 015
Non-recurring event	-1 419	-242
Biological assets as of 31 December	24 675	29 071

Note 5. cont.

Specification of biological assets status on the balance sheet date 31 December 2018

	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	4 658	1 762	142 015	39 535	181 550
1-4 kg	7 814	14 164	529 821	156 556	686 377
Larger than 4 kg	1 593	8 749	215 289	157 179	372 468
Biological assets	14 065	24 675	887 125	353 270	1 240 393

Specification of biological assets status on the balance sheet date 31 December 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

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 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 periode 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 31.12.2018	NOK/kg	Fish Pool forward prices 31.12.2017	NOK/kg
Q1-19	64,02	Q1-18	53,85
Q2-19	65,00	Q2-18	53,05
Q3-19	59,52	Q3-18	53,05
Q4-19	61,48	Q4-18	55,00
Q1+Q2-20	64,51	Q1+Q2-19	57,80
Y2020	61,50	Y2019	56,80

The following discount factor is used in the valuation model :

	31.12.2018	31.12.2017
Discount factor Diskonteringsfaktor	6 %	6 %

Sensitivity analysis:

Based on the Group's biomass at 31 December 2018, a change in some factors will affect the book value of the biomass in the following manner:

		Effect on biomass value at Increase 31 December 2018	Effect on biomass value at Reduction 31 December 2018
Change in price	Kr 5,- pr kg	153 763	Kr -5,- pr kg -153 765
Change in production cost on finished projects, gutted weight	Kr 1,- pr kg	-36 611	Kr -1,- pr kg 36 609
Change in discount factor	0,5 %	-49 696	-0,5 % 53 436
Change in discount factor	1 %	-96 669	-1 % 110 081
Change in time of harvest	1 month earlier	82 362	1 month later -84 282
Biomass at 31 December 2018	1 %	7 075	-1 % -6 552
Biomass at 31 December 2018	5 %	34 330	-5 % -33 806

Non-recurring events recognised in the income statement ¹⁾	2018			2017		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Fish disease ISA	32 000	28 476	60 476	55 000	614	55 614
Destruction of desmoltified fish	0	0	0	10 000	682	10 682
Extraordinary mortality when delousing	2 000	830	2 830	0	0	0
Biological assets	34 000	29 306	63 306	65 000	1 296	66 296

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

Note 6.

Accounts and other receivables

Specification of accounts and other receivables:

(NOK 1 000)	31.12.2018	31.12.2017
Account receivables	374 846	552 052
Provision for bad debts	-5 816	-5 969
Net accounts receivables	369 030	546 082
Other short-term receivables	68 997	73 888
Other long-term receivables	8 974	14 040
Other long-term interest-bearing receivables	78 217	18 600
Total accounts and other receivables	525 218	652 610

Note 6. cont.

Other short-term receivables comprise:

(NOK 1 000)	31.12.2018	31.12.2017
Prepaid costs	24 044	10 514
Value added tax repayable	41 530	53 576
Other receivables	3 423	9 797
Total other short-term receivables	68 997	73 888

At 31 December 2018, accounts receivables of KNOK 144 669 (2017: KNOK 128 270) 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)	31.12.2018	31.12.2017
Less than 1 month	133 426	115 154
Between 1 and 3 months	11 199	12 836
More than 3 months	44	280
Accounts receivables past due date, but not impaired	144 669	128 270

Change in provision for bad debts:

(NOK 1 000)	2018	2017
Provision for bad debts as of 1 January	-5 969	-855
Bad debts recorded in the year	1 724	1 612
Change in provision for bad debts	-1 570	-6 726
Provision for bad debts as of 31 December	-5 816	-5 969

At 31 December 2018 was nominal accounts receivables of KNOK 7 720 (2017: KNOK 7 335) written down. The size of the provision was KNOK 5 816 at 31 December 2018 (2017: KNOK 5 969). 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)	31.12.2018	31.12.2017
2 to 6 months	1 188	5 395
More than 6 months	6 532	1 940
Accounts receivables written down	7 720	7 335

Foreign currency exposure on receivables:

(NOK 1 000)	31.12.2018	31.12.2017
CHF	0	126
EUR	239 062	295 313
GBP	0	64 748
JPY	5 182	3 702
SEK	0	635
PLN	1 010	0
USD	36 192	39 820
NOK	87 584	141 738
Total book value trade receivables	369 030	546 082

Note 7.

Property, plant and equipment

(NOK 1 000)	Land and buildings	Machinery and equipment	Boats and fleets	Other operating assets	Total	Of which leased operating assets*
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
Acquisition cost as of 1 January 2018	42 240	427 697	366 159	36 864	872 958	446 307
Reclassification of long-term receivables	0	3 533	0	0	3 533	0
Additions	8 764	140 004	53 717	11 890	214 375	41 190
Disposals	0	-46 243	-9 082	-6 188	-61 513	-42 071
Acquisition cost as of 31 December 2018	51 004	524 992	410 795	42 565	1 029 352	445 426
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
Accumulated depreciation as of 1 January 2018	11 615	202 927	95 315	19 095	328 953	115 285
Depreciation for the year	1 608	54 722	24 911	8 058	89 299	29 026
Disposals	0	-46 243	-9 044	-6 188	-61 474	-20 876
Accumulated depreciation as of 31 December 2018	13 224	211 406	111 182	20 965	356 777	123 435
Book value as of 1 January 2017	19 579	182 110	197 285	18 521	417 496	251 268
Of which leased as of 1 January 2017	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	
Book value as of 31 December 2018	37 780	313 584	299 614	21 599	672 577	321 991
Of which leased as of 31 December 2018	0	87 273	234 718	0	321 991	

* Disposal leased assets relate to the purchase of leased assets

Economic life	20 years	3–15 years	5–15 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 KNOK 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)	31.12.2018	31.12.2017
Debt to financial institutions	350 000	250 000
Long-term finance leases	201 054	211 241
Total long-term interest bearing debt	551 054	461 241

Short-term interest bearing debt:

(NOK 1 000)	31.12.2018	31.12.2017
Liabilities to financial institutions	51 611	286 619
First year's instalment long-term debt	50 903	55 998
Total short-term interest bearing debt	102 514	342 617

Total interest bearing debt

Other long-term receivables	78 217	18 600
Cash and cash equivalents	155 653	151 779
Net interest bearing debt	419 698	633 479

Unused credit facility long-term debt	450 000	550 000
Limit credit facility	600 000	600 000
Drawn upon credit facility	-51 611	-321 800
Unutilised drawing rights	998 389	828 200

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 2023 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 2018 the book value of the company's leasing liabilities amounted to KNOK 251 958. 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 2018 the Group is in compliance with the terms of its loan agreements.

Foreign currency exposure in connection with company's interest bearing debt at 31 December 2018:

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Other	Total
Long-term interest bearing debt	350 000	0	0	0	0	0	350 000
Long-term finance leases	201 054	0	0	0	0	0	201 054
Liabilities to financial institutions	-61 885	109 193	-3 701	241	5 619	2 145	51 611
First year's instalment long-term debt	50 903	0	0	0	0	0	50 903
Total interest bearing debt	540 073	109 193	-3 701	241	5 619	2 145	653 568

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 December 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.

Maturity structure of Group's interest-bearing debt:

(NOK 1 000)	31.12.2018	2019	2020	2021	2022	2023	After 2023
Long-term debt to financial institutions*	350 000	0	300 000	0	0	50 000	0
Interest on long-term debt	30 705	9 345	9 345	9 345	1 335	1 335	0
Long-term finance leases*	251 958	51 034	43 277	36 002	29 103	23 524	69 018
Interest on finance leases	20 906	6 166	4 882	3 802	2 916	2 200	940
Short-term debt to financial institutions	51 611	51 611	0	0	0	0	0
Total interest bearing debt	705 180	118 156	357 504	49 149	33 354	77 059	69 958

* 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)	31.12.2017	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

Note 9.

Pledges and guarantees etc.

Reported liabilities secured by pledge:

(NOK 1 000)	31.12.2018	31.12.2017
Long-term liabilities to financial institutions	350 000	250 000
Long-term finance leases	201 054	211 241
Short-term interest-bearing debt	102 514	342 617
Total liabilities secured by pledges	653 568	803 858
Guarantee obligations and guarantor liabilities	1 662	1 662

Book value of assets pledged:

(NOK 1 000)	31.12.2018	31.12.2017
Licenses	846 807	648 887
Property, plant and equipment	672 577	544 006
Inventories and biological assets	1 321 769	1 277 004
Trade receivables	369 030	546 082
Total book value of pledged assets	3 210 183	3 015 979

Note 10.

Investments in associates

2018 (NOK 1 000)	Business local authority	Share- holding	Book value 31.12.2017	Share of result for the year	Dividend received	Equity changes	Book value 31.12.2018
Company							
Wilsgård Fiskeoppdrett AS	Torsken	37,50 %	152 875	4 035	0	0	156 909
Måsøval Fishfarm AS	Frøya	36,10 %	18 932	15 883	-6 931	360	28 244
Hellesund Fiskeoppdrett AS	Lillesand	33,50 %	79 630	16 149	-4 527	1 137	92 390
Arctic Fish*	Isafjörður	50,00 %	287 272	-18 019	0	-15 859	253 394
Hardanger Fiskeforedling AS	Kvam	31,10 %	10 369	575	0	0	10 944
Espevær Laks AS	Bømlo	33,33 %	2 745	-960	0	0	1 785
Ranfjord Fiskeprodukter AS	Mo i Rana	37,75 %	22 935	-3 680	0	0	19 255
Skardalen Settefisk AS	Kåfjord	30,00 %	5 707	-230	0	0	5 477
Other			48	0	0	0	48
Total associates			580 510	13 753	-11 458	-14 362	568 443

*The change directly against equity is translation differences

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 45 303 as of 31 December 2018. The fair value adjustments at the start of the year were KNOK 36 095. The increase of KNOK 9 208 less tax is included in income from associates.

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 2018:

	Shareholding	Number of shares	Fair value 31.12.2018	NRS' share of fair value adjustment 31.12.2018
Måsøval Fishfarm AS	36,10 %	257 295	46 056	16 626
Hellesund Fiskeoppdrett AS	33,50 %	1 651 015	295 532	99 003
Total		1 908 310	341 587	115 629

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

* The change directly against equity is translation differences

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.

Note 10. cont.

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 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

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

2018 (NOK 1 000)	Wilsgård Fiske- oppdrett AS	Måsøval Fish farm AS	Hellesund Fiske- oppdrett AS	Arctic Fish	Other
Operating revenues	300 303	92	118 234	5 878	160 826
Depreciation	15 482	77	4 806	0	9 447
Net interest expenses	-867	236	7 716	-8 133	-2 590
Result before tax	18 512	56 927	71 574	-36 038	-13 958
Net result for the year	10 759	43 998	48 207	-36 038	-11 545
Translation differences and OCI posts	0	0	0	-15 859	0
Comprehensive income	10 759	43 998	48 207	-51 897	-11 545
Current assets	369 693	96 724	239 554	195 338	86 082
Non-current assets	220 327	13 957	45 387	403 699	101 569
Current liabilities	99 914	26 425	26 414	43 438	54 412
Non-current liabilities	117 559	26 066	3 950	253 690	55 873
Net assets	372 547	58 190	254 577	301 909	77 366
Net interest bearing debt	-46 176	-38 469	-120 006	245 160	37 452

2017 (NOK 1 000)	Wilsgård Fiske- oppdrett 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

Arctic Fish ehf.

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. 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.

Note 11.

Other current liabilities

Specification of other short-term liabilities: (NOK 1 000)

	31.12.2018	31.12.2017
Official taxes due	24 213	9 288
Accrued option costs	3 447	4 512
Holiday pay	13 928	13 171
Unrealised value forward currency contracts	12 122	17 242
Provision for onerous sales contracts 1)	1 463	0
Provision for unrealised derivatives - Total return swap (TRS)	29 331	64 078
Other short-term liabilities and accruals	45 449	47 689
Total other short-term liabilities	129 952	155 980

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)

	2018	2017
Rental of premises and equipment	34 169	30 670
Maintenance	58 252	66 693
Fuel	16 848	14 601
External fees	19 352	13 289
Off-balance sheet equipment	8 721	13 654
Insurance	6 487	4 989
Bad debts	1 531	6 861
Other	51 477	49 421
Total other operating expenses	196 839	200 178

Note 13.

Taxation

Tax on the result

Tax on the result is as follows:

(NOK 1 000)	2018	2017
Tax payable	140 028	113 485
Change in deferred tax	22 283	-26 657
Corrections from previous years	-1 563	-649
Tax	160 748	86 180

Tax on items recognised in comprehensive income:

(NOK 1 000)	2018			2017		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Cash flow hedges	-3 454	760	-2 699	-9 524	2 191	-7 333
Actuarial losses on benefits pension scheme	-1 479	325	-1 154	-6 004	1 381	-4 623
Total	-4 933	1 086	-3 853	-15 528	3 572	-11 956

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2018	2017
Result before tax	869 838	322 596
Tax calculated at nominal tax rate (23 % in 2018 and 24 % in 2017)	200 063	77 423
Permanent differences:		
Equity method associates	-3 163	-12 638
Gain/Loss Total Return Swap (TRS)	-18 867	34 140
Expenses not deductible for tax purposes	266	314
Other deductions and income	1 551	7 372
Share based share of option scheme	-3	-3 932
Changes in deferred tax caused by changed tax rate	-17 534	-15 850
Corrections from previous years	-1 564	-649
Tax on the result	160 748	86 180
Effective tax rate	18 %	27 %

Note 13. cont.

Deferred tax liabilities

Breakdown of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2018	31.12.2017	Change
Intangible assets	339 325	339 325	0
Property, plant and equipment	160 793	139 179	21 614
Property, plant and equipment under financial leasing	321 991	331 023	-9 032
Debt under financial leasing	-251 958	-267 239	15 281
Current assets	1 233 869	1 171 199	62 670
Pension liabilities	-19 005	-16 727	-2 278
Short-term liabilities	-28 943	-75 754	46 811
Other temporary differences	-2 649	489	-3 138
Tax losses carried forward	0	-36 465	36 465
Basis for deferred tax	1 753 424	1 585 030	168 394
Tax rate	22 %	23 %	
Estimated deferred tax liabilities	385 754	364 557	21 197

Change in deferred tax liabilities in balance sheet:

(NOK 1 000)	2018	2017
Book value as of 1 January	364 557	394 786
Deferred tax posted in income statement	39 818	-10 806
Tax posted directly over OCI	-1 086	-3 572
Changes in deferred tax caused by changed tax rate	-17 534	-15 850
Book value 31 December	385 754	364 557

Specification of tax payables:

(NOK 1 000)	2018	2017
Tax payable «Skattefunn»	-5 251	-1 113
Tax payable basis for tax expense	140 028	114 598
Tax payable	134 777	113 485

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	2018	2017
Change in fair value adjustments of biomass	5	126 292	-164 533
Change in provision for sales contracts	11	-1 462	89 994
Change in fair value on financial Fish Pool contracts	16	27 429	-120 259
Total fair value adjustments		152 260	-194 799

Specification of fair value adjustments in the balance sheet:

(NOK 1 000)		31.12.2018	31.12.2017	Change
Fair value adjustments biomass (biological assets)	5	353 270	226 978	126 292
Provision for onerous sales contracts (other current liabilities)	11	-1 462	0	-1 462
Fair value of financial Fish Pool contracts (other current receivables)	16	1 717	-25 712	27 429
Total fair value adjustments		353 526	201 266	152 260

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 December 2018

(NOK 1 000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Trade and other receivables*	6	501 174	0	0	501 174
Cash and cash equivalents**	17	155 653	0	0	155 653
Total		656 827	0	0	656 827

* Trade and other receivables exclude prepayments

** Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 1 717 is posted on a bank account which is part of the Group's cash pool

Note 15 .cont.

(NOK 1 000)	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through OCI	Total
Loans (excluding finance leases)	8	401 611	0	0	401 611
Finance leases	8	251 957	0	0	251 957
Derivatives	16	0	41 453	17 077	58 530
Trade and other payables*	11	494 202	0	0	494 202
Total		1 147 770	41 453	17 077	1 206 300

* Trade and other payables excluding statutory liabilities

As of 31 December 2017

(NOK 1 000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Trade and other receivables*	6	642 096	0	0	642 096
Cash and cash equivalents	17	151 779	0	0	151 779
Total		793 875	0	0	793 875

* Trade and other receivables exclude prepayments

(NOK 1 000)	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through OCI	Total
Loans (excluding finance leases)	8	536 619	0	0	536 619
Finance leases	8	267 239	0	0	267 239
Derivatives**	16	0	81 320	13 620	94 940
Trade and other payables *	11	601 338	0	0	601 338
Total		1 405 196	81 320	13 620	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 25 712 is posted on a bank account which is part of the Group's cash pool

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 2018:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Fish Pool contracts	0	1 717	0	1 717
Total assets	0	1 717	0	1 717
Liabilities				
Financial liabilities at fair value through profit or loss				
- Total Return Swap	0	29 331	0	29 331
- Forward currency contracts	0	12 122	0	12 122
Financial liabilities at fair value through OCI				
- Forward currency contracts	0	17 077	0	17 077
Total liabilities	0	58 530	0	58 530

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				
– Fish Pool contracts	0	0	0	0
Total assets	0	0	0	0
Liabilities				
Financial liabilities at fair value through profit or loss				
- Total Return Swap	0	64 078	0	64 078
- Forward currency contracts	0	17 242	0	17 242
– Fish Pool contracts	0	25 712	0	25 712
Financial liabilities at fair value through OCI				
- Forward currency contracts	0	13 620	0	13 620
Total liabilities	0	120 652	0	120 652

Note 16.

Derivatives

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

As of 31 December 2018

(NOK 1 000)	Bank overdraft	Other short-term receivables	Other current liabilities
Forward currency contracts	0	0	29 199
Financial Fish Pool contracts*	1 717	0	0
Total return swap	0	0	29 331
Total	1 717	0	58 530

* Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of NOK 1717 is posted on a bank account which is part of the Group's cash pool

As of 31 December 2017

(NOK 1 000)	Bank overdraft	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 NOK -25 712 is drawn from 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 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 2018 forward currency contracts were nominated in EUR, USD, JPY and GBP. These contracts mature between 3 January 2019 and 20 July 2020 and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables.

As of 31 December 2018

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Salg	EUR	33 947	15.01.19-20.07.20	9,488-10,064	-10 559
Forward currency contracts – cash flow hedging	Salg	USD	15 444	04.01.19-10.12.19	8,044-8,528	-5 915
Forward currency contracts – cash flow hedging	Salg	GBP	1 554	15.01.19-15.03.19	10,829-11,128	-458
Forward currency contracts – cash flow hedging	Salg	JPY	83 100	20.02.19-17.04.19	0,0736-0,0752	-145
Total forward currency contracts						
- cash flow hedging						-17 077
Forward currency contracts – fair value hedging	Salg	USD	5 000	04.01.19	8,113	-2 886
Forward currency contracts – fair value hedging	Salg	EUR	20 000	03.01.19	9,488	-9 236
Total forward currency contracts						
- fair value hedging						-12 122
Total forward currency contracts						-29 199

As of 31 December 2017

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Salg	EUR	19 874	15.01.18-20.12.18	9,588-9,810	-5 893
Forward currency contracts – cash flow hedging	Salg	USD	7 156	16.01.18-20.12.18	7,677-8,277	-1 519
Forward currency contracts – cash flow hedging	Salg	GBP	21 680	10.01.18-22.01.19	10,787-11,132	-5 823
Forward currency contracts – cash flow hedging	Salg	JPY	205 550	10.01.18-15.06.18	0,0720-0,0728	-385
Total forward currency contracts						
- cash flow hedging						-13 620
Forward currency contracts – fair value hedging	Salg	USD	5 000	04.01.2018	7,948	-1 310
Forward currency contracts – fair value hedging	Salg	EUR	37 000	03.01.18-04.01.18	9,327-9,426	-15 932
Total forward currency contracts						
- fair value hedging						-17 242
Total forward currency contracts						-30 862

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
2018	-13 620	-17 077	-3	-3 457	761	-2 699
2017	-3 772	-13 620	324	-9 848	2 191	-7 334

Note 16. cont.

Financial Fish Pool contracts

A contracts has been signed to purchase 600 tonnes on the Fish Pool salmon exchange. The contract price is NOK 62.25 and cover the period from January 2019 to December 2019. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition to the agreement the group has entered into an agreement to sell 900 tonnes on Fish Pool. The contract price is NOK 63.85 and covers the period

January to December 2019. The aim with the contracts is to hedge the price on own-produced fish. 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 24 088 in 2018 (2017: KNOK 49 582). Unrealised gain in 2018 was KNOK 27 429 (2017: Loss of KNOK 120 259).

As of 31 December 2018

(NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	600	01.01.19-31.12.19	62,25	153
Fish Pool contracts	Sale	NOK	900	01.01.19-31.12.19	63,85	1 565
Total						1 717

As of 31 December 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

Derivatives that add desired risk exposure

Total Return Swap

In 2018 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 2018, Norway Royal Salmon's total underlying exposures through the TRS agreement is 1 485 756 shares, representing 3.41 per cent of the share capital of the company. The agreement expires 14.03.2019. The exercise price is

NOK 199.42. 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 2018. The gain on realisation amounts to KNOK 47 282 (2017: KNOK 105 099) and is posted as a finance post in the accounts. Unrealised gains on the agreements in 2018 was KNOK 34 748 (2017: Loss of KNOK 247 351).

As of 31 December 2018

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS	1 485 756	199,42	14.03.2019	-29 331
Total	1 485 756			-29 331

As of 31 December 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

Note 17.

Cash and cash equivalents

(NOK 1 000)	31.12.2018	31.12.2017
Bank deposits	155 653	151 779
Cash and cash equivalents	155 653	151 779
Of which restricted bank deposits	105 486	151 718

Of the restricted deposits KNOK 2 579 (2017: KNOK 22 894) is pledged as collateral related to the company's trading at Fish Pool. KNOK 97 344 (2017: KNOK 123 872) 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)	2018	2017
Wages and salaries	124 848	109 971
Payroll tax	10 778	7 655
Pension costs defined contribution scheme	3 029	2 359
Pension costs defined benefit scheme	5 453	4 887
Other benefits	14 605	13 724
Total wages and personnel expenses	158 713	138 596
Average full-time equivalents	188	172

REMUNERATION TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS:

Senior management

2018 (NOK 1 000)	Salary	Fees ¹⁾	Bonus	Share- based payments	Payments in kind	Total	Accrued pension costs ²⁾
Charles Høstlund, CEO	2 740	40	234	5 996	206	9 216	162
Ola Loe, CFO	1 915	20	156	0	73	2 165	242
Arve Olav Lervåg, COO farming	1 396	0	92	0	52	1 540	0
Klaus Hatlebrekke, COO market and business development	1 606	0	131	0	55	1 792	179
Total	7 657	60	613	5 996	386	14 713	584

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

Note 18. cont.

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	371	15 979	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	825	32 136	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

Directors fee:

(NOK 1 000)	2018	2017
Helge Gåsø, Board Chair	411	388
Kristine Landmark, Vice Chair	299	283
Trude Olafsen	276	260
Marianne E. Johnsen	329	290
Lars Måsøval	313	290
John Hindar	313	5
Inge Kristoffersen	0	295
Total	1 942	1 810

Share-based incentive scheme

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

The last part of the bonus is calculated 57 months after 24 June 2014, 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 the date of execution. 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 24 June 2014 until the given deadline, and in proportion to the price increase in the period for 50 000 shares for the CEO.

At 31 December 2018, the scheme includes 50 000 shares distributed to the CEO. The exercise price of the CEO's options at 31 December 2018 is NOK 31.78.

In 2018, a cost of KNOK 2 379 (2017: cost reduction of KNOK 7 691) 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 4 419 (2017: KNOK 5 781) is recognized in the balance sheet.

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

2018		
	Average exercise price	Number
1. January	31,78	100 000
Exercised 20 March 2018	31,78	-50 000
31 December	31,78	50 000

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

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

Awarded	Exercise date	Exercise price	Number	
			2018	2017
20.06.2014	20.03.2018	31,78	0	50 000
20.06.2014	20.03.2019	31,78	50 000	50 000
			50 000	100 000

A bonus program based on options was introduced for senior executives and key personnel in the Group 2017. The scheme has been approved by the Board. The scheme comprises 22 people and is divided into 4 different levels. The scheme was continued in the first quarter of 2018. The continued scheme comprises 23 people. 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 for the scheme introduced in 2017 and 20 March 2019 for the scheme introduced in 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. The exercise price will be adjusted for dividends and changes in holdings of treasury shares. In 2018, a cost of KNOK 2 723 (2017: 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	Program introduced in 2018	All programs
At 31 December 2017	100 000	401 186	0	501 186
Exercised in the year	-50 000	0	0	-50 000
Allocated during the year (new program)	0	0	430 971	430 971
Terminated	0	-48 868	-37 685	-86 553
Number of options at 31 December 2018	50 000	352 318	393 286	795 604
Exercise price	31,78	149,26	150,51	
Number of employees in the program at 31 December 2018	1	22	23	46

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 31 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.

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 31.12.2018, used a discount rate of 2.6 per cent.

Pension costs:

(NOK 1 000)

	2018	2017
Current service cost	3 792	3 425
Interest cost	384	293
Payroll tax	601	536
Administration cost	86	84
Net pension costs service – defined benefit scheme	4 864	4 337
Cost of defined benefit pension scheme	4 864	4 337
Cost of defined contribution pension scheme	3 029	2 359
Early retirement scheme	1 073	1 036
Employee contributions to scheme	-484	-486
Total pension costs	8 482	7 246
Assumptions defined benefit scheme:	2018	2017
Discount rate	2,60 %	2,30 %
Future salary increases	2,75 %	2,50 %
Inflation rate	2,50 %	2,25 %
Future pension increase	0,80 %	0,40 %
Demographic factors:		
Disability table	IR02 level	IR02 level
Mortality table	K2013 BE	K2013 BE
Number of employees in the scheme		
Active	31	34
Pensioners	9	7
Total	40	41
	2018	2017
Paid into the scheme during the year	3 563	4 378
Forecast payment to the scheme next year	4 027	4 937

Note 19. cont.**Calculation of amount recognised in the balance sheet:**

(NOK 1 000)

	31.12.2018	31.12.2017
Present value of funded obligations	64 583	56 333
Fair value of plan assets	-45 578	-39 606
Net pension liabilities in balance sheet	19 005	16 728

Change in present value pension liabilities:

(NOK 1 000)

	2018	2017
Pension liabilities as of 1 January	56 333	45 653
Current service cost	4 427	4 009
Interest expense	1 295	1 183
Payroll tax on this year's payment	-502	-617
Pension payments	-599	-592
Actuarial losses over other comprehensive income	3 629	6 697
Pension liabilities as of 31 December	64 583	56 333

Change in estimated fair value of plan assets:

(NOK 1 000)

	2018	2017
Estimated fair value of plan assets as of 1 January	39 606	34 271
Return on plan assets	858	855
Contributions paid	4 065	4 996
Pension payments	-502	-617
Payroll tax on this year's payment	-599	-592
Actuarial losses/ (gain) over other comprehensive income	2 150	693
Plan assets as of 31 December	45 578	39 606

Pension funds are made up as follows:

(NOK 1 000)

	2018	2017
Shares	12,1 %	10,9 %
Short-term bonds	12,5 %	13,2 %
Money market fund	11,0 %	14,0 %
Long-term bonds	29,4 %	27,2 %
Loans and receivables	25,2 %	23,3 %
Property	9,1 %	10,0 %
Other	0,7 %	1,4 %
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 4 378. Conversely, reducing the discount rate by 1 per cent would result in a gross

pension liability of KNOK 38 181. An 1 per cent increase in the future salary increases, would result in a gross pension liability of KNOK 29 302. Conversely, reducing the future salary increases by 1 per cent would result in a gross pension liability of KNOK 9 532.

Note 20.

Financial income and financial expenses

(NOK 1 000)	2018	2017
Realised gains on TRS agreements	47 282	105 099
Unrealised gains (+)/ unrealised losses (-) on TRS agreements	34 748	-247 351
Loss/Gain financial assets	82 030	-142 252
Interest income	3 983	1 694
Interest expenses	-18 544	-21 262
Net interest expenses	-14 562	-19 568
Other financial income	80	67
Other financial expenses	-5 452	-1 046
Inefficiency cash flow hedging	3	-324
Net other financial expenses	-5 370	-1 303
Net financial items	62 100	-163 123

Note 21.

Share capital and shareholder information

Share capital in parent company as of 31 December 2018:	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 2018:

Shareholder	No. of shares	Shareholding	Voting rights
GÅSØ NÆRINGSUTVIKLING AS	6 829 605	15,67 %	15,67 %
MÅSØVAL EIENDOM AS	5 208 581	11,95 %	11,95 %
NORWAY FRESH AS	5 000 000	11,48 %	11,48 %
HAVBRUKSINVEST AS	4 151 915	9,53 %	9,53 %
EGIL KRISTOFFERSEN OG SØNNER AS	3 767 850	8,65 %	8,65 %
NYHAMN AS	1 767 191	4,06 %	4,06 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 682 675	3,86 %	3,86 %
HELLESUND FISKEOPPDRETT A/S	1 651 015	3,79 %	3,79 %
LOVUNDLAKS AS	1 071 080	2,46 %	2,46 %
BNP PARIBAS SECURITIES SERVICES	790 885	1,82 %	1,82 %
STATE STREET BANK AND TRUST COMP	535 404	1,23 %	1,23 %
MP PENSJON PK	315 077	0,72 %	0,72 %
JPMORGAN CHASE BANK, N.A., LONDON	276 127	0,63 %	0,63 %
STATE STREET BANK AND TRUST COMP	272 148	0,62 %	0,62 %
MÅSØVAL FISHFARM AS	257 295	0,59 %	0,59 %
EIKA NORGE	241 461	0,55 %	0,55 %
J.P. MORGAN BANK LUXEMBOURG S.A.	239 238	0,55 %	0,55 %
HENDEN FISKEINDUSTRI AS	238 684	0,55 %	0,55 %
RAMSFJELL AS/ OLA LOE	225 897	0,52 %	0,52 %
SVENSKA HANDELSBANKEN AB	194 145	0,45 %	0,45 %
Total 20 largest shareholders	34 716 273	79,68 %	79,68 %
Total other shareholders	8 855 918	20,32 %	20,32 %
Total no. of shares	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	6 829 605	15,67 %	15,67 %
Kristine Landmark	Vice Chair	40 704	0,09 %	0,09 %
Lars Måsøval v/ Måsøval Eiendom AS and Måsøval Fishfarm AS	Board member	5 465 876	12,54 %	12,54 %
Charles Høstlund v/ Høstlund Invest AS	CEO	149 585	0,34 %	0,34 %
Ola Loe	CFO	225 897	0,52 %	0,52 %
Klaus Hatlebrekke v/ Hatlebrekke Invest AS	COO business development	139 945	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 2019, however not later than 30 June 2019. 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 57 953 treasury shares at the end of 2018, representing 0.13 per cent of the share capital in the company. In 2018 the company entered into a TRS (Total return swap) agreement against own shares. At 31 December 2018 Norway Royal Salmon ASA's underlying exposure through TRS agreements is 1 485 756 shares, representing 3.41 per cent of the share capital in the company.

Treasury shares (NOK 1 000)	No. of shares	Payment (NOK '000)
Book value as of 1 January	82 443	
Purchase of treasury shares	300 000	55 283
Sale of treasury shares	-19 255	-2 998
Distribution of dividend shares	-305 235	56 172
Book value 31 December	57 953	

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 2019, however not later than 30 June 2019.

Dividend:

The board has proposed a dividend of NOK 261 433 146 (NOK 6.00 per share) based on the annual accounts for the financial year 2018. The resolution will be adopted at the Annual General Meeting of 6 June 2019. In 2018 an ordinary dividend of NOK 226 575 393 (NOK 5.20 per share) was paid based on the annual accounts for the financial year 2017. The dividend was partly distributed in cash, 3.90 per share, totalling NOK 168 515 107 and partly by distribution of 305 235 shares. The dividend was transferred in June 2018.

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)	2018	2017
Majority share of net result for the year	705 311	228 538
The majority's share of fair value adjustments on biomasse after tax	-101 436	126 457
The majority's share of fair value adjustments on onerous contracts and Fish Pool contracts after tax	-19 735	23 002
Majority share of value-adjusted result for the year	584 139	377 996
Weighted average number of ordinary shares outstanding	43 498 749	43 344 931

Earnings per share	2018	2017
Basis	16,21	5,27
Diluted	16,21	5,27

Earnings per share shows the majority's share

Earnings per share pre fair value adjustments:	2018	2017
Basis	13,43	8,72
Diluted	13,43	8,72

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

Shares outstanding:

(NOK 1 000)	2018	2017
Shares outstanding as of 1 January	43 489 748	43 473 912
Effect of purchase of treasury shares	-300 000	-600 000
Effect of sale / distribution of dividend of treasury shares	324 490	615 836
Shares outstanding as of 31 December	43 514 238	43 489 748

Note 23.

Inventory

(NOK 1 000)	31.12.2018	31.12.2017
Raw materials	31 349	37 906
Goods in transit	22 449	48 227
Finished goods	27 578	13 192
Total inventory	81 376	99 326

Raw materials mainly comprise feed for the farming business. Finished products comprise fresh and 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.

Lease agreements

The Group leases non-current assets defined as finance leases. In addition to what is defined as financial leasing and capitalized in the company's balance sheet, the company leases a service boat. As of January 1 2019, the Group introduces IFRS 16 based on a modified retrospective method, which is a retroactive application of IFRS 16 without any revision of the comparative figures. During 2018, the Group carried out a detailed impact assessment of IFRS 16. The effect of the implementation of IFRS 16 is expected to be as follows at 1 January 2019 (+ = increase / - = reduction):

(NOK 1 000)	Note	Contracts according to IFRS 16 01.01.2019	Contracts treated as financial leasing according to IAS 17 01.01.2019	Contracts treated as operational leasing according to IAS 17 01.01.2019
Assets				
Non-current assets	7,9	-321 991	-321 991	
Right to use asset - non-current assets	7,9	338 784	321 991	16 793
Long-term debt and liabilities				
	23,9			
Long-term financial lease	6,15,16	-217 847	-201 054	16 793
Long-term interest bearing debt	8,15,17	201 054	201 054	
Short-term debt and liabilities				
Short-term financial lease		-50 903	-50 903	
Short-term interest bearing debt		50 903	50 903	
Net effect on equity		0	0	0

Note 25.

Auditor's fees

(NOK 1 000)	2018	2017
Statutory auditing services	672	753
Other attestation services	25	91
Tax advisory services	12	0
Other services	59	61
Total auditor's fees	768	906

All auditor's fees are exclusive VAT.

Note 26.

Related parties

Group transactions with related parties

Goods and services purchased:

(NOK 1 000)	2018	2017
Associates – products purchased	348 317	445 975
Associates – services purchased	66 218	58 985
Enterprise controlled by large shareholder – purchase of products	269 656	461 970
Enterprise controlled by board members – purchase of services	22 082	12 451
Total goods and services purchased from related parties	706 273	979 381

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)	2018	2017
Associates	13 919	52 269
Shareholders in Norway Royal salmon ASA	1 755	78 625
Total trade payables related parties	15 674	130 894

Loans to related parties:

(NOK 1 000)

	2018	2017
<i>Loans to associates:</i>		
Loans given during the year	47 740	0
Interest added to loan	1 734	0
As of 31 December	49 474	0

Note 27.**Subsequent events****Refinancing**

The Group has increased its credit facilities with an external bank on 15 March 2019. The long-term facility increased by KNOK 200 000 to KNOK 1 000 000. The long-term facility is instalment-free until 2024 and has an annual credit review for a further extension of 5 years. In addition, the Group has been granted a limit of KNOK 400,000 with maturity until 30 June 2022. The company can then request the bank to convert the facility to a repayment loan. The group's multi-currency credit line with a limit of KNOK 600 000 will be continued. The agreement covers all companies in the Group. The total limit after the refinancing at the Group's bank connection will then be KNOK 2 000 000. The refinancing does not entail any significant changes in the applicable covenant requirements.

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)	31.12.2018	31.12.2017
Reported long-term interest-bearing debt	551 054	461 241
Reported short-term interest-bearing debt	102 514	342 617
Reported long-term interest-bearing receivables	-78 217	-18 600
Reported bank deposits, cash	-155 653	-151 779
Net interest bearing debt	419 698	633 479

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)	31.12.2018	31.12.2017
Reported equity	2 320 785	1 851 030
Reported total assets	4 090 834	3 855 163
Equity ratio	56,7 %	48,0 %

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.

Operational EBIT per kg - Group

(NOK 1 000)	2018	2017
Operational EBIT	641 726	627 861
Unallocated expenses	42 433	31 064
Non-recurring events (note 5)	34 000	46 547
Operational EBIT (note 2)	718 159	705 472
Harvested volume	35 970	31 918
Operational EBIT per kg	19,97	22,10

Operational EBIT per kg - Farming Region North

(NOK 1 000)	2018	2017
Operational EBIT (note 2)	616 243	433 082
Harvested volume	30 384	24 697
Operational EBIT per kg	20,28	17,54

Operational EBIT per kg - Farming Region South

(NOK 1 000)	2018	2017
Operational EBIT (note 2)	79 388	150 017
Harvested volume	5 586	7 221
Operational EBIT per kg	14,21	20,77

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)	2018	2017
Majority share of net result for the period	705 311	228 538
Majority share of fair value adjustments of biomass after tax	-101 436	126 457
Majority share of fair value of sales contracts and Fish Pool contracts after tax	-19 735	23 002
Majority share of value-adjusted result for the period	584 139	377 996
Weighted average number of ordinary shares outstanding	43 498 749	43 344 931
Value-adjusted earnings per share	13,43	8,72



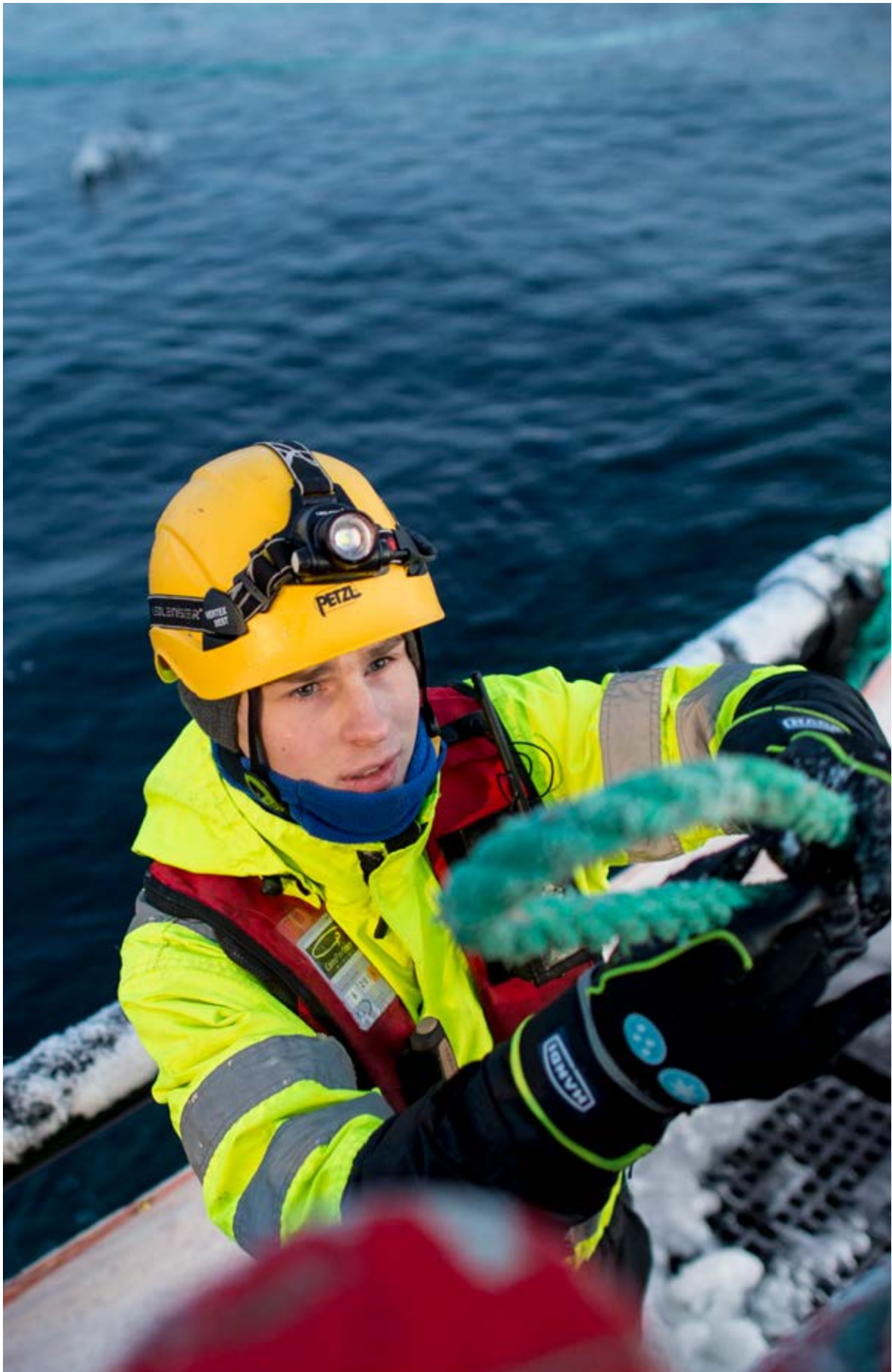


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Income statement

(NOK 1 000)	Note	2018	2017
Sales revenues	2	5 074 610	4 931 030
Other operating revenues	2,13	9 411	9 548
Total sales revenues		5 084 021	4 940 578
Cost of materials	13	5 015 371	4 768 542
Personnel expenses	3,5	58 244	43 532
Depreciation	7	204	44
Write-downs	7	0	847
Other operating expenses	4,7	29 793	36 159
Total operating expenses		5 103 612	4 849 123
Net operating result		-19 591	91 455
Financial items			
Income from associates and subsidiaries	6,8	513 289	465 160
Gain on financial assets	6,17	107 741	15 309
Net interest expenses	6,13,17	-2 465	-9 152
Net other financial expenses	6,17	-5 397	-1 357
Net financial items		613 168	469 960
Result before tax		593 577	561 415
Tax	12	-709	-10 308
Net result for the year		592 867	551 107
Allocations:			
Allocated to dividend	11	261 433	226 575
Allocated from/to reserve for valuation variances	11	69 509	-66 996
Allocated to other equity	11	261 925	391 527
Total allocations		592 867	551 107

Balance sheet

(NOK 1 000)	Note	31.12.2018	31.12.2017
Assets			
Non-current assets			
Intangible assets			
Deferred tax assets	12	12 870	19 497
Total intangible assets		12 870	19 497
Property, plant and equipment			
Construction in progress	7,15	34 218	0
Movables	7,15	853	893
Total property, plant and equipment		35 071	893
Non-current financial assets			
Investments in subsidiaries	8,15	864 655	736 254
Investments in associates	8,15	520 257	538 287
Investments in other shares		1	1
Other non-current receivables	9,15	80 191	21 344
Total non-current financial assets		1 465 104	1 295 886
Total non-current assets		1 513 045	1 316 275
Current assets			
Inventory	10,15	50 027	61 420
Total inventory		50 027	61 420
Receivables			
Accounts receivables	13,15	335 689	496 503
Other receivables	13,15,17	483 990	443 754
Total receivables		819 680	940 256
Cash and cash equivalents	16	372 201	148 655
Total current assets		837 115	1 150 331
Total assets		2 754 952	2 466 606

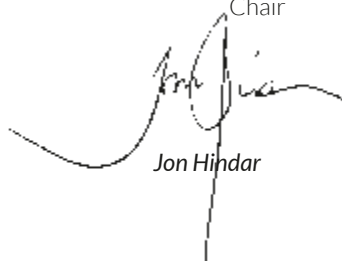
(NOK 1 000)	Note	31.12.2018	31.12.2017
Paid-in capital			
Share capital	11	43 572	43 572
Treasury shares	11	-58	-82
Other paid-in equity	11	85 051	88 072
Total paid-in capital		128 565	131 562
Retained earnings			
Reserve for valuation variances	11	1 046 629	577 120
Other equity	11	402 814	552 514
Total retained earnings		1 449 443	1 129 634
Total equity		1 578 009	1 261 196
Liabilities			
Provisions			
Pension liabilities	5	19 005	16 727
Total provisions		19 005	16 727
Other non-current liabilities			
Debt to credit institutions	14,15	350 000	250 000
Total other non-current liabilities		350 000	250 000
Current liabilities			
Debt to credit institutions	15	0	17 884
Accounts payables	13	465 841	560 067
Public charges payable		5 474	4 538
Tax payable	12	0	15 385
Dividend	11	261 433	226 575
Other current liabilities	13	75 191	114 234
Total current liabilities		807 939	938 684
Total liabilities		1 176 944	1 205 410
Total equity and liabilities		2 754 952	2 466 606
Guarantee liabilities	15	1 662	1 662

Trondheim, 11 April 2019

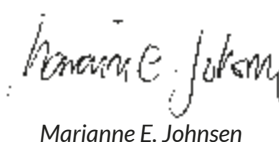

Helge Gåsø
Chair


Kristine Landmark
Vice Chair


Lars Måsøval


Jon Hindar


Trude Olafsen


Marianne E. Johnsen


Charles Høstlund
Chief Executive Officer

Cash flow

(NOK 1 000)	Notes	2018	2017
Operating result		-19 591	91 455
Taxes paid		-15 492	0
Depreciation and write-downs	7	204	891
Pension costs with no cash effect		798	-659
Share based payment		-297	-15 376
Change in inventories		11 393	4 704
Change in accounts receivables		160 813	-32 926
Change in accounts payables		-94 226	60 158
Change in other current assets and other liabilities		8 007	-148 028
Net cash flow from operating activities		51 609	-39 781
Cash flow from investing activities			
Payments for purchase of property, plant and equipment	7	-38 563	-937
Proceeds from investments in current financial assets (TRS)	8	47 282	105 099
Payments for investing in subsidiaries	8	-50 000	0
Dividend from associated companies	8	11 458	28 267
Group contribution and dividends from subsidiaries		408 000	322 433
Change in loans to subsidiaries, associates and others		-59 617	-14 600
Net cash flow from investing activities		318 560	440 262
Cash flow from financing activities			
New non-current borrowings		100 000	100 000
Net change in overdraft		-17 884	2 886
Net proceeds from sale of treasury shares and payments for purchase of treasury shares		3 887	-2 686
Net interest payments		-7 916	-9 152
Dividend payment		-224 710	-407 968
Net cash flow from financing activities		-146 623	-316 920
Net increase/ reduction in cash and cash equivalents		223 546	83 561
Cash and cash equivalents as of 1 January		148 655	65 095
Cash and cash equivalents as of 31 December		372 201	148 655

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 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.

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)	2018	2017
Norway	744 518	620 969
Western Europe	3 302 673	3 327 193
Eastern Europe & Russia	256 435	227 926
Asia & Middle East	745 996	728 905
Other countries	34 399	35 584
Total operating revenues	5 084 021	4 940 578

Note 3.

Personnel expenses and benefits

(NOK 1 000)	2018	2017
Wages and salaries	45 531	34 220
Payroll tax	7 117	4 443
Pension costs – defined benefits scheme	5 050	4 368
Other benefits	546	501
Total salary and personnel expenses	58 244	43 532
Average number of full-time-equivalents	44	42

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)	2018	2017
Statutory auditing services	414	466
Other attestation services	25	91
Tax advisory services	28	0
Other services	60	61
Total auditor's fees	527	619

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 31 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 10 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)	2018	2017
Current service cost	3 792	3 425
Interest expenses	384	293
Payroll tax	601	536
Administrational expenses	86	84
Net pension cost – defined benefit scheme	4 864	4 337
Employee contributions to scheme	-484	-486
Costs of defined contribution pension scheme	671	517
Total pension costs	5 050	4 368

Assumptions	2018	2017
Discount rate	2,60 %	2,30 %
Future salary increases	2,75 %	2,50 %
Inflation rate	2,50 %	2,25 %
Future pension increase	0,80 %	0,40 %

Demographic factors:

Disability table	IR02	IR02
Mortality table	K2013 BE	K2013 BE

Number of people covered by the defined benefit scheme:

In work	31	34
Pensioners	9	7
Total	40	41

	2018	2017
Paid into scheme during the year	3 563	4 378
Forecast payment to scheme next year	4 027	4 937

Net pension liabilities:

(NOK 1 000)	31.12.2018	31.12.2017
Pension liabilities	64 583	56 333
Fair value of plan assets	-45 578	-39 606
Pension liability	19 005	16 727

Change in present value pension liabilities:

(NOK 1 000)	2018	2017
Pension liabilities as of 1 January	56 333	45 653
Current service cost	4 427	4 009
Interest expense	1 295	1 183
Payroll tax on this year's payment	-502	-617
Pension payments	-599	-592
Actuarial losses over equity	3 629	6 697
Pension liabilities as of 31 December	64 583	56 333

Change in estimated fair value of plan assets:

(NOK 1 000)	2018	2017
Estimated fair value of plan assets as of 1 January	39 606	34 271
Return on plan assets	858	855
Contributions paid	4 065	4 996
Payroll tax on this year's payment	-502	-617
Pension payments	-599	-592
Actuarial losses/ (gain) over equity	2 150	693
Plan assets as of 31 December	45 578	39 606

Pension funds are made up as follows:

(NOK 1 000)	2018	2017
Shares	12,1 %	10,9 %
Short-term bonds	12,5 %	13,2 %
Money market fund	11,0 %	14,0 %
Long-term bonds	29,4 %	27,2 %
Loans and receivables	25,2 %	23,3 %
Property	9,1 %	10,0 %
Other	0,7 %	1,4 %
Total	100,0 %	100,0 %

Note 6.

Financial income and financial expenses

Financial items included in the income statement: (NOK 1 000)	2018	2017
Income from associates and subsidiaries	513 289	465 160
Realised gains on TRS-agreements	47 282	105 099
Unrealised losses (-) and reversal of unrealised losses (+) on TRS-agreements	34 748	-64 078
Unrealised losses (-) and reversal of unrealised losses (+) on Fish Pool contracts	25 712	-25 712
Gain on financial assets	107 741	15 309
Interest income	9 485	5 569
Interest expenses	-11 951	-14 721
Net interest expenses	-2 465	-9 152
Other financial expenses	-5 400	-1 033
Inefficiency cash flow hedging	3	-324
Net financial expenses	-5 397	-1 357
Net financial items	613 168	469 960

Note 7.

Property, plant and equipment

(NOK 1 000)	Movables	Assets under construction	Total
Acquisition cost 1 January 2018	937	0	937
Additions	165	34 218	34 383
Acquisition cost 31 December 2018	1 101	34 218	35 319
Accumulated depreciation 1 January 2018	44	0	44
Depreciation for the year	204	0	204
Accumulated depreciation 31 December 2018	248	0	248
Book value 31 December 2018	853	34 218	35 071
Useful economic life	5 years		
Depreciation method	Straight-line		

(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		

Note 8.

Subsidiaries and associated companies

Company	Consolidated	Registered office	Last acquisition date	Voting and shareholding	Book value
Nor Seafood AS	Yes	Torsken	10.08.2007	82,50 %	174 998
NRS Farming AS	Yes	Alta	01.08.2008	100,00 %	637 429
NRS Settefisk AS	Yes	Trondheim	01.12.2016	100,00 %	2 167
Arctic Offshore Farming AS	Yes	Trondheim	01.08.2018	100,00 %	50 061
Total investment in subsidiaries					864 655
Arctic Fish ehf.	No	Island	03.10.2016	50,00 %	253 393
Wilsgård Fikseoppdrett AS	No	Torsken	19.08.2008	37,50 %	135 705
Måsøval Fishfarm AS	No	Frøya	03.01.2003	36,10 %	22 363
Hellesund Fiskeoppdrett AS	No	Lillesand	21.02.2004	33,50 %	89 760
Ranfjord Fiskeprodukter AS	No	Mo i Rana	30.09.2012	37,75 %	8 044
Hardanger Fiskeforedling AS	No	Kvam	16.05.2011	31,10 %	10 945
Other	No				48
Total investment in associates					520 257

The subsidiaries NRS Feøy AS and NRS Troms merged with the subsidiary NRS Finnmark AS in 2018. NRS Finnmark AS has changed name to NRS Farming AS.

Note 8. cont.

Subsidiaries:

(NOK 1 000)	NRS Troms AS	Nor Seafood AS	NRS Feøy AS	NRS Farming AS	NRS Settefisk AS	Artic Offshore Farming AS	Total
Acquisition cost	41 019	23 691	81 198	125 592	988	50 000	
Paid excess value	24 473	14 045	18 162	77 824	0	0	
Opening balance 1 January 2018	128 919	144 003	113 161	349 267	903	0	736 254
Combination following merger of subsidiaries	-128 919	0	-113 161	242 080	0	0	0
Foundation of company	0	0	0	0	0	50 000	50 000
Share of profit/loss for the year	0	30 995	0	473 018	-462	86	503 637
Group contribution between subsidiaries	0	0		-1 726	1 726	0	0
Group contribution from subsidiary	0	0	0	-425 211	0	0	-425 211
Equity adjustments and dividend	0	0	0	0	0	-25	-25
Closing balance 31 December 2018	0	174 998	0	637 428	2 167	50 061	864 654

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 31.12.2018	269 487	25 011	10 977	17 472	19 241	2 536	
Paid excess value	102 519	17 205	7 699	11 807	12 211	0	
Of which amortisable excess value / goodwill	0	0	0	0	11 211	0	
Excess value and goodwill as of 31 December 2018	102 519	17 205	7 699	11 807	1 404	0	
Opening balance 1 January 2018	287 271	133 264	14 899	80 712	11 724	10 418	538 287
Share of profit/loss for the year	-15 859	2 441	14 035	12 140	-3 680	575	9 652
Conversion differences	-18 019	0	0	0	0	0	-18 019
Dividend	0	0	-6 931	-4 527	0	0	-11 458
Equity adjustments	0	0	360	1 435	0	0	1 795
Closing balance 31 December 2017	253 393	135 705	22 362	89 760	8 044	10 993	520 257

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	2018
Share of profit/loss for the year from subsidiaries	503 637
Share of profit/loss for the year from associates	9 652
Total revenue recognised	513 289

Note 9.

Receivables due in more than one year

(NOK 1 000)	31.12.2018	31.12.2017
Loans to smolt supplier	28 742	18 600
Loan to associate	49 474	0
Other long-term receivables	1 974	2 744
Total receivables due in more than one year	80 191	21 344

Note 10.

Inventory

(NOK 1 000)	31.12.2018	31.12.2017
Goods in transit	27 449	48 227
Finished goods	22 578	13 192
Total inventory	50 027	61 420

Note 11.

Share capital and shareholders

Share capital as at 31 December 2018 comprises the following classes of share:	Number of shares	Nominal value	Book value
Ordinary shares	43 572 191	1,00	43 572 191

Norway Royal Salmon ASA had 2 519 shareholders as at 31 December 2018. All shares afford the same rights in the company.

The board has proposed a dividend of NOK 6.00 per share for the year 2018.

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.

Note 11. cont.

(NOK 1 000)	Share capital	Treasury shares	Other paid-in equity	Reserve for valuation variances	Other equity	Total
Equity as of 31 December 2017	43 572	-82	88 072	577 120	552 516	1 261 196
Change in the year:						
Net result for the year	0	0	0	513 289	79 578	592 867
Dividend associates and subsidiaries	0	0	0	-11 458	11 458	0
Conversion differences associated company	0	0	0	0	-18 019	-18 019
Other changes associated companies	0	0	0	0	1 795	1 795
Cash flow hedges	0	0	0	0	-2 699	-2 699
Share based payment	0	0	-3 021	0	2 724	-297
Actuarial gains	0	0	0	0	-1 154	-1 154
Dividend	0	305	0	0	-203 702	-203 396
Corporate contributions	0	0	0	-432 322	432 322	0
Net purchase and sale of treasury shares	0	-281	0	0	-52 004	-52 285
Equity as of 31 December 2018	43 572	-58	85 051	646 629	802 814	1 578 009

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

Note 12.

Taxation

(NOK 1 000)	2018	2017
Tax payable	0	15 385
Change in deferred tax	7 714	-5 077
Tax on group contributions	-7 111	0
Adjustments from previous years	107	0
Tax related to profit/loss for the year	709	10 308

Tax payable in the balance sheet:

(NOK 1 000)	31.12.2018	31.12.2017
Tax payable	0	15 385
Tax payable	0	15 385

Specification of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2018	31.12.2017	Change
Property, plant and equipment	5 118	423	4 695
Inventories and trade receivables	6 524	6 534	-10
Financial instruments	29 199	56 574	-27 375
Pensions	19 005	16 727	2 278
Other temporary differences	3 447	4 512	-1 065
Basis for deferred tax	63 293	84 769	-21 477
Differences not included in calculation of deferred tax	-4 792	0	
Basis for deferred tax calculation	58 501	84 769	
Deferred tax assets	12 870	19 497	-6 627

Tax on items recognised directly in equity:

(NOK 1 000)	31.12.2018	31.12.2017
Actuarial losses/gains	-1 479	-6 004
Cash flow hedging	-3 460	-9 524
Basis deferred tax	-4 939	-15 528
Deferred tax on items recognised directly against equity (22 % in 2018 and 23 % in 2017)	-1 087	-3 571

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2018	2017
Result before tax	593 577	561 415
Expected tax after nominal tax rate (23 % in 2018 and 24 % in 2017)	136 523	134 740
Actual tax	709	10 308
Difference	-135 813	-124 431
Explanation of difference		
Non-deductible expenses	146	292
Permanent differences related to the equity method	-118 057	-111 638
Realised and unrealised TRS gains/losses	-18 867	-9 845
Share-based share of the option scheme	-2	-3 932
Change in deferred tax due to change in tax rate	966	692
Tax on ordinary result	-135 813	-124 431
Effective tax rate	0,1 %	1,8 %

Note 13.

Intra-group transactions and balances

Intra-group balances:

	Non-current receivables		Trade receivables		Other current receivables	
(NOK 1 000)	2018	2017	2018	2017	2018	2017
Group companies	0	0	0	0	432 322	408 000
Associated companies	49 474	0	21	53	0	0
Total	49 474	0	21	53	432 322	408 000

	Trade payables		Other current liabilities	
(NOK 1 000)	2018	2017	2018	2017
Group companies	219 827	240 202	0	0
Associated companies	2 915	48 194	0	0
Total	222 742	288 396	0	0

Transactions with group companies:

(NOK 1 000)	2018	2017
Other operating revenues	3 504	3 504
Cost of goods sold	2 036 018	1 770 354
Other interest income	6 808	4 981

Note 14.

Long-term liabilities

Instalment profile – debt to credit institutions:

(NOK 1 000)	2019	2020	2021	2022	2023	Total
Debt to credit institutions	0	300 000	0	0	50 000	350 000
Total	0	300 000	0	0	50 000	350 000

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 2023 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 1 year. The Group has a short-term multi-currency overdraft facility of NOK 600 000. At 31 December 2018 the company has deposited NOK 270 030 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 daily BOR

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)	31.12.2018	31.12.2017
Long-term debt to credit institutions	350 000	250 000
Short-term debt to credit institutions	0	17 884
Total secured liabilities	350 000	267 884

Book value of assets pledged as security

(NOK 1 000)	31.12.2018	31.12.2017
Assets under construction	34 218	0
Property, plant and equipment	853	893
Inventories	50 027	61 420
Accounts receivables	335 689	496 503
Total secured liabilities	420 787	558 815

Guarantee liabilities	1 662	1 662
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In addition to the above-mentioned guarantees, the company had the following liabilities as of 31 December 2018:

- 1) Norway Royal Salmon ASA has given guarantees to credit institutions with respect to some of its subsidiaries' leasing liabilities. As of 31 December 2018 the total recognised leasing liabilities for which NRS has pledged security amounted to KNOK 251 958.
- 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 2018 the company had restricted deposits of KNOK 102 156 (2017: TNOK 148 647). Of the funds, KNOK 2 579 (KNOK 22894) have been pledged as security for the company's trading activities on Fish Pool.

KNOK 97 344 (2017: KNOK 123 872) 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 2018 forward currency contracts was nominated in EUR, USD, JPY and GBP. These contracts mature between 3 January 2019 and 20 July 2020 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.

Pr. 31.12.2018 (NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	33 947	15.01.19-20.07.20	9,488-10,064	-10 559
Forward currency contracts – cash flow hedging	Sale	USD	15 444	04.01.19-10.12.19	8,044-8,528	-5 915
Forward currency contracts – cash flow hedging	Sale	GBP	1 554	15.01.19-15.03.19	10,829-11,128	-458
Forward currency contracts – cash flow hedging	Sale	JPY	83 100	20.02.19-17.04.19	0,0736-0,0752	-145
Forward currency contracts – fair value hedging	Sale	USD	5 000	04.01.19	8,113	-2 886
Forward currency contracts – fair value hedging	Sale	EUR	20 000	03.01.19	9,488	-9 236
Total forward currency contracts						-29 199

Pr. 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

Financial Fish Pool contracts

A Contract has been signed to purchase 600 tonnes on the Fish Pool salmon exchange. The contract price is NOK 62.25 and cover the period from January 2019 to December 2019. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition to the agreement the group has entered into an agreement to sell 900 tonnes on Fish Pool. The contract

price is NOK 63.85 and covers the period January to December 2019. The aim with the contracts is to hedge the price on own-produced fish. 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 24 088 in 2018 (2017: KNOK 49 582). The unrealised gain on the derivatives of KNOK 25 712 (2017: Loss of KNOK 25 712) has been recognised in the accounts.

Pr. 31.12.2018 (NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	600	01.01.19-31.12.19	62,25	153
Fish Pool contracts	Sale	NOK	900	01.01.19-31.12.19	63,85	1 565
Total						1 717

Pr. 31.12.2017 (NOK 1 000)	Type	Valuta	Volum (tonn)	Periode	Pris	Bokført verdi
Fish Pool contracts	Purchase	NOK	5 736	01.01.18-31.12.18	53,00-62,25	-25 712
Total						-25 712

Total return swap

In 2018 the company entered into a TRS (Total Return Swap) agreement against own shares. At 31 December 2018, Norway Royal Salmon ASA's total underlying exposures through the TRS agreement is 1 458 756 shares, representing 3.41 per cent of the share capital of the company. The agreement expires 14.03.2019. The

exercise price is NOK 199.42. The company realised previous agreements in 2018. The gain on realisation amounts to KNOK 47 282 (2017: KNOK 105 099) and is posted as a finance post in the accounts. An unrealised gain on the agreements in 2018 of KNOK 34 748 (2017: KNOK 64 078).

(NOK 1 000)	No. of shares	Exercise price	Maturity	Fair value 31.12.2018
TRS	1 485 756	199,42	14.03.2019	-29 331
Total	1 485 756			-29 331

(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

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

Refinancing

The Group has increased its credit facilities with an external bank on 15 March 2019. The long-term facility increased by KNOK 200 000 to KNOK 1 000 000. The long-term facility is instalment-free until 2024 and has an annual credit review for a further extension of 5 years. In addition, the Group has been granted a limit of KNOK 400,000 with maturity until 30 June 2022. The company can then request the bank to convert the facility to a repayment loan. The group's multi-currency credit line with a limit of KNOK 600 000 will be continued. The agreement covers all companies in the Group. The total limit after the refinancing at the Group's bank connection will then be KNOK 2 000 000. The refinancing does not entail any significant changes in the applicable covenant requirements.

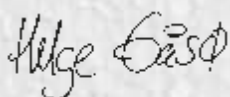
Responsibility statement

from the Board of Directors and Chief Executive Officer

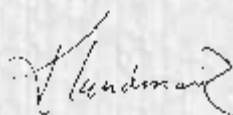
We confirm that, to the best of our knowledge, the consolidated financial statements for the period for 2018 have been prepared in accordance with IFRS and applicable additional disclosure requirements in the Norwegian Accounting Act, and that the financial statement of the parent company for 2018 have been prepared in accordance with the Norwegian Accounting Act and Norwegian 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 2018.

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.

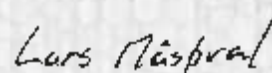
Trondheim, 11 April 2019



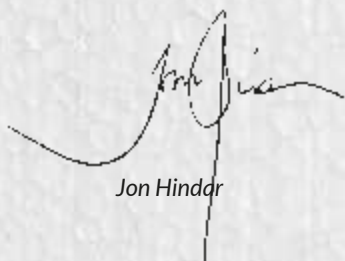
Helge Gåsø
Chair



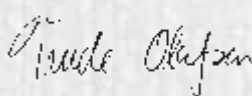
Kristine Landmark
Vice Chair



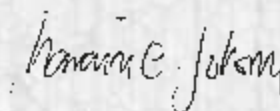
Lars Måsøval



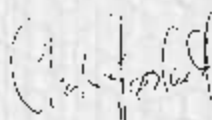
Jon Hindar



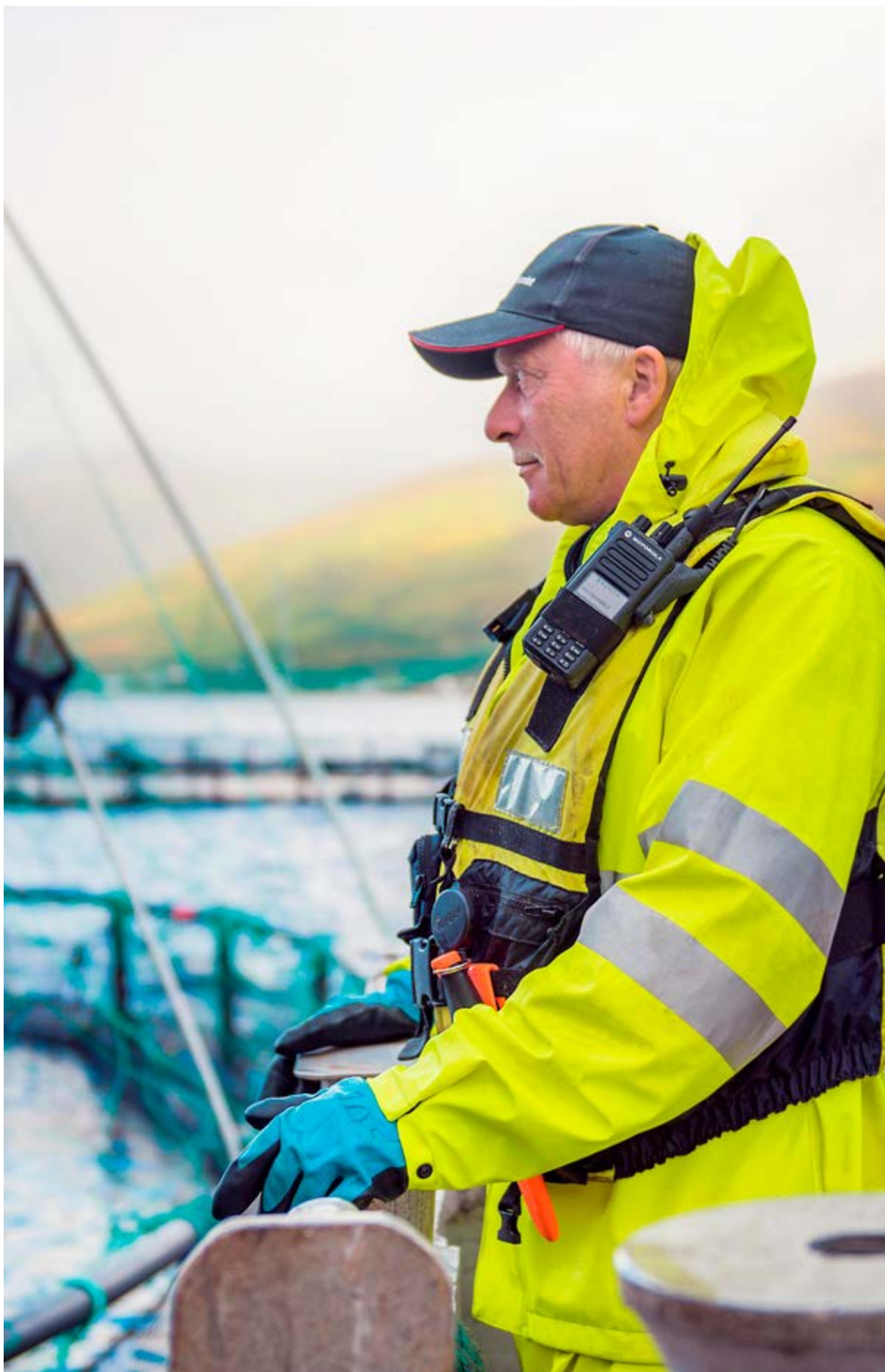
Trude Olafsen



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, which comprise:

- The financial statements of the parent company Norway Royal Salmon ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norway Royal Salmon ASA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.

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

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Measurement and valuation of biological assets</i></p> <p>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 1 240,4 m, out of which NOK 887,1 m is historical cost and NOK 353,3 m is fair value adjustment. Biological assets comprise about 1/3 of total assets.</p> <p>The Group's biological assets include live fish stock related to the Fish farming segment.</p> <p>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.</p> <p>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.</p>	<p>The Group's biomass system include information on number of fish, average weight and biomass per site.</p> <p>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.</p> <p>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 tested a sample of feed purchases. 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.</p> <p>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</p>

(2)

We focused on the valuation of the biological assets due to the size of the amount, the complexity and judgement 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.

systems. We found that the deviations were as expected.

We tested the Group's model for calculating the fair 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. The other information comprises information in the annual report, except 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 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 consolidated 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.

(3)

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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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's or 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 and 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 and 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

(4)



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 proposed allocation of the result 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 11. April 2019
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

(5)



GRI Index

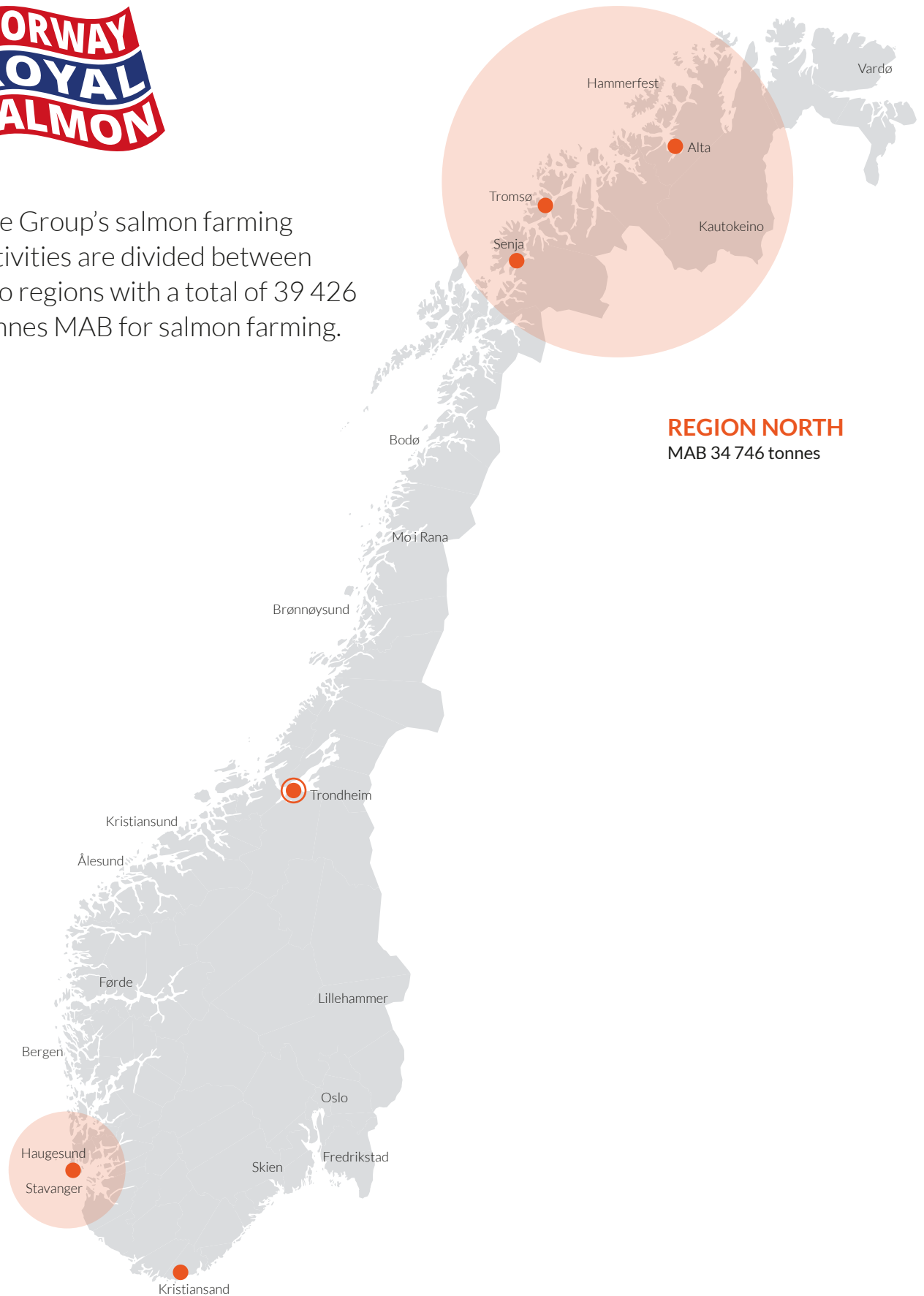
Norway Royal Salmon has reported specifically on social responsibility and sustainability for several years. For 2018, we have improved, gathered and integrated the reporting of these topics in the annual report. We have based the report on standards from the international reporting organisation Global Reporting Initiative, GRI Standards. The report mentions core elements, a selection of disclosures and other information. The GRI index below refers to the topics presented in the report. Norway Royal Salmon's report is not a complete GRI report.

GRI	Topics and disclosures	Reference
	ORGANIZATIONAL PROFILE	
102-1	Name of the organisation	Norway Royal Salmon ASA
102-2	Activities, brands, products and services	Production, processing, trade and distribution of seafood, as well as participation in other companies associated with the seafood industry. Furthermore, the company's purpose is to carry out quality assurance and chain activities for cooperating companies.
102-3	Location of headquarters	Ferjemannsveien 10, 7042 Trondheim, Norway
102-4	Location of operations	Our business, page 18-28
102-5	Ownership and legal form	Norway Royal Salmon ASA is a public limited liability company listed on Oslo Stock Exchange. Further information, annual report 2018
102-6	Markets served	Our business, page 27
102-7	Scale of organisation	Shareholder information, page 60-61, Consolidated financial statements note 2 page 101-102, note 18 page 125
102-9	Information on employees and other workers	Our business, page 18-28
102-10	Significant changes to the organisation and its supply chain	Important strategic milestones page 10-11, Highlights 2018 page 14-15, The board's statement page 71-72
102-11	Precautionary Principle or approach	Sustainable food production, Committed to people page 53
102-12	External initiatives	Sustainable food production, Committed to customers page 40
102-13	Membership og associations	Sjømat Norge, The Confederation of Norwegian Enterprise (NHO)
	STRATEGY	
102-14	Statement from senior decision-maker	Message from the CEO, page 7
102-15	Key impacts, risks and opportunities	The board's statement page 71-79
	ETHICS AND INTEGRITY	
102-16	Values, principles, standards and norms of behaviour	Strategy page 16-17, Sustainable food production page 53-55, Corporate governance page 62-63
	GOVERNANCE	
102-18	Governance structure	Sustainable food production page 34, Corporate governance page 62-63, Organisation page 57
102-19	Delegating authority	Sustainable food production page 34, Organisation page 57
102-20	Executive-level responsibility for economic, environmental and social topics	Sustainable food production page 34
102-21	Consulting stakeholders on economic, environmental and social topics	Sustainable food production page 34
102-22	Composition of the highest governance body and its committees	Corporate governance page 62-67, The Board of Directors page 59
102-23	Chair of the highest governance body	Corporate governance page 62-67, The Board of Directors page 59, Consolidated financial statements note 26
102-24	Nominating and selecting the highest governance body	Corporate governance page 62-67
102-25	Conflict of interest	Consolidated financial statements note 18 page 125-129, note 21 page 132-133 and note 26 page 136-137
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate governance page 62-67
102-27	Collective knowledge of highest governance body	The Board of Directors page 59
102-28	Evaluating the highest governance body's performance	Corporate governance page 62-67
102-35	Remuneration policies	The Board's statement on establishment of salaries and other remuneration for senior executives, page 68-69. Consolidated financial statements note 18 page 125-128

GRI	Topics and disclosures	Reference
	STAKEHOLDER ENGAGEMENT	
102-40	List of stakeholders groups	Sustainable food production page 34
102-41	Collective bargaining agreements	Employees in farming operations are part of collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainable food production page 34
	REPORTING PRACTICE	
102-45	Entities included in the consolidated financial statements	Consolidated financial statements note 4 page 104
102-46	Defining report content and topic boundaries	Sustainable food production page 34, GRI index page 172-173
102-47	List of material topics	Sustainable food production page 34
102-48	Restatements of information	Not applicable, no corrections to previously reported information
102-49	Changes in reporting	None
102-50	Reporting period	2018
102-51	Date of most recent report	2017
102-52	Reporting cycle	Annually
102-53	Contact point	Ola Loe
102-55	GRI content index	GRI index page 172-173
	MANAGEMENT APPROACH	
103-1	Explanation of the material topic and its Boundary	Sustainable food production page 34 and 36-37
103-2	The management approach and its components	Sustainable food production page 32-55
	ECONOMIC PERFORMANCE	
201-1	Direct economic value generated and distributed	Consolidated financial statement page 84-88
201-3	Defined benefit plan obligations and other retirement plans	Consolidated financial statements note 19 page 128 -130
	ANTI CORRUPTION	
205-3	Confirmed incidents of corruption and actions taken	No reported incident of corruption
	ENERGY	
302-1	Energy consumption within the organisation	Sustainable food production, Committed to nature, Emissions and energy page 46
	EMISSIONS	
305-1	Direct (Scope 1) GHG emissions	Sustainable food production, Committed to nature, Emissions and energy page 46
305-2	Energy indirect (Scope 2) GHG emissions	Sustainable food production, Committed to nature, Emissions and energy page 46
305-4	GHG emissions intensity	Sustainable food production, Committed to nature, Prevent escapes page 47
	EFFLUENTS AND WASTE	
306-3	Significant spills	Sustainable food production, Committed to nature, Prevent escapes page 47
	OCCUPATIONAL HEALTH AND SAFETY	
403-1	Occupational health and safety management system	Sustainable food production, Committed to people page 53-54
403-2	Hazard identification, risk assessment and incident investigation	Sustainable food production, Committed to people page 53-54
403-4	Worker participation, consultation and communication on occupational health and safety	Sustainable food production, Committed to people page 53-54
403-5	Worker training on occupation health and safety	Sustainable food production, Committed to people page 49-55
403-9	Work-related injuries	Sustainable food production, Committed to people page 54-55
	DIVERSITY AND EQUAL OPPORTUNITY	
405-1	Diversity of governance bodies and employees	The Board of Directors page 78
	CUSTOMER HEALTH AND SAFETY	
416-1	Assessment of the health and safety impacts of product and service categories	Sustainable food production, Committed to customer page 39-43
	CUSTOMER PRIVACY	
418-1	Substantiated complaints concerning breaches of consumer privacy and losses of customer data	No complaints received



The Group's salmon farming activities are divided between two regions with a total of 39 426 tonnes MAB for salmon farming.



REGION SOUTH
MAB 4 680 tonnes

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