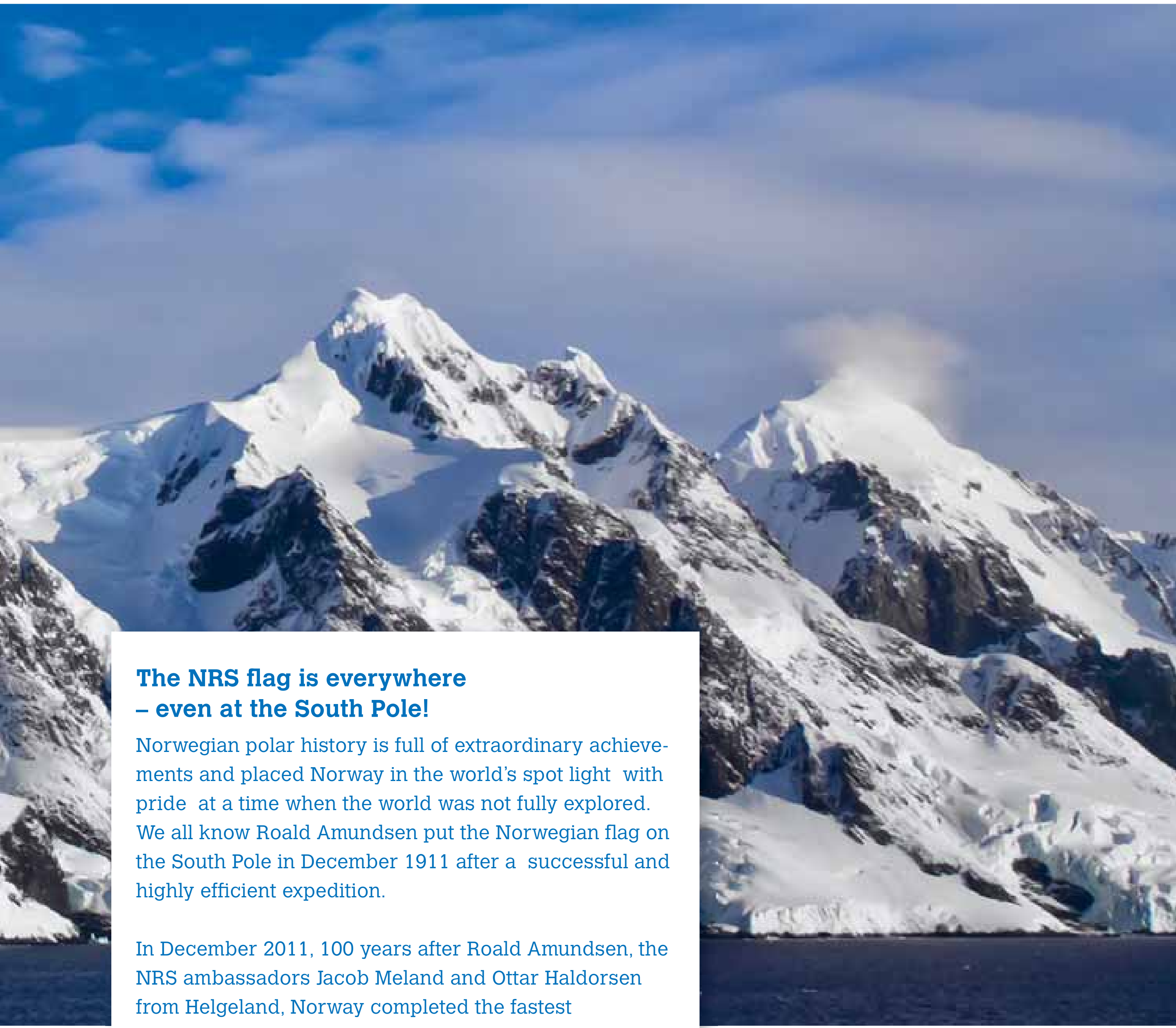
Annual Report 2011



The NRS flag is everywhere – even at the South Pole!

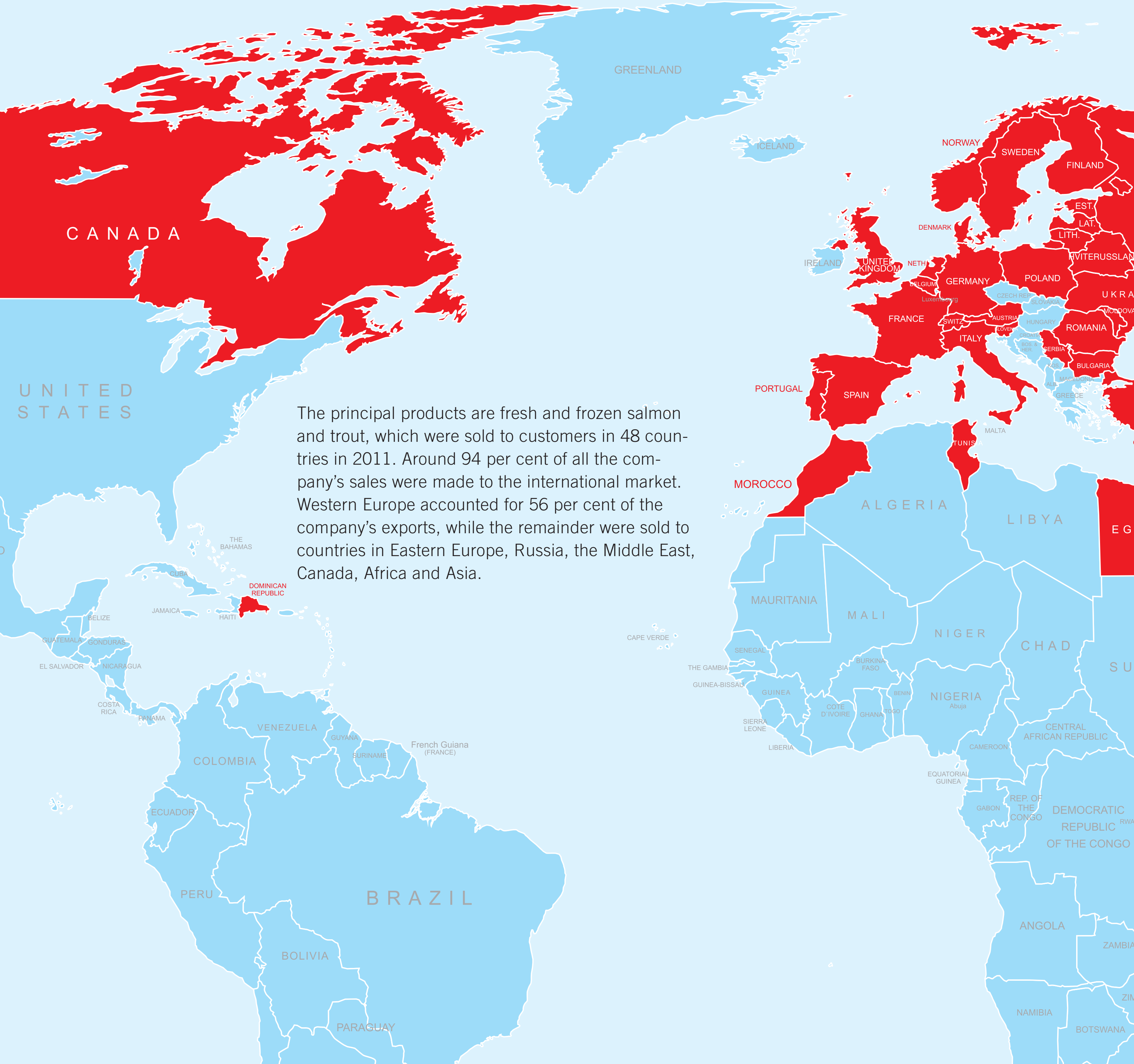
Norwegian polar history is full of extraordinary achievements and placed Norway in the world's spot light with pride at a time when the world was not fully explored. We all know Roald Amundsen put the Norwegian flag on the South Pole in December 1911 after a successful and highly efficient expedition.

In December 2011, 100 years after Roald Amundsen, the NRS ambassadors Jacob Meland and Ottar Haldorsen from Helgeland, Norway completed the fastest unsupported expedition to the South Pole ever!

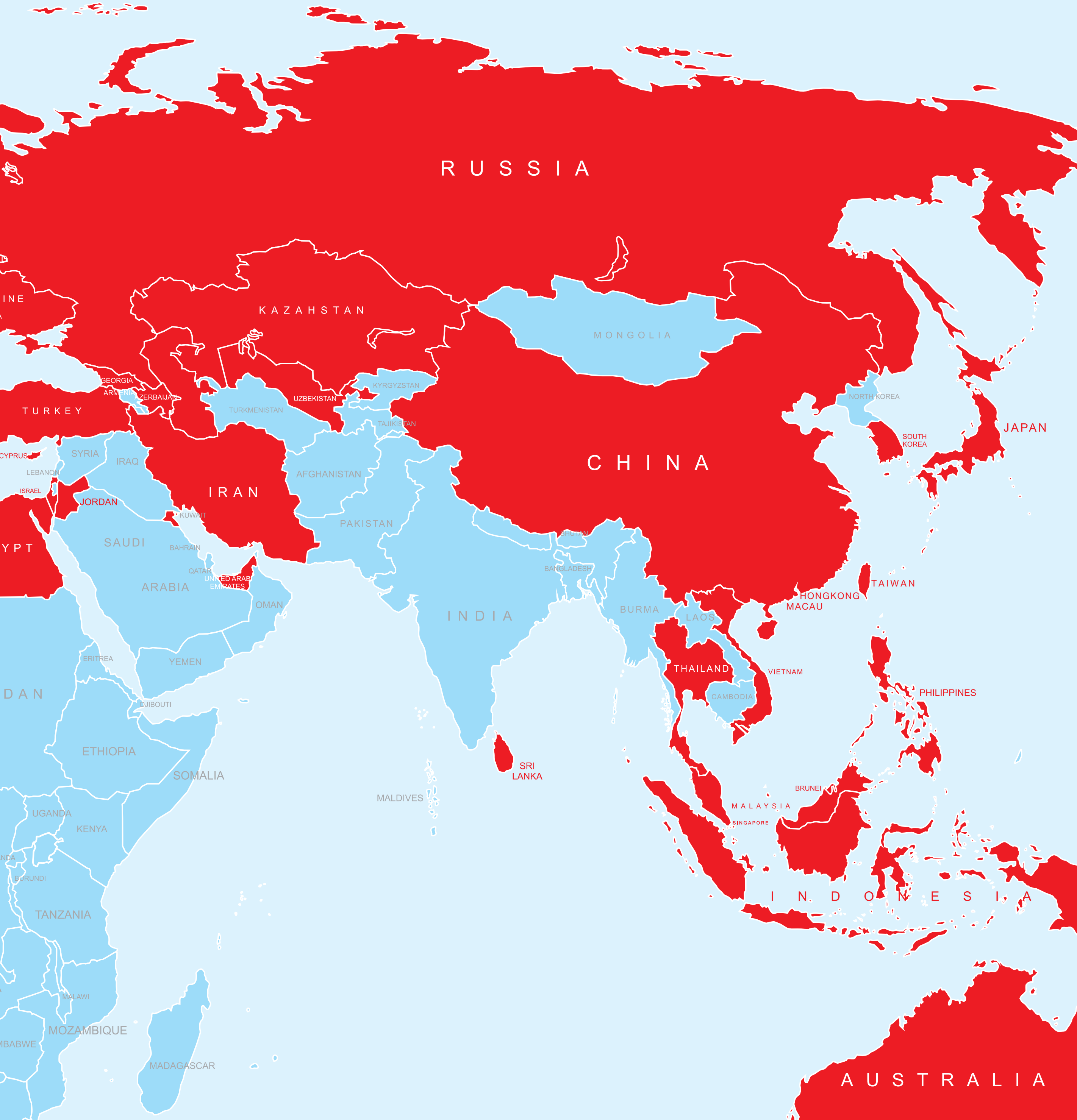
Jacob Meland is the son of Gerd and Hans Petter Meland in Lovundlaks AS who was two of the founders of NRS twenty years ago.

It's all about courage, knowledge, experience, endurance and decisiveness. These are skills and basic values NRS wishes to be associated with.

The international market



The principal products are fresh and frozen salmon and trout, which were sold to customers in 48 countries in 2011. Around 94 per cent of all the company's sales were made to the international market. Western Europe accounted for 56 per cent of the company's exports, while the remainder were sold to countries in Eastern Europe, Russia, the Middle East, Canada, Africa and Asia.



RUSSIA
KAZAHSTAN
MONGOLIA
GEORGIA
ARMENIA
AZERBAIJAN
UZBEKISTAN
KYRGYZSTAN
TURKMENISTAN
TAJIKISTAN
NORTH KOREA
SOUTH KOREA
JAPAN
TURKEY
CYPRUS
SYRIA
IRAQ
LEBANON
ISRAEL
JORDAN
IRAN
AFGHANISTAN
CHINA
PAKISTAN
KUWAIT
SAUDI ARABIA
BAHRAIN
QATAR
UNITED ARAB EMIRATES
OMAN
BANGLADESH
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VIETNAM
CAMBODIA
PHILIPPINES
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ETHIOPIA
SOMALIA
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A statement from the Chief Executive Officer

2011 was another exciting year for the Norwegian salmon industry. After several years of historically high salmon prices, we experienced the sharpest fall in prices ever in a year. This was due to a higher increase in the global supply of salmon compared to the growth in global consumption. For many years the growth in demand has been very strong. There is good reason to be optimistic about the future outlook as we currently are experiencing acceptable price levels even in a period of continued high supply growth. The market is strong, and develops in both existing and new markets.

Historically, Western European countries with France in the lead have been the largest single markets for Norwegian salmon. During the last year we experienced that relatively new markets like Russia and some other Eastern European countries have grown tremendously. Russia is expected to pass France as the single largest importer of Norwegian salmon in 2012. It is gratifying to see that markets around the Mediterranean, which are currently struggling with national economic challenges, also increases imports of Norwegian salmon. The fall in prices we experienced in the second half of 2011, has contributed to salmon being, to an even greater extent than before, a very competitive food product.

NRS has in the last years focused heavily on transforming from being a salmon exporter to also being a salmon producer. The company has had an offensive investment strategy with strong focus on building efficient salmon farming systems. After substantial investments, the company presents itself as a modern company with new and efficient production equipment. There has also been considerable focus on organisational development in this period, going forward we expect this to be important both in our food fish production and in our trading activities.

In recent years there has been considerably stronger pressure from environmental organisations and other interest groups criticising the aquaculture industry, and to some extent they are succeeding in reducing the reputation of the industry. The criticism has, to a large extent, centered on problems concerning salmon lice and escapes. So far, this has not resulted in unfavourable market reactions of any significance. However, the industry is dependent on a good reputation also in Norway in the future. It is important that our industry coordinate the initiatives required to show the industry in a positive light, and at the same time addressing the real problems related to these issues and taking appropriate remedial measures.

In late March 2011, NRS was listed on the Oslo Stock Exchange, a goal the company had been working towards for years. The sharp decline in prices of salmon started just a few weeks later, which in turn affected the share prices of all salmon companies on the Oslo Stock Exchange, including the NRS. Obviously it is not pleasant that our shareholders' values are reduced considerably over a short period of time, but salmon farming has always been a cyclical industry with large fluctuations. We believe our shareholders are aware of this. As the salmon prices have risen to acceptable levels compared to the prices we experienced at end of 2011, it is interesting to see an increasing interest among investors for the salmon shares on Oslo Stock Exchange.

The main focus for all employees in NRS is daily improvements in our work. This applies to our pursuit of further efficiency of salmon production through reduction of the company's production costs, and in terms of sales and marketing of salmon in the best-paying markets. This is includes hard work where we always must look for improvements. I am proud of the work that all employees of NRS do in the best interests of the company, so that we emerge as a well-run salmon company that create significant value for the shareholders and for the communities in which we are located.

John Binde
CEO

«The fall in prices we experienced in the second half of 2011, has contributed to salmon being, to an even greater extent than before, a very competitive food product.»

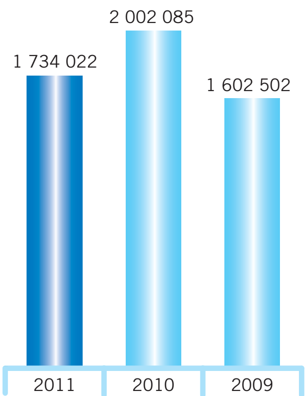
Important strategic milestones

1992	Norway Royal Salmon AS was founded by 34 fish farming companies as a sales and marketing company for farmed salmon.
1996	The Company took control of Reinhartsen Seafood AS with 90.1 %. Changed name to Norway Royal Salmon Sales AS.
1998	Acquisition resulting in 31.1 % ownership of Hardanger Fiskeforedling AS.
2003	Merger of Norway Royal Salmon AS and Norway Royal Salmon Sales. Acquisition resulting in 36.1 % ownership of Måsøval Fishfarm AS.
2004	Acquisition resulting in 48.0 % ownership of Larssen Seafood AS. Acquisition resulting in 33.5 % ownership of Hellesund Fiskeoppdrett AS.
2006	Private placement in which the company raised gross proceeds of NOK 50 million. Acquisition resulting in 37.5 % ownership in Espevær Laks AS.
2007	Acquisition resulting in 100 % ownership of Feøy Fiskeoppdrett AS (now named NRS Feøy AS). Acquisition resulting in 100 % ownership of Åmøy Fiskeoppdrett AS (merged into NRS Feøy AS in 2009). Acquisition resulting in 82.5 % ownership of Nor Seafood AS.
2008	Private placement in which the company raised gross proceeds of NOK 100 million. Acquisition resulting in 100 % ownership of Altafjord Laks AS. Acquisition resulting in 76.24 % ownership of AS Tri and Salmo Arctica AS (later merged into AS Tri). Acquisition resulting in 37.5 % ownership of Wilsgård Fiskeoppdrett AS.
2009	Acquisition resulting in 100 % ownership of AS Brilliant Fiskeoppdrett (subsequently merged into NRS Feøy AS).
2010	Acquisition resulting in 66.67 % ownership of Nord Senja Laks AS. The remaining 23.76 % of the shares in AS Tri were acquired, resulting in AS Tri becoming a 100 % owned subsidiary (subsequently merged into NRS Finnmark AS). Acquisition resulting in 27.65 % ownership of Ranfjord Fiskeprodukter AS. The company was converted from a private to a public limited liability company.
2011	Public offering in which the company raised gross proceeds of NOK 46.1 million. Norway Royal Salmon ASA is listed on Oslo Stock exchange. Sold all shares (48 %) in Larssen Seafood AS.
2012	Private placement and sale of treasury shares in which the company raised gross proceeds of NOK 43.4 million.

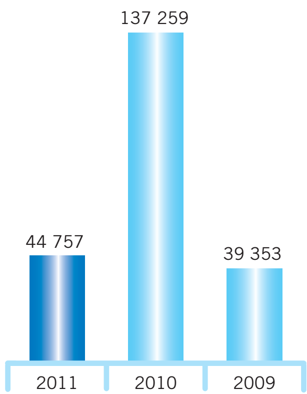
Key figures

(NOK 1 000)	**2011**	**2010**	**2009**
Operating revenue	1 734 022	2 002 085	1 602 502
Volume sold (tonnes)	50 428	49 584	47 200
Volume of own fish harvested (tonnes gutted weight)	18 781	10 677	6 828
EBITDA - before fair value adjustments	70 800	154 196	51 828
EBIT - before fair value adjustments and non-recurring items	44 757	137 259	39 353
EBIT	-25 870	149 129	82 926
EBT	-17 166	168 925	80 726
Result for the year	-1 618	132 127	76 537
EBITDA margin	4.1 %	7.7 %	3.2 %
EBIT margin - before fair value adjustments and non-recurring items	2.6 %	6.9 %	2.5 %
EBIT per kg - own production	2.19	11.65	3.39
Book value of biological assets	387 880	385 975	256 142
Total capital	1 467 292	1 464 838	1 083 029
Net interest bearing debt	531 734	425 992	368 502
Book equity	532 662	579 796	400 320
Equity ratio %	36.3 %	39.6 %	37.0 %
Net cash flow from operating activities	-25 871	81 833	-41 209
Net cash flow from investing activities	-56 602	-83 599	-29 794
Earnings per share	0.06	3.40	1.97
Number of shares as at 31 December	39 611 083	37 229 198	36 288 408
Number of employees (full-time equivalents)	85	73	52

Operating revenues
(NOK 1 000)



EBIT before fair value adjustments
and non-recurring items
(NOK 1 000)



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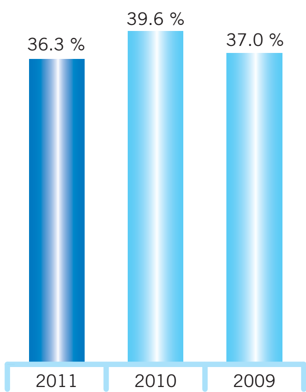
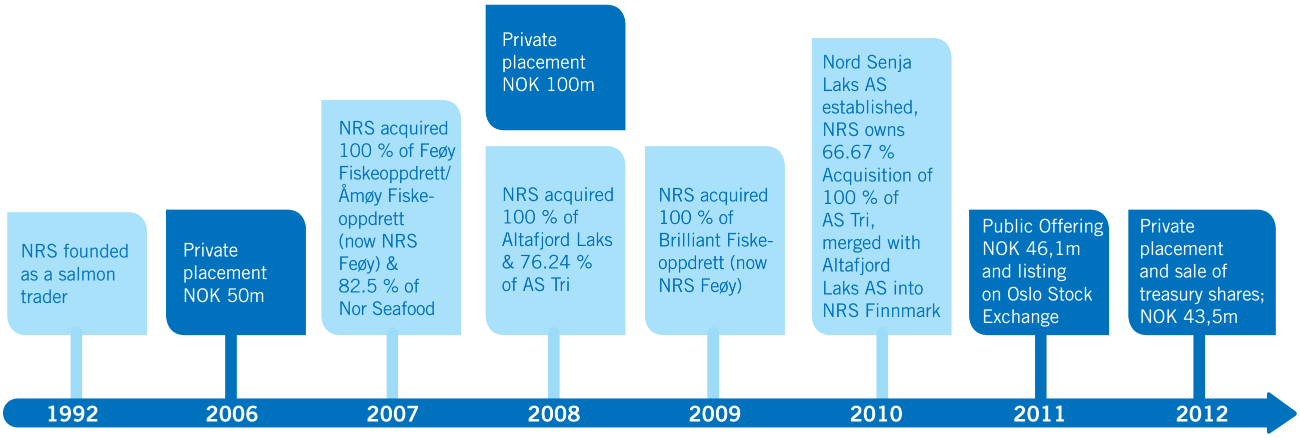


Norway Royal Salmon – from sales company to integrated fish farming company

Since the company was founded in 1992, Norway Royal Salmon (NRS) has developed from a sales and marketing company for farmed salmon into an integrated seafood company. The Group is now a fish farming company with activities in two main segments: fish farming and sales. In 2011, the Group's farming operation harvested 18,781 tonnes of fish, while the sales organisation sold over 50,000 tonnes of salmon and trout.



In addition to the sales organisation – which constitutes the origin of the group – the Group currently has four subsidiaries that own a total of 25 licences. The Group also holds minority interests in seven companies, three of which are fish farming companies with a total of eight licences between them. There are also three harvesting plants and two smolt companies among these companies. The Group is thus involved in almost all links of the value chain, from smolt and salmon production, through harvesting and on to sales and marketing.

Fish farming value chain

Eggs

Juveniles/Smolt

- Long term agreements to secure supply in Northern Norway
- 27,65 % ownership in Rana Fiske-produkter AS
- 30 % ownership in Skardalen Settefisk AS, co-owned with Wilsgård Fiskeoppdrett AS

Ongrowing/ marine production

- 25 majority owned licences (19 in the Northern Region, 6 in the Southern Region)
- Harvest volume 2011 ~18,800 GWT
- Harvest volume 2012E ~22,500 GWT
- 8 partly owned licences through associated companies

Primary processing

- 100 % secured harvesting capacity
- Long term harvesting agreement in West-Finnmark
- Own harvesting plants at Senja
- Ownership in Espevær Laks AS and Hardanger Fiskeforedling AS

Value added processing

Sales & marketing

- Sales from the 81 licenses in the NRS sphere
- Primarily fresh and frozen salmon and trout
- Sold over 50,000 tons in 2011
- 94 % export to 48 countries in 2011

Fish farming – positioned for growth through unutilised capacity in existing licences

Production activities constitute a relatively new business area for the Group. In 2006, a strategic decision was made that the Group was to set itself up as a fish farmer, and fish farming has been a part of the Group's activities since 2007. The fish farming operations comprise the farming of salmon and the associated harvesting activities.

The Group holds a total of 25 licences for edible fish production, and 18,781 tonnes of fish were harvested in 2011 – a 76 per cent increase on the previous year. The estimated harvest volume for 2012 is approx. 22,500 tonnes, while with 25 licences; the Group's total production capacity is around 30,000 tonnes.

The Group's planned growth through utilisation of capacity in the existing licences is illustrated in the table below:

	Region North	Region South	Total	Harvest volume growth (%)	Unutilized capasity (%)
Licenses **	19	6	25		
Harvest volume 2009 (HoG)	4 495	2 333	6 828		
Harvest volume 2010 (HoG)	6 000	4 677	10 677	56 %	64 %
Harvest volume 2011 (HoG)	12 871	5 910	18 781	76 %	37 %
Harvest volume 2012e (HoG)	22 500		22 500	20 %	25 %
Harvest volume 2013e (HoG)	26 700		26 700	19 %	11 %
Capasity*	30 000		30 000	12 %	

(*) Assumed average capacity of 1,200 tonnes per licens.
(**) Maximum allowable biomass (MAB) in the Northern Region is 945 tonnes per license and 780 tonnes per license in the Southern Region.

Fish farming with local management

The Group firmly believes that local management close to the production facilities assures optimised operations in each company. The Group's fish farming activities are divided between two regions with a total of 25 licences: the Northern Region and the Southern Region.

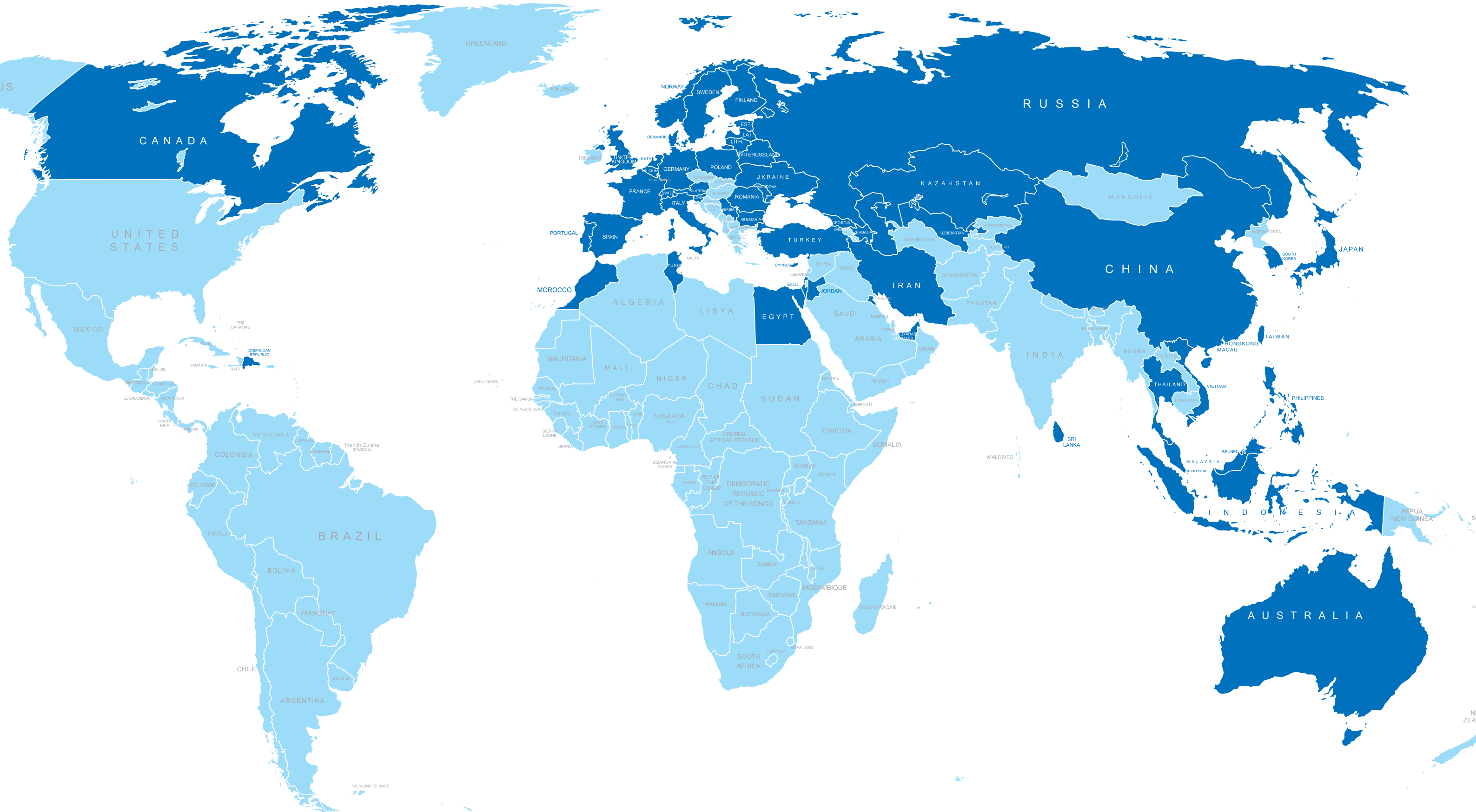
The Northern Region

The Northern Region covers the business in West Finnmark and on Senja. In all, the Group operates 19 licences in the Northern Region. The harvest volume in this region in 2011 totalled 12,871 tonnes, compared to 6,000 tonnes in 2010. In West Finnmark, the group is represented by its subsidiary NRS Finnmark AS. NRS Finnmark has 14 licences for salmon farming. The Group expects strong growth in this region as four new licences were allocated in 2009, and the maximum allowable biomass (MAB) volume was raised by 5 per cent in 2011. The large unutilised capacity makes Finnmark the biggest growth area for the Group. NRS Finnmark is attractively located in an area with only limited PD and lice problems. In addition, the area provides good conditions for fish farming on account of its excellent water temperatures and limited algae growth on the nets, which translates into lower costs and profitable operation. In 2011, NRS Finnmark harvested 8,330 tonnes of fish, which represents nearly a 100 per cent increase on the previous year. The total production capacity is approx. 17,000 tonnes.

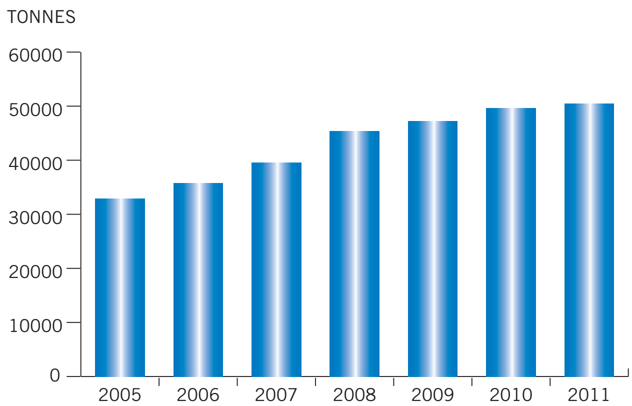
The subsidiaries Nor Seafood AS and Nord Senja Laks AS constitute the activities on Senja in Troms. These two companies hold a total of five salmon farming licences. Together with Wilsgård Fiskeoppdrett AS – of which the Group owns 37.5 per cent – these companies form a group that operates a total of eight fish farming licences. The Senja area is an attractive location with good conditions for fish farming activities and limited lice problems. The Group was allocated a new licence on Senja in 2009, and the 5 per cent increase in maximum allowable biomass (MAB) in 2011 also applies to activities on Senja. The Group's two companies on Senja harvested a total of 4,541 tonnes in 2011, an increase of 149 per cent on the previous year. The total production capacity is approx. 6,000 tonnes.

The Southern Region

The Southern Region is represented by the wholly owned subsidiary NRS Feøy AS. The company holds six licences in this region, and its activities are located in the border region



between Hordaland and Rogaland. NRS Feøy AS has a working relationship with Hellesund Fiskeoppdrett AS to reduce biological risk and increase harvest volumes. Parts of the production take place in Agder, which does not have problems with PD and salmon lice. NRS holds a 33.5 per cent share of Hellesund Fiskeoppdrett AS, which owns three licences. A total of 5,910 tonnes were harvested in the Southern Region in 2011, equivalent to an increase of approx. 26 per cent on 2010. The Southern Region has a total capacity of around 7,000 tonnes.



Volume sold in sales organisation

Sales with international focus

Sales activities comprise the trading of salmon and trout, as well as the Group's business linked to chain activities. NRS has its own dedicated sales and marketing organisation that buys and sells farmed fish through a comprehensive network. In a competitive market, this ensures good access to high-quality fish from a network consisting of own subsidiaries, associates, chain members and external producers. The principal products are fresh and frozen salmon and trout, which were sold to customers in 48 countries in 2011. Around 56 per cent of all the company's sales were made to the international market. Western Europe accounted for 63 per cent of the company's exports, while the remainder were sold to countries in Eastern Europe, Russia, the Middle East, Canada, Africa and Asia.

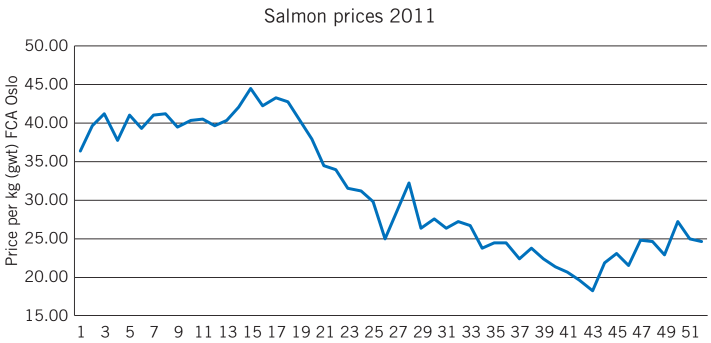
Since its establishment, the sales activities and profitability have increased steadily year after year. In 2011, the company sold 50,428 tonnes, which represents a 2 per cent increase on the previous year. More than 85 per cent of the fish is purchased from associated producers that have entered into chain agreements with the Group or from the Group's own fish farming operations. The share of the sales of fish from the Group's fish farming operations is increasing steadily.

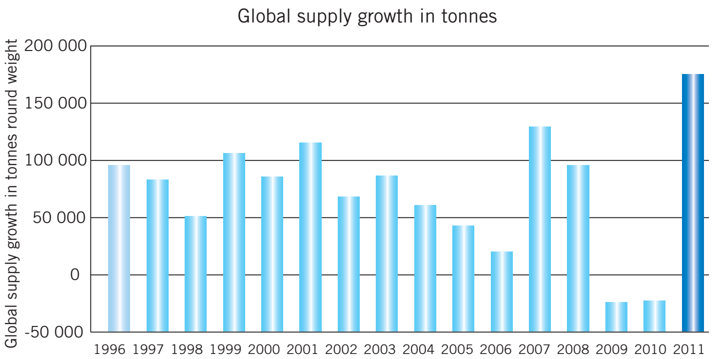
The chain activities in NRS comprise a range of service offers intended to allow our partner producers to enjoy benefits of scale to which they would not otherwise have access. This applies, for example, to shared agreements about feed purchases as well as the implementation of legal requirements regarding quality work and food safety. The fish farmers that have entered into chain agreements with the Group, are obliged to sell a minimum of 75 per cent of their production through NRS.

The year with the highest consumption growth ever increases the possibilities for the future

2011 was another exciting year for NRS and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 29.2 billion and exports volume increased by more than 6 per cent to 979,000 tonnes (measured as round weight). Including domestic demand, over 1 million tonnes of Norwegian salmon (measured as round weight) were produced and eaten. This is the highest produced and exported volume of Norwegian Atlantic salmon ever.

2011 was a year of major fluctuations in salmon prices. Average spot price (FCA Oslo) fell from NOK 37.43 per kg in 2010 to NOK 31.27 per kg in 2011. The highest spot price was recorded at NOK 44.45 per kg in week 15 before falling until week 43 when the spot price was at its lowest at NOK 18.17 per kg. This is the biggest fall in prices ever recorded in a six months period. Towards the end of the year prices improved and the last 4 weeks of the year the prices were just under NOK 25 per kg.





In addition to being remembered as the year with the biggest price fall, 2011 will also be remembered as the year with the highest consumption growth. On a global level over 1.6 million tonnes of salmon were produced and sold. The growth in 2011 was over 170,000 tonnes, the highest growth ever recorded. The growth alone represents an increase of over 500 million meals being consumed in 2011.

The substantial consumption growth was primarily due to a significant supply growth from Chile and Norway in 2011. In Norway, supply grew mainly in the second half of the year due to improved operations, reduced biological challenges and better sea temperatures than in 2010. Chile is working hard to regain the market share lost as a result of the biological challenges experienced in recent years. With the increase in growth in 2011 the country is at full speed back to regaining their old market shares. The development of the Faroe Islands in particular, but also the United Kingdom, has been good and has contributed to growth in 2011. In other countries, the growth has been stable. The exception is Canada where supply has been slightly lower in 2011 than in 2010.

«2011 was a year of major fluctuations in salmon prices.»

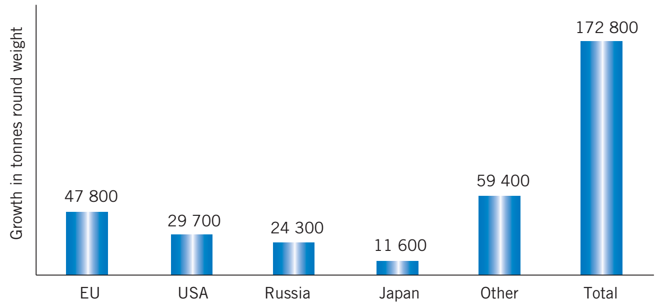
Although fish farmers have increased global supply significantly in 2011, we have had a record high consumption growth in most of the salmon markets of the world. The European Union, USA, Russia, Japan and other markets have seen good growth in 2011. Especially the growth of 24 per cent in the Russian market is impressive, but also the EU market has, despite great financial turmoil in the euro zone, grown significantly.

In the euro zone in 2011, there has been considerable uncertainty with regards to government debt and uncertainty about the funding of banks. At times, there has been daily media coverage about the unrest in Greece, Italy and other countries. Some of the countries where it has been most uncertainty have been named PIGS, which is short for Portugal, Italy, Greece and Spain. It has therefore been impressive that the growth in these countries in terms of imports of Atlantic salmon has been very good in 2011. The growth of the PIGS has been higher than the total demand in 2011. Demand growth from the PIGS at the start of 2012 has also been good.

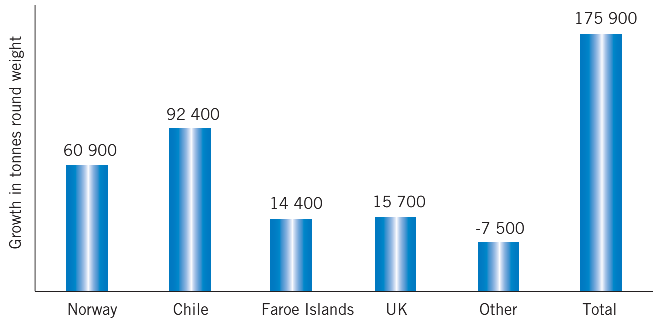
2011 was an eventful year for NRS, Norwegian and global salmon industry. Consumption growth has been substantial in 2011. The salmon industry now covers a market larger than ever before, providing even greater opportunities for the industry in the future.

«In addition to being remembered as the year with the biggest price fall ever, 2011 will be remembered as the year with the highest consumption growth.»

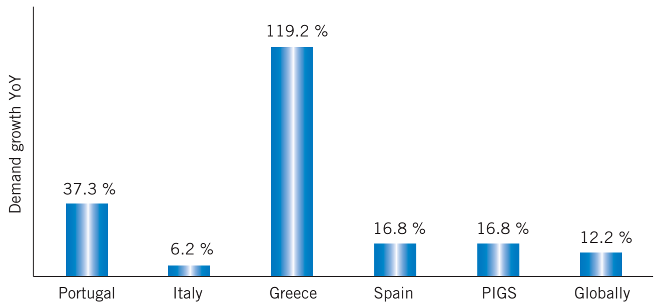
Demand growth in various markets



Global supply growth per producing country



Demand from PIGS countries



Sustainable fish farming

Improved standards of living worldwide have sharpened the focus on the production of healthy and nutritious food. Seafood – especially fatty fish such as salmon – is considered to be particularly healthy on account of its low content of cholesterol and a high proportion of Omega-3 fatty acids. These factors are considered to be key driving forces for the future demand for farmed salmon.

In a time of increased demand for seafood, Norway Royal Salmon is committed to contributing to sustainable development, with focus on food safety, the health and growth conditions of the fish, and protection of the environment and surroundings – along with the well-being and occupational health and safety of the employees. These are all issues that feature high on the agendas of customers, consumers and the company's employees.

Global requirements

The work to maintain and develop a high, sustainable standard for the entire company is firmly based on the requirements laid down in the GlobalGAP standards. GlobalGAP, which is a non-governmental organisation, has set up a strict voluntary standard for producers and players in the fields of agriculture and aquaculture. The principal objective of the standard is to make it possible to document to consumers that the food has been generated with only minimal impact on the environment and surroundings. GlobalGAP lays down a solid base for high food safety, employee safety and the health and growth conditions of the fish.
In addition to GlobalGAP standards, Norway Royal Salmon abides by the following:

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

Traceability and food safety

Norway Royal Salmon provides customers with access to transparent documentation in the areas of traceability, feed and health registrations. Compliance with food safety requirements is assured by only using legal and natural ingredients, and only working with approved harvesting plants that apply the best hygienic and sanitary conditions. The entire production process is monitored by veterinarians.

Fish health and welfare

The company focuses intently on creating good health and welfare conditions for the fish by applying established procedures and routines. This prevents illness and reduces mortality and demanding treatments in the wake of the outbreak of disease. All medications for treating the fish are approved by the Norwegian authorities and prescribed as required by veterinarians. Norway Royal Salmon's harvesting plants are run according to the guidelines in the FAO/WHO Food Standards, Codex Alimentarius, and are approved in accordance with the Norwegian Food Safety Authority regulations.

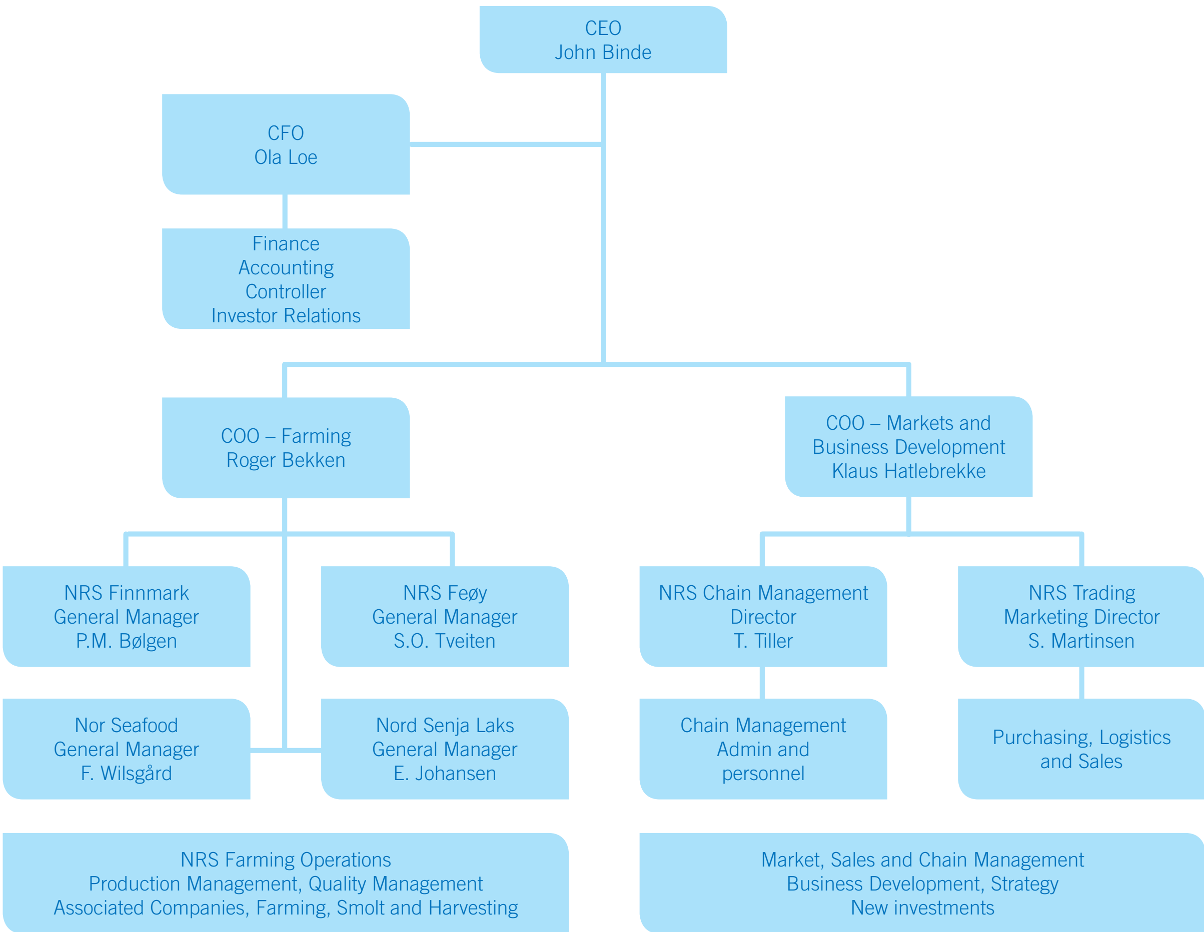
Environment and sustainability

Norway Royal Salmon has set up a range of control and steering systems to protect the environment in and around the fish farming facilities. In order to achieve profitability in the short and long terms, sustainable operations are crucial to both the fish and the farmers.
In addition, all feed systems are adapted to match the appetite of the fish. This helps prevent overfeeding. At the same time, the sediment levels under the farming facilities are checked at regular intervals. This makes it possible to identify any biological or environmental changes at an early stage.

The fish feed is produced in accordance with Norwegian and international laws to ensure that it abides by sustainability requirements and the applicable environmental regulations.

Organisation

NRS's internal organisation reflects the Group's company structure. With effect from 1 April 2012 an organisational change was made in NRS. The organization of the group is divided more clearly into two main parts where all farming operations are gathered under one area of responsibility and all other activities (including marketing, sales, chain operations and business development) under one another. The organisational change is done to clarify the Group's main business, and for further focus on and targeted development of these key areas.



Norway Royal Salmon was listed at Oslo Stock Exchange 29 March 2011.

Management *

John Binde (1959)
Chief Executive Officer

John Binde holds a Master of Science in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU). He has previous experience at CEO and senior executive level in Erling Haug AS, Lade Metall AS, Setsaas AS and Golar-Nor Offshore AS. He joined Norway Royal Salmon in 2004. Mr. Binde is a Norwegian citizen and resides in Trondheim, Norway.

Ola Loe (1966)
Chief Financial Officer

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

Roger Bekken (1967)
Chief Operating Officer Farming Operations

Roger Bekken joined the Company in August 2010. Mr. Bekken has 20 years experience from the fish farming industry, and was previously employed in Måsøval Fiskeoppdrett and Salmar. Mr. Bekken is a Norwegian citizen and resides at Frøya, Norway.

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

Klaus Hatlebrekke holds a Master degree in Business and Economics from Norwegian School of Management. Mr. Hatlebrekke has since the summer of 2011 held the position as Senior Analyst in the Seafood department of DNB. Previously Mr. Hatlebrekke was an analyst of the seafood sector at DnB NOR Markets for more than 10 years. Hatlebrekke will start work at NRS at 1. April 2012. He is a Norwegian citizen and resides in Trondheim, Norway.

*Effective from 1 April 2012

The Board of Directors

Helge Gåsø (1961)
Chair

Helge Gåsø has extensive experience of the build-up, operation and development of fish farming businesses. He took part in building up Frøya Fiskeindustri, subsequently Hydro Seafood and Midnor Havbruk. He is currently the owner of Gåsø Næringsutvikling and Frøy Sjøtransport. Mr. Gåsø is a Norwegian citizen and resides in Hamarvik, Frøya in Norway.

Kristine Landmark (1954)
Vice Chairman

Kristine Landmark holds a Master degree in Economics and Business Administration (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). She has extensive experience from the Stokke Group, where she was employed in the period 1989-2010, and served as CEO in the period 2004-2010. Prior to joining the Stokke Group she was Regional Director of Sunnmørsbanken. Ms. Landmark holds a number of directorships. Ms. Landmark is a Norwegian citizen and resides in Ålesund Norway.

Endre Glastad (1971)
Board member

Endre Glastad holds a Master of Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH). He is currently chairman of the board of Glastad Invest AS and owns 39.9 % of the shares in Glastad Holding AS which again owns 100 % of the shares in Glastad Invest AS. He is a professional investor in a number of businesses in Norway and abroad. Mr. Glastad is a Norwegian citizen and resides in Farsund, Norway.

Inge Kristoffersen (1942)
Board member

Inge Kristoffersen holds a Master degree in Economics and Business Administration from the Norwegian School of Management (BI). He is currently a board member of the family business Egil Kristoffersen & Sønner AS in Vesterålen, which operates six salmon farming licenses. Mr. Kristoffersen is a Norwegian citizen and resides in Vesterålen, Norway.

Åse Marie Valen Olsen
(1969) – Board member

Ms. Åse Marie Valen Olsen is currently CEO of Sørrollnesfisk AS, a Norwegian fish farming company. Ms. Olsen has also several directorships in other Norwegian companies. Ms. Olsen is a Norwegian citizen and resides in Hamnvik, Troms, Norway.

Eva von Hirsch (1950)
Board member

Eva von Hirsch holds a Ph.D. from Durham University in anthropology - the study of culture and specializes in corporate culture, business analysis and cultural synergies. She has many years of national and international management experience and holds a number of directorships in listed companies. Eva von Hirsch lives in Bergen.

Norway Royal Salmon is also an active sponsor

«It's about courage, knowledge, experience, endurance and decisiveness. These are skills and basic values NRS wishes to be associated with.»

As a producer and provider of healthy, tasty and nutritious foods NRS has as one of its objectives to send a message where we can show the positive aspects of healthy products and a good and active living. We are proud to produce healthy and good food and want to focus on the healthy values in society.

We wish to support activities in the local communities where our businesses operate and therefore provide support to local sports clubs in our regions. In Finnmark, we support the Team Nordlysbyen Ski, which is a collaboration between several local sports club offering a training community for junior and senior cross country athletes.

As a sign of the pioneer spirit aquaculture industry is characterized by, we have contributed to the celebration of the 100th anniversary of Amundsen defeating the South Pole. With its pioneers, the aquaculture industry has in record time developed into one of Norway's most important export industries. An impressive development has been seen since the modest start of the industry in 1970. In 2011 we supported Jacob Meland and Ottar Haldorsen from Helgeland as they completed the fastest unsupported expedition to South Pole in December 2011, – 100 years after Roald Amundsen! Jacob Meland is the son of Gerd and Hans Petter Meland in Lovundlaks AS who was one of the founders of NRS 20 years ago.

Furthermore, we wish to have an insight into our markets and customers. Biathlon is a popular sport not only in Norway but also in France, Germany and Russia which are big markets for us. As a consequence, we have for several years had a partnership with biathlete Tarjei Bø. He has had a wonderful journey as long as we have known each other. Tarjei was junior athlete at the time we became acquainted and not many have had such a brilliant career as him when it comes to the transition to a senior athlete.

It's about courage, knowledge, experience, endurance and decisiveness. These are skills and basic values NRS wishes to be associated with.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Corporate governance

Norway Royal Salmon ASA (NRS) is listed on the Oslo Stock Exchange. The first trading date for the company's shares was 29 March 2011. 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. Since its IPO, NRS has complied with the Norwegian Code of Practice for Corporate Governance of 21 October 2010. 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.

« Effective corporate governance will underpin credibility and trust between all stakeholders, and provide a sound basis for value creation and robust financial performance.»

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 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.

We strongly believe that each individual company and the local community benefits from operations based on local decision-making, local management and ownership. The board has adopted the following key strategic policies.

- NRS shall be an efficient and profitable aquaculture company.
- NRS shall run an effective and profitable sales organisation.
- NRS shall provide a competitive return on investment to its shareholders.
- NRS shall offer affiliated producers economies of scale with respect to sales, procurement, quality assurance and other important services.
- NRS wishes to be a shareholder in companies associated with the aquaculture industry.

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 2011 the Group's total equity amounted to KNOK 532,662, which represented 36.3 per cent of its total assets. The board deems this to be 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 shall remain stable over time, and should amount to 30 to 40 per cent of consolidated net profit, provided that the company's own capital requirements have been satisfied. Ultimately, the aim is for share price increases rather than dividends to contribute more to value creation.

The Annual General Meeting sets the annual dividend based on a proposal from the board, which represents the maximum possible dividend.

A dividend of NOK 0.91 per share, KNOK 34,711 in total, was paid for 2010. The board proposes not to pay dividend for the 2011 financial year.

Capital increase

At the Annual General Meeting of 25 May 2011, the board was authorised to issue up to 3,961,108 shares with a nominal value of NOK 1 per share. 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 2012.

Deviation from the Code: The board's authority to implement capital increases is formulated generally and not solely with regard to 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 25 May 2011, the board was authorised to purchase up to 3,961,108 treasury shares with a nominal value of NOK 1, which corresponded to 10 per cent of the share capital at the time of authorisation. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1, and no higher than NOK 45 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 2012.

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 also purchased from a company owned by the Chair in 2011. These services were purchased on market terms and conditions. Further information on the transactions are found in Note 28 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). The Annual General Meeting is held within six months of the end of the accounting year, and in 2012 is scheduled for Tuesday 22 May. The financial calendar is published as a stock market notification and on the company's website. The convening of the general meeting shall be notified in writing to all shareholders whose address is known, no later than 21 days before the meeting is due to be held. Notification, agenda documents, proposed resolutions, the Nomination Committee's justified nominations and registration and mandate forms, are made available to the shareholders on the company's website and as a stock market notification, no later than 21 days prior to the date of the meeting. In accordance with the company's Articles of Association, a shareholder may also contact the company and request despatch of documents relating to the items to be considered by the general meeting. Agenda documents shall contain all information required by shareholders to form a considered opinion on all items to be reviewed. All shareholders who are registered in the VPS receive notice of the meeting and have the right to propose motions and to vote directly or via proxy. Shareholders may register for the general meeting in writing or by post, email or fax. 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 displayed on the Group's website.

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 as a whole. The Nomination Committee comprises three members: Martin Sivertsen (Committee Chair), Lars Magne Eidesvik and Reidar Stokke. 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. 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. All the board members, including the Chair, are elected by the general meeting. In accordance with the company's Articles of Association, the board comprises three to nine members. A new representative was elected at the most recent election at the Annual General Meeting, 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 Endre Glastad, Inge Kristoffersen, Eva von Hirsch and Åse Valen Olsen. Board representatives are normally elected for a term of office of two years. To secure continuity of board work, half of the board representatives stand for re-election at any one time 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, as a whole, the board complies with the independence requirements laid down by the Code. None of the company's board members or senior executives is 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 6 October 2010. 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 has 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 Endre Glastad, Eva von Hirsch and Inge Kristoffersen. 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 normally attends the committee's meetings.

A Compensation Committee has also 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 also naturally fall within the board's remit. The CEO shall also ensure that the consolidated financial statements comply with relevant legislation and regulations. The CEO is appointed by the board. 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. A total of fourteen board meetings were held in 2011.

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. Reporting is performed monthly and covers both financial and non-financial parameters. Focus is placed on profitability and risk within each business area. Performance monitoring is accorded high priority, and measures are implemented in areas where results fall short of required levels. 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.

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 companies Gåsø Næringsutvikling AS and Frøy Sjøtransport AS. The board is aware of these services, which

are priced on market terms and conditions. The relationship is discussed in Notes 5 and 28 to the consolidated financial statements.

Other information on fees and remuneration paid to the board, is disclosed in Note 5 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 CEO's remuneration is set by the board. The remuneration package comprises a fixed salary and a variable bonus, which is dependent on the achievement of predetermined targets. See also the board's statement on the establishment of salaries and other remuneration paid to senior executives in Note 5 to 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 impact 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, is 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

Except in extraordinary circumstances, 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.

Board of Directors report for 2011

«Fish farming had a record high harvest volume of 18,781 tonnes in 2011.»

Group operations and locations

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

The Group's business idea is, through its proximity to production and a high level of professional competence, to supply the market with farmed fish products of a uniform standard and high quality. Efforts are made to sell all products under the Norway Royal Salmon brand name. The strategy of the Group is to run effective fish farming operations, as well as to sell the output from associates and partners directly to the market.

Sales operations are conducted both from the company's head office and from its department in Kristiansand. The Group's fish farming operations are divided into two regions. The Northern Region comprises fish farms located in West Finnmark and on Senja. The Southern Region comprises fish farms located in Hordaland and Rogaland. The Northern Region has a total of 19 licences for the farming salmon, while the Southern Region has six such licences. In addition, the Group has shares in six associates. Of these, three are fish farming companies with a combined total of eight licences, two are harvesting companies, and one is a hatchery.

Highlights in 2011

2011 was a challenging and eventful year for Norway Royal Salmon. 2011 was characterised by good growth and operations, but with low salmon price in the second half of the year when the group harvested 77 per cent of its production. The fish farming operations increased the harvest volume with 76 per cent from 2010. At the same time, the Group laid the foundation for further growth and improved production costs.

- The Group generated operating revenues of NOK 1,734.0 million, and EBITDA of NOK 70.8 million.

- Fish farming had a record high harvest volume of 18,781 tonnes in 2011, an increase of 76 per cent from last year. The operation in 2011 has been characterised by satisfying production in the Northern Region, and high production costs in the Southern Region as a result of disease. The biological status is good in both regions at the end of the year.

- The trading business increased sold volume and margins in every quarter of the year. Sold volume for 2011 was 50,428 tonnes.

- The Group became listed on Oslo Stock Exchange, at the same time an IPO of NOK 46.1 million at a share price of NOK 21.00 was carried out. The first trading day of the share was on 29 March 2011.

- The Group sold all its shares in Larssen Seafood for NOK 24.1 million, which gave a profit of NOK 17.7 million.

- The Group sold its shares in Lingalaks (12.8 per cent) which gave a profit of NOK 23.7 million.

- A dividend of NOK 0.91 per share was paid in 2011.

- The group received an improved loan agreement which gives the group increased financial flexibility.

- The Ministry of Fisheries decided to increase the maximum allowable biomass (MAB) for all fish farming licences in Finnmark and Troms by five per cent. For the Group's Northern Region, this corresponds to an increase in MAB of 855 tonnes.

Norway Royal salmon completed a private placement on the 28th of February 2012. The company issued 3,961,108 new shares and sold 1,467,442 existing treasury shares at a price of NOK 8.00 per share. The gross proceeds from the placement amounted to NOK 43.4 million. In connection with the placement the company's bank syndicate agreed to increase the Company's current bank facility with an amount equal to the net proceeds raised in the placement. Hence from the same date the bank facility increased by NOK 42.4 million.

Financial performance

The income statement

Norway Royal Salmon generated consolidated operating revenues of NOK 1,734.0 million in 2011, compared with NOK 2,002.1million in 2010. This represents a decrease of 13.4 per cent. The fall in revenues can be attributed to a significant decrease in the price of salmon compared with the year before. The Group had a consolidated operating result of NOK -25.9 million (2010: NOK 149.1 million). Operating profit before fair value adjustments of the biomass totalled NOK 44.8 million (2010: NOK 122.8 million). The Group's consolidated net result for the year totalled NOK -1.6 million (2010: NOK 132.1 million).

The Group recognised NOK -1.7 million in share of the result from associates in 2011 (2010: NOK 19.8 million). The Group's associates harvested a combined total of 4,367 tonnes in 2011, compared with 5,326 tonnes in 2010. The Group's share of this volume was 1,642 tonnes compared with 2,146 in 2010. In addition the group recognised a profit of NOK 41.4 million when selling the shares in Lingalaks and Larssen Seafood AS. In 2011, the Group had net interest expenses of NOK 28.0 million (2010: NOK 18.8 million).

The parent company made a net result for the year of NOK 57.0 million in 2011 (2010: NOK 92.6 million). Operating result totalled NOK 3.6 million, compared with NOK 12.9 million in 2010. The volume sold by the parent company rose from 49,584 tonnes in 2010 to 50,428 tonnes in 2011. The decrease in operating profits can be attributed largely to increased administrative costs associated with the build-up of the organisation and cost associated with the listing at Oslo Stock Exchange. The decrease in the company's net result for the year can be attributed to a fall in its share of the profits from investments in subsidiaries and associates from NOK 86.8 million in 2010 to NOK 19.1 million in 2011.

«Sold volume for 2011 was 50,428 tonnes.»

Fish Farming:

The fish farming business generated gross operating revenues of NOK 500.8 million in 2011 (2010: NOK 376.8 million). This corresponds to an increase of 32.9 per cent. The rise is due to the volume of fish harvested increased by 76 per cent in 2011. The fish farming business harvested a total of 18,781 tonnes in 2011, compared with 10,677 tonnes in 2010. The rise in harvested volume is the result of increased utilisation of existing licences. The average price in 2011 was significantly lower compared to 2010, but increased volume contributed to the revenues being higher than in 2010. The fish farming business made an EBIT before fair value adjustments and non-recurring items of NOK 2.19 per kg (2010: NOK 11.65). Operating result before fair value adjustments totalled NOK 41.2 million (2010: NOK 109.9 million). The decline in operating result was mainly due to lower prices. The fish farming business increased the volume of its biomass in the sea from 12,768 tonnes at the start of the year to 16,128 tonnes at the close.

The Northern Region generated gross operating revenues of NOK 348.4 million in 2011 (2010: NOK 209.5 million). The segment harvested a total of 12,871 tonnes in 2011, compared with 6,000 tonnes the year before, an increase of 114.5 per cent. The Group has 19 fish farming licences in the Northern Region, of which five are in Senja and 14 in western Finnmark. The segment made an operating result before fair value adjustments of NOK 46.1 million (2010: NOK 58.91 million). EBIT before fair value adjustments and adjustments for non-recurring items came to NOK 3.58 per kg harvested in 2011 (2010: NOK 12.23).

In 2011, the Southern Region generated gross operating revenues of NOK 152.4 million (2010: NOK 167.3 million). The segment harvested a total of 5,910 tonnes in 2011, compared with 4,677 tonnes the year before, an increase of 26.4 per cent. The Group operates six licences in the Southern Region. The segment made an operating result before fair value adjustments of NOK -5.0 million (2010: NOK 51.0 million). EBIT before fair value adjustments came to NOK -0.84 per kg harvested in 2010 (2010: NOK 10.91).

Sales:

Sales decreased its gross operating revenues from NOK 1,990.8 million in 2010 to NOK 1,685.6 million in 2011. This represents a fall of 15.3 per cent. The decrease is entirely attributed to lower prices. The segment sold 50,428 tonnes during the year, compared with 49,584 tonnes the year before, a rise of 1.7 per cent. Sales had an operating result before fair value adjustments of NOK 23.6 million in 2011 (2010: NOK 25.9 million), and a result before tax of NOK 20.6 million (2010: NOK 27.2 million).

Balance sheet

At the close of 2011, the Group had total assets of NOK 1,467.3 million (2010: NOK 1,464.8, million). Despite the total assets being relatively unaltered, there have been significant changes to certain balance sheet items. An increase in the value of licenses, property, plant and equipment and biomass at cost was offset by a reduction in financial assets and fair value adjustment of biomass. The Group has also this year upgraded its facilities considerably, as well as invested in feeding pontoons and fish farming boats. A total of NOK 89.8 million was invested in new operating assets during the year. The value of the biomass rose during the year from NOK 385.9 million to NOK 387.9 million. The increase in the value of the biomass is due to a real build-up of biomass at cost of NOK 71.7 million, at the same time fair value adjustments decreased by NOK 69.8 million as a result of lower prices. At the close of the year, the Group's biomass totalled 16,128 tonnes, compared with 12,768 tonnes at the start of the year. The financial assets of the Group were reduced by NOK 48.7 million mainly as a result of the sale of the shares in the Lingalaks and Seafood Larssen.

The Group's net interest-bearing debt as at 31 December 2011 totalled NOK 531.7 million, compared with NOK 426.0 million at the close of the previous year. During 2010, the Group signed a new Group financing agreement in the amount of NOK 500 million. In 2011 the Group received improved bank covenants on this agreement, which gives the Group increased financial flexibility. The increase in interest-bearing debt can largely be attributed to the Group's investments in operating assets and the build-up of the biomass.

At the close of 2011, the Group had an equity ratio of 36.3 per cent, compared with 39.6 per cent at the close of 2010. The net reduction in equity of NOK 47.1 million was mainly due to a negative total comprehensive income for the period of NOK 24.8 million, paid dividend of NOK 35.6 million and purchase of treasury shares of NOK 29.4 million, while the share issue has strengthened the equity with NOK 41.8 million.

The parent company's total assets stood at NOK 866.3 million at the close of the year (2010: NOK 862.8 million). Total financial assets are reduced by NOK 6.5 million as a result of the sale of the shares in Larssen Seafood AS and Lingalaks AS, while the increase in the value of investments in subsidiaries is a result of the positive profit shares from these companies. There has also been a significant fall in trade and other receivables, which has resulted in an increase in bank deposits at the end of the year. As at 31 December 2011, the parent company's equity ratio was 46.6 per cent (2010: 38.6 per cent).

Cash flow

The Group's cash flow from operating activities in 2011 was negative in the amount of NOK -25.8 million (2010: NOK 81.8 million). The cash outflow is mainly due to a considerable build-up of the biomass in 2011, which had a negative impact on cash flow of NOK 71.7 million.

The Board of Norway Royal Salmon ASA: Inge Kristoffersen, Åse Marie Valen Olsen, Helge Gåsø, Kristine Landmark, Eva von Hirsch and Endre Glastad.

Net cash outflows relating to investing activities in 2011 totalled NOK -56.6 million (2010: NOK -83.6 million). These are, for the most part, attributable to investments in operating assets and licenses totalling NOK 94.4 million, proceeds from the sale of the shares in Lingalaks and Larssen Seafood and received dividend from associates totalling NOK 37.8 million.

The Group had cash and cash equivalents at the close of the year of NOK 6.2 million (2010: NOK 4.7 million). In 2010, a new NOK 500 million Group financing agreement was entered, NOK 225 million of which were long-term borrowings. As at 31 December 2011, the Group had drawn NOK 367.7 of the facility of NOK 500 million.

In 2011, the parent company generated a positive cash flow from operating activities of NOK 34.7 million (2010: NOK 59.1 million). The positive cash flows are a result of a reduction in trade receivables. The sale of the shares in Larssen Seafood and Lingalaks, as well as dividends from associates have resulted in a positive net cash flow from investing activities during the period of NOK 37.0 million (2010: NOK 3.1 million). The shares issue in 2011 gave a positive cash flow of NOK 40.1 million, however payment of dividend, group contribution and interests resulted in a negative cash flow from financing activities of NOK -7.3 million (2010: NOK 41.0 million).

The total positive cash flow in 2011 of NOK 64.4 million has resulted in net bank deposits totalling NOK 168.9 million for the parent company at the close of the year.

Research and development

The Group has undertaken no activities during the year which may be defined as research and development.

Operational risk and risk management

Fish Farming

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

The biological challenges will be related to smolt quality, disease, parasites, algae blooms, low oxygen levels and fluctuations in sea temperatures. Although NRS develops and implements sound routines for its own operations, the industry is such that it is important to coordinate much of this effort with other stakeholders in the various geographical locations in which we operate. The fish farming operations management team is working continuously to follow up smolt and smolt suppliers to enhance smolt quality. We also feel it is important to make active use of our fish health services to improve routines for the promotion of fish health and for disease prevention measures. All employees in the fish farming segment have attended fish welfare courses.

An assessment of all sites has also been carried out to ensure that sites that are optimal for the production of salmon are used.

Sites located in relatively open water have recently been put into operation, since it is in these areas that the best conditions for fish farming are to be found. This is extremely demanding for both employees and equipment. The produc-






tion facilities are constantly subjected to powerful natural forces, which represent a risk of damage to the equipment and subsequent risk of fish escaping. In 2010 and 2011 NRS invested heavily in new equipment of a high standard, which is capable of meeting our own and the public authorities' requirements with respect to fish escapes.

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 is working to achieve Global-GAP certification which will increase the focus on risk management.

Sales

In our opinion, the Sales segment faces a lower level of operational risk than Fish Farming. Although we believe sales will grow in the coming years, we could – of course – face a number of challenges. Specifically, developments in the world economy could also have an impact on this part of our business. If the economies of our most important trading partners should suffer a sharp downturn, it could have a negative impact. This would normally lead to a reduction in sales and a fall in prices generally. It could also result in some of our customers becoming insolvent. On the other hand, the sales business by itself is not as vulnerable with respect to a fall in prices, and some of this risk is significantly reduced through credit insurance as a means to limit exposure.

Trade barriers implemented in markets such as Russia, the USA and, most recently, China also represent a certain risk. However, as a company, our sales are sufficiently spread which limit this risk to some degree. In addition, the anti-dumping duty to the USA has now been abolished, and Russia has become a member of the WTO which reduces the risk of future trade barriers.

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

Interest rate risk

The Group's debt was until September 2011 wholly held at floating interest rates, which means that the Group is exposed to movements in interest rates. To reduce this risk, the Group made an interest rate swap agreement in September 2011. NOK 100 million of the Group's debt are hedged through the swap agreement.

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 insure almost all its trade receivables.

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. The Group has strengthened its financial position this year despite lower results than in 2010, partly through improved bank covenants and partly through the share issue of NOK 46.1 million in connection with the listing at Oslo Stock Exchange. Furthermore, in 2012, a share issue raised a total of NOK 43.4 million. There are covenants associated with the Group's borrowings which, at the close of 2011, NRS meet. Overall, the company's liquidity risk is considered to be at an acceptable level.

Employees

The employees' efforts and contributions have been essential for NRS having an effective operation and increased volume in both the farming and sales business in 2011.

Working environment

The Group is working hard to make sure it is able to recruit qualified personnel at all levels in the organisation. Particular emphasis is given to provide all employees with a good working environment, meaningful job content and competitive employment terms.

As at 31 December 2011, the Group had 82 full-time employees, 30 of whom are employed by the parent company Norway Royal Salmon ASA. The Group had a sickness absence rate of 4.25 per cent in 2011 (2010: 3.36 per cent). The corresponding figure for the parent company was 4.4 per cent in 2011 (2010: 1.5 per cent). Three minor personal injuries occurred during the year.

Equality and discrimination

The aquaculture industry has traditionally been a male-dominated workplace. As at 31 December 2011, women made up 23.1 per cent of the Group's workforce. The corresponding


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figure for Norway Royal Salmon ASA was 41.1 per cent. The Group management is entirely made up of men. Three of the six members of the Group's board of directors are women. The Group aims to be a workplace in which women and men enjoy complete equality, and where there is no gender-based discrimination with respect to pay, promotion or recruitment. The Group aims to be a good workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion or reduced functional capacity.

External environment

The fish farming activities in the Group do not affect the environment more than is normal for this type of business. The three most important factors for salmon farming affecting the external environment are:

1. Emission
2. Salmon lice
3. The escape of fish

Emissions from farmed fish into the sea take the form of excrement and feed residues. These are biodegradable organic materials. It is important that the emissions do not become too large, since this would constitute an added burden both to the environment and to the fish at the site. NRS has good routines for monitoring this situation. Routine environmental tests are performed in accordance with the authorities' requirements under NS 9410 Environmental Monitoring of Marine Fish Farms. Furthermore, we perform additional tests to ensure that the impact of our sites does not exceed acceptable levels. At the close of the year, all Group facilities had achieved the best environmental standard (level 1), equating to "little or no impact".

Salmon lice have a negative impact on the salmon and weaken the fishes' immune systems. As well as compliance with counting and treatment strategies initiated by the authorities, the Group has also developed its own plan for combating salmon lice in all regions. Due to their location, large parts of NRS' fish farming business will be marginally affected by lice. Our companies in the Northern Region have had low levels of lice throughout the year. Our operations in the Southern Region are affected slightly more, the key strategy here is the extensive use of locally caught wrasse. In 2010, the Group invested in equipment to comply with the new lice regulations requiring treatment in closed cages. The regulations came into force on 1 January 2011. The experiences with new regulations have so far been positive.

The escape of fish is unfortunate with respect to wild salmon populations. There have not been any escapes from our facilities in 2011. We are working continuously with respect to staff training, and have reviewed and improved our routines to achieve the industry's zero vision.

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.

Shares and shareholders

As at 31 December 2011, Norway Royal Salmon ASA had 39,611,083 shares divided between 1,352 shareholders. At the close of the year, the Group held 1,467,422 treasury shares.

The Group carried out a successful stock market flotation in March 2011. The first day of trading on the Oslo Stock Exchange was 29 March 2011. In connection with the flotation, an IPO was carried out and at 29 March 2011 the share price was NOK 21.00. At the end of the year the share price was NOK 7.48.

Corporate Governance

The board and management of NRS 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 stand 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.

Social Responsibility

NRS conducts its business in a number of 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 1.7 full-time jobs in ancillary businesses.

Salmon farming depends on good communications 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 also important that efforts are made to establish a dialogue with these groups and to respect their views.

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

Market conditions and future outlook

After several years of historically high salmon prices, we experienced one of the sharpest fall in price in the second half of the year. Average spot price (FCA Oslo) fell from NOK 37.43 per kg in 2010 to NOK 31.27 per kg in 2011. This is down 16 per cent from the previous year, while export volume (round weight) increased by 6 per cent. 66 per cent of salmon exports went to Europe. The largest single market was France, followed by Russia, Poland and Denmark. Russia has had fantastic progress and it was positive volume growth in most markets. However, export to Poland, USA and the UK was somewhat reduced.

Norway Royal Salmon ASA sold 50,428 tonnes. Most of this was fresh gutted salmon. This was slightly higher than last year. The share of in-house produced salmon sold through the sales business totaled approx. 33.5 per cent. Exports were divided on 48 countries, of which approx. 60 per cent were sold in Europe. Apart from this the remainder of the export was equally divided between Asia and Russia /Eastern Europe.

It is expected a relatively strong increase in production in Norway in 2012, and it is assumed that for the first time exports will exceed one million tonnes. At the same time, it is expected a sharp increase in the production of Atlantic salmon in Chile. An increase to approx. 360,000 tonnes is expected. Overall, this can be challenging, but the prices are significantly lower than what we have experienced in the last few years, this will enhance the sale. It is a strong market, which consumed large quantities at the end of 2011 and so far in 2012. The prices so far this year have been at an acceptable level. Our assessment is therefore that we have a strong demand which give basis for believing that the market can consume the production growth. The growth in supply of salmon is expected to be significantly lower in 2013.

Despite economic challenges in Europe, we believe in a positive sales development in most countries. Historically it has been shown that economic downturn normally not weakens demand for salmon. Furthermore, lower prices have been established in both the retail and the food service segment, which strengthens the belief in a strong demand growth. We believe in a continued positive development in Russia and in other parts of Eastern Europe. In Asia, it seems that Japan will be back. In China and Vietnam as a whole, we expect further growth. The key to facilitate the development of this market is that a good solution is negotiated with China, simplifying direct export. In the rest of Asia and the Middle East, we see positive signs in many markets. The removal of the anti dumping duty on whole fresh salmon in the United States, will give the Norwegian export a new opportunity for increased volume. Both Scotland and the Faroe Islands export fresh whole salmon to the United States, and we believe that Norway can take a share of this market. Based on this Norway Royal Salmon expects to take our share of the expected increase of the Norwegian salmon exports in 2012.

Allocation of profit for the year

The parent company, Norway Royal Salmon ASA, made a net profit for the year of KNOK 56,982 in 2011. The Board of Directors proposes not to pay dividend and the following allocation of the net profit for the year:

To the reserve for valuation variances:	KNOK	803
Transferred to other equity:	KNOK	56 179
Total allocation of funds:	KNOK	56 982

The distributable reserve after dividend provisions totals NOK 201.9 million.

Alta, 17 April 2011

Helge Gåsø
Chair

Kristine Landmark
Vice-Chair

Endre Glastad

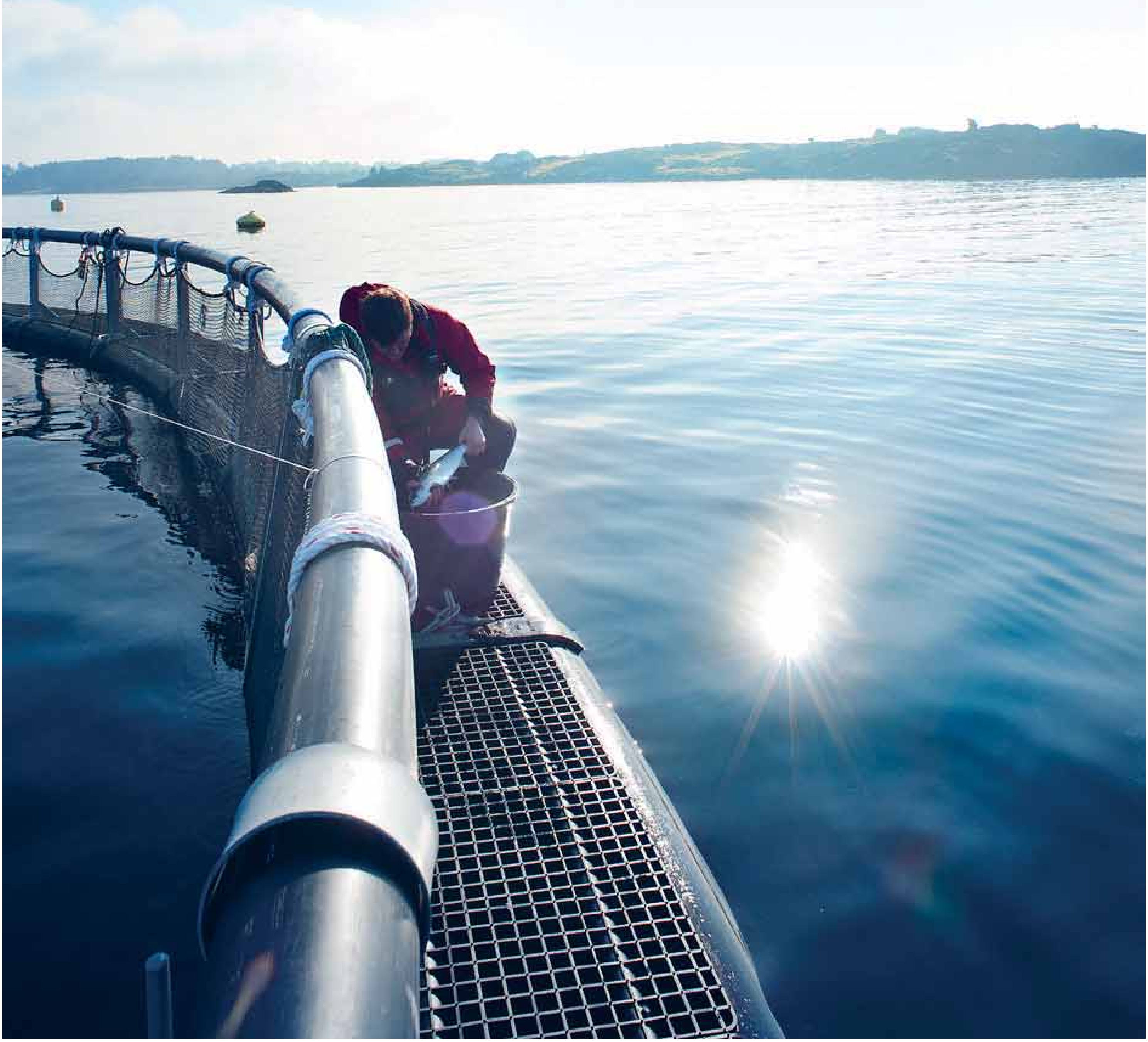
Inge Kristoffersen

Åse Marie Valen Olsen

Eva von Hirsch

John Binde
CEO

Consolidated financial statements



Consolidated income statement

(NOK 1 000)	Note	2011	2010
Operating revenues	4	**1 734 022**	**2 002 085**
Cost of materials	28	1 549 263	1 748 681
Personnel expenses	5,8	60 595	47 443
Depreciation	12	26 043	18 555
Write-downs	12	0	12 851
Other operating expenses	6,7,18,26,28	53 365	51 765
Total operating expenses		**1 689 266**	**1 879 295**
Operating result before fair value adjustments		**44 757**	**122 790**
Fair value adjustments	27	-70 627	26 339
Net operating result		**-25 870**	**149 129**
Financial items			
Income from associates	9,13	-1 689	19 772
Gain on realisation of associates and financial assets	3,9,13,15	41 608	18 121
Other interest income	9	338	704
Other financial income	9	1 407	3 295
Other interest expenses	9	-28 363	-19 466
Other financial expenses	9	-4 597	-2 630
Net financial items		**8 704**	**19 796**
Result before tax		**-17 166**	**168 925**
Tax	10	15 548	-36 798
Net profit for the year		**-1 618**	**132 127**
Profit attributable to:			
Owners of the parent company		2 140	123 528
Non-controlling interests		-3 759	8 599
Net profit for the year		**-1 618**	**132 127**
Basic earnings per share (NOK)	21	**0.06**	**3.40**
Diluted earnings per share (NOK)	21	**0.06**	**3.40**

Consolidated statement of comprehensive income

(NOK 1 000)	Note	2011	2010
Net result for the year		**-1 618**	**132 127**
Other comprehensive income:			
Available-for-sale financial assets (net after tax)	10,15	-23 132	23 132
Comprehensive income for the year		**-24 750**	**155 259**
Comprehensive income attributable to:			
Owners of the parent company		-20 992	146 660
Non-controlling interests		-3 759	8 599
Comprehensive income for the year		**-24 750**	**155 259**

Consolidated balance sheet

ASSETS (NOK 1 000)	Note	31.12.2011	31.12.2010
Assets			
Non-current assets			
Intangible assets			
Licences	11,23	502 887	498 287
Total intangible assets		**502 887**	**498 287**
Property, plant and equipment			
Land, buildings and other fixed property	12,23	4 021	3 392
Machinery and equipment	12,23	89 013	56 154
Boats and floating assets	12,23	76 089	48 708
Inventories, office equipment, etc.	12,23	8 187	5 683
Total property, plant and equipment		**177 311**	**113 937**
Non-current financial assets			
Investments in associates	13,23	96 087	114 136
Investments in shares and shareholdings	14,15,23	3 385	34 053
Other long-term receivables	14,18,23,28	3 766	3 760
Total non-current financial assets		**103 238**	**151 949**
Total non-current assets		**783 436**	**764 173**
Current assets			
Inventory	16,23	18 851	15 219
Biological assets	17,23	387 880	385 975
Total inventory		**406 730**	**401 194**
Receivables			
Trade receivables	14,18,23	227 901	253 912
Other short-term receivables	14,18,23,25	43 021	40 811
Total short-term receivables		**270 922**	**294 723**
Cash and cash equivalents	14,19,22	6 205	4 748
Total current assets		**683 857**	**700 665**
Total assets		**1 467 292**	**1 464 838**

EQUITY AND LIABILITIES (NOK 1 000)	Note	**31.12.2011**	**31.12.2010**
Equity			
Share capital	20	39 611	37 229
Treasury shares		-1 467	-9
Share premium fund		54 936	15 525
Retained earnings		402 354	485 189
Total equity attributable to owners of the parent company		**495 433**	**537 934**
Non-controlling interests		37 229	41 862
Total equity		**532 662**	**579 796**
Non-current liabilities			
Pension liabilities	8	8 480	7 719
Deferred tax liabilities	10	153 784	173 610
Non-current interest bearing debt	14,22,23	320 884	282 481
Total long-term liabilities		**483 148**	**463 810**
Current liabilities			
Current interest bearing debt	14,22,23	217 054	148 259
Trade payables	14	219 868	254 338
Tax payable	10	0	1 136
Other current liabilities	14,24,25	14 560	17 499
Total current liabilities		**451 482**	**421 232**
Total liabilities		**934 630**	**885 042**
Total equity and liabilities		**1 467 292**	**1 464 838**

Alta, 17 April 2012

Helge Gåsø
Chair

Kristine Landmark
Vice chair

Endre Glastad

Inge Kristoffersen

Åse Marie Valen Olsen

Eva von Hirsch

John Binde
Chief Executive Officer

Consolidated statement of changes in equity

(NOK 1 000)	Share capital	Treasury shares	Share premium fund	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to owners of the parent company						
Equity as of 1 January 2011	37 229	-9	15 526	485 188	537 934	41 862	579 796
Net result for the year	0	0	0	2 140	2 140	-3 759	-1 620
Other comprehensive income	0	0	0	-23 132	-23 132	0	-23 132
Total comprehensive income for the year	**0**	**0**	**0**	**-20 992**	**-20 992**	**-3 759**	**-24 751**
Transactions with shareholders							
Dividend paid	0	0	0	-34 711	-34 711	0	-34 711
Dividend to non-controlling interests	0	0	0	0	0	-875	-875
Share issue	2 382	0	43 730	0	46 112	0	46 112
Net share issue transaction costs	0	0	-4 320	0	-4 320	0	-4 320
Share based payment	0	0	0	616	616	0	616
Purchase of treasury shares	0	-1 467	0	-27 883	-29 350	0	-29 350
Sale of treasury shares	0	9	0	134	143	0	143
Total transactions with shareholders	**2 382**	**-1 458**	**39 410**	**-61 844**	**-21 510**	**-875**	**-22 385**
Equity as of 31 December 2011	**39 611**	**-1 467**	**54 936**	**402 354**	**495 433**	**37 229**	**532 662**

(NOK 1 000)	Share capital	Treasury shares	Share premium fund	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to owners of the parent company						
Equity as of 1 January 2010	36 288	-264	151 339	178 225	365 588	34 732	400 320
Net result for the year	0	0	0	123 528	123 528	8 599	132 127
Other comprehensive income	0	0	0	23 132	23 132	0	23 132
Total comprehensive income for the year	**0**	**0**	**0**	**146 660**	**146 660**	**8 599**	**155 259**
Transactions with shareholders							
Dividend paid	0	0	0	-5 430	-5 430	0	-5 430
Share issue	125	0	1 656	0	1 781	0	1 781
Net share issue transaction costs	0	0	-114	0	-114	0	-114
Reduction in share premium fund	0	0	-150 000	150 000	0	0	0
Non-controlling interest on group establishment	0	0	0	0	0	28 001	28 001
Purchase of non-controlling interests	816	0	12 645	12 680	26 141	-29 141	-3 000
Change in treasury shares	0	255	0	3 053	3 308	-329	2 979
Total transactions with shareholders	**941**	**255**	**-135 813**	**160 303**	**25 686**	**-1 469**	**24 217**
Equity as of 31 December 2010	**37 229**	**-9**	**15 526**	**485 188**	**537 934**	**41 862**	**579 796**

Issues in 2011

The board resolved on 24 March 2011 to increase the share capital by 1,637,599 new shares with a nominal value of NOK 1.00 each at a price of NOK 21 per share, or KNOK 34,390 in all. At the same date the board resolved to increase the share capital further by 744,286 new shares with a nominal value of NOK 1.00 each at a price of NOK 15,75 per share, or KNOK 11,376 in all. Both issues was part of the listing at Oslo Stock Exchange at 29 March 2011. The reason for the difference in price was that the board wanted to offer a discount of NOK 2,500 to the buyers from the retail tranche.

Issues in 2010

The board resolved on 15 June 2010 to increase the share capital by 125,001 new shares with a nominal value of NOK 1.00 each at a price of NOK 14.25 per share, or KNOK 1,781 in all. This issue was part of the acquisition of Nord Senja Laks AS, in which part of the purchase price was paid by compensating shares in Norway Royal Salmon ASA.

The general meeting resolved on 20 October 2010 to increase the share capital by 815,789 new shares at a nominal value of NOK 1.00 at a price of NOK 16.50 per share or KNOK 13,461 in total. This issue was part of the buyout of the minority shareholders in AS Tri, who were paid in part with shares in Norway Royal Salmon ASA.

For further details of the transaction see Note 3.

Consolidated statement of cash flow

(NOK 1 000)	Note	2011	2010
Operating result before fair value adjustments		**44 757**	**122 790**
Adjusted for:			
Taxes paid	10	-3 031	0
Depreciation	12	26 043	18 555
Write-down on non-current assets	12	0	12 851
Gains (-) / losses (+) on disposal of non-current assets		-1 845	369
Sharebased payment		616	0
Pension costs with no cash effect		761	-411
Change in inventories/biological assets		-75 378	-89 455
Change in trade recievables and trade payables		-8 459	35 788
Change in other current assets and other liabilities		-9 245	-18 654
Net cash flow from operating activities		**-25 781**	**81 833**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		2 213	940
Payments for purchase of property, plant and equipment	12	-89 803	-65 751
Payments on purchase of salmon farming licences	11	-4 600	0
Payments in connection with other transactions		0	-765
Proceeds from investments in non-current financial assets	3,13,15	37 799	3 863
Payments for investments in non-current financial assets	3,13,15	-2 203	-17 077
Payments for acquisition of subsidiaries (less cash taken over)	3	0	-9 833
Change in loans to associates and others		-8	5 024
Net cash flow from investing activities		**-56 602**	**-83 599**
Cash flow from financing activities			
Receipts from new non-current debt		67 392	280 040
Non-current debt repayment		-20 859	-212 196
Current debt repayment		0	-3 526
Net change in bank overdraft		60 664	-39 367
Net payments share issue		40 112	-159
Sale of treasury shares		143	4 104
Net interest payments		-28 025	-18 762
Dividend payment		-35 586	-5 430
Net cash flow from financing activities		**83 841**	**4 704**
Net increase (+)/ reduction (-) in cash and cash equivalents		1 458	2 938
Cash and cash equivalents as of 1 January		4 748	1 810
Cash and cash equivalents as of 31 December		**6 205**	**4 748**

Notes to the consolidated financial statements

Note 1 Accounting principles

1.1 General information

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

The consolidated financial statements for 2011 include the parent company, subsidiaries and the Group's shareholdings in associates. The Group's main business is linked to fish farming and sales.

The annual financial statements were approved by the board on 17 April 2012.

1.2 Basis of preparation

The most important accounting principles applied in preparing the consolidated financial statements are described below. These principles are applied 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 which are mandatory for annual financial statements presented as of 31 December 2011.

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 17)
- Derivatives (Note 25)
- Available-for-sale financial assets (Note 15)

The principles used determining 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 Important accounting estimates and judgments

Preparation of annual financial statements in accordance with IFRSs involves the use of judgements, estimates and assumptions. These affect 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 considered to be of most significance for the Group are as follows:

Allocation of fair value on acquisition

The cost price of an acquisition must be allocated to the individual assets to reflect the fair value of assets and liabilities acquired. Where there is no active market for the assets acquired, alternative methods for determining fair value must be applied. Any excess values beyond what can be attributed to identifiable assets and liabilities are capitalised as goodwill. If the fair value of the equity in the acquired company exceeds the consideration paid, the excess amount is immediately recognised in income. The allocation of cost price deriving from a business combination will be changed in the event that new information arises relating to the actual fair value at the time when control is transferred. Any reallocation must take place by the end of the financial year after the acquisition occurred.

Valuation of the biological assets

Under IAS 41, Agriculture, the biological assets are valued at fair value less estimated harvesting and sales costs. Fair value is estimated for each site, and biomass data includes the number of fish, estimated average weight and biological cost of the biomass. These estimates involve a considerable level of uncertainty. The valuation is based on the biomass's estimated weight in kg at the end of the period, in addition to an estimated quality distribution. Estimated biomass is based on assumptions for growth and mortality rates from the date the fish were released into the sea, adjusted for any inspections performed during the production period. Quality distribution of fish can only to a limited extent be observed and assessed prior to harvesting, and estimated quality distribution is subject to considerable uncertainty. Each individual fish will grow independently, and even though it may be possible to estimate the average growth of the fish in the net pens, there will be considerable variations in weight and quality within each pen. With respect to valuation, price assumptions are particularly important in addition to the weight of the biomass. The principles used for valuation are described in the section describing biological assets and in Note 17 to the financial statements.

Impairment of intangible assets with an indefinite useful life
The Group annually tests its licenses for impairment as described in the accounting principles. The recoverable amount is calculated based on estimated future cash flows for the Group's cash-flow generating units, as well as a discount rate for calculating the present value of cash flows. Expectations of future cash flows may vary over time. Changes in market conditions and expected cash flows may result in an impairment loss, which must be reflected in the financial statements. The most important assumptions with an impact on cash flows connected to investments are the applied discount rate, expected salmon prices, estimated harvesting volume, production cost per kg and investment level. Further information regarding the assessment of impairment of capitalised licenses may be found in Note 11.

Deferred tax
Deferred tax assets based on tax loss carryforwards are capitalised to the extent that expected future earnings associated with the individual unit will be sufficient to utilise the losses. To the extent companies are included in the group for tax purposes, these are valued as one. Capitalisation is based on companies' expected future revenues. This means that the capitalised values of the tax loss carryforwards may vary over time. See Note 10 for further information on capitalised deferred tax assets.

1.4 Introduction of new and amended standards

There are no new IFRS or amendments that are effective for the first time for the financial year beginning on or after 1 January 2011 having a material impact on the Group accounts in 2011.

1.5 Summary of important accounting principles

Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the company. The company has control if it exerts a controlling influence, directly or indirectly, normally through owning more than half the voting rights. 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 and 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 in the income statement.

Associates
Associates are entities over which the Group exercises significant influence but not controlling influence. A significant 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 significant 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.

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.

Segment reporting

An operating segment is part of the Group which engages in business which can generate revenues and costs, including revenues and costs deriving from transactions with other Group segments. The financial performance of all operating segments is regularly reviewed by group management. See Note 4.

Foreign currency

Presentation currency

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

Transactions and balance-sheet items

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

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.

Property, plant and equipment

Property, plant and equipment are capitalised at cost, less accumulated depreciation and impairments. If material individual parts of an 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.

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 exit 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 arrived 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 the Northern Region and Southern Region, 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.

Leasing

Lease agreements with terms which transfer economic rights and liabilities to the Group are classified as financial leaseing. 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.

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

Financial instruments

Shares

Investments in shares which are not investments in subsidiaries or associates are valued at fair value. When there is no active market for the shares and fair value cannot be reliably measured, the investments are valued at cost. Should investments be permanently impaired, they are written down to their estimated net realisation value.

Derivatives

The Group uses derivatives to hedge against foreign currency fluctuations arising from operating activities. This is done using forward currency contracts. The Group uses derivatives to hedge against fluctuations on the interest rate of its long-term debt. This is done using interest-rates swaps. The derivatives are not included in hedge accounting, are measured at fair value and any changes in value are recognised in income as financial items.

The Group also uses derivatives to hedge margins connected to deliveries in the sales department. In cases where fixed-price contracts have been entered into with customers which have not been hedged using physical contracts, agreements are concluded to purchase financial Fish Pool contracts to hedge the margins. 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 adjustments. Fair value adjustments are included in consolidated operating results. Realised gains and losses are recognised in cost of sales.

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

Loans and receivables

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

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.

Inventory

Inventory comprise raw materials of which the vast majority is feed for the fish farming business 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.

Biological assets (biomass)

Biological assets comprise live fish stocks. Biological assets are recognised at fair value less estimated future sales and harvesting costs.

There are no effective markets for the sale of live fish, and valuing live fish involves estimating their fair value in a theoretical live fish market. An assessment of the biomass's fair value is based on observable market prices for harvested fish. Prices are adjusted for harvesting costs and transport costs to market in order to arrive at an estimated price for live fish to the farmer. The estimated quality distribution of the fish is also taken into account when estimating the value. For smaller fish, the production cost per kg exceeds estimated market value. In such cases the biomass is valued at production cost, as long as a gain on the sale of harvestable fish is expected. If forecasted growth and sales are not expected to cover production costs when the fish is harvestable, biomass is valued at estimated market value.

Changes in value are recognised in the income statement on a separate line for fair value adjustments. Fair value adjustments are included in the consolidated operating results. Production costs in connection with sold fish are classified in the income statement as changes in inventories of biological assets and included in cost of materials.

Cash and cash equivalents

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

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.

Dividends

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

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

Pensions
Defined contribution pension schemes
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 which are not defined contribution schemes are defined benefit schemes. The capitalised liability relating to defined benefit schemes is the present value of the defined benefits at the balance sheet date less the fair value of pension assets, adjusted for unrecognised estimate deviations and unrecognised costs linked to pension entitlements in previous periods. The pension liability is calculated annually by an actuary using a linear accrual method. The pension liability is calculated on the basis of a long-term discount rate and long-term expectations for future return on investment, salary growth, inflation and adjustment in pension levels. Pension assets are valued at fair value.

Changes in the calculated pension liabilities resulting from changes in pension plans are accrued over the remaining vesting period. Estimate deviations resulting from new information or changes in actuarial assumptions are distributed over the remaining vesting period for that part of the deviation which exceeds 10 per cent of the higher of gross pension liabilities or pension assets.

Tax
Tax on the profit/loss for the year comprises tax payable and deferred tax. Tax is recognised in the income statement with the exception of tax on items which 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 bokk 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 in connection with future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax asset will be utilised.

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.

Accounting standards and interpretations issued but not applied
There are several new standards, amendments and interpretations which did not enter into force for the year ending 31 December 2011 and which the Group has elected not to early-adopt. The standards concerned are as follows:

- IAS 1 Presentation of financial statements
- IAS 19 Employee benefits
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated financial statements
- IFRS 12 Disclosures of interest in other entities
- IFRS 13 Fair value measurement

1.6 Financial risk
The Group's main financial obligations comprise liabilities to financial institutions and current liabilities in connection with company operations. These financial liabilities account for the bulk of the Group's debt capitalisation. The Group has a number of financial assets, such as cash, trade receivables and short-term receivables in connection with company operations. The company also has some forward currency 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. Exposure is largely to EUR and USD. Hedging of currency exposure deriving from trade receivables is managed through forward currency contracts and by drawing on its overdraft facility in the same currency. Hedging of contracted currency revenues is managed through forward currency contracts..

Details of the Group's exposure in foreign currency can be found in Notes 18 and 22. Forward currency contracts see Note 25.

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. To hedge against such changes the Group has entered into an interest rate swap agreement. The Group's interest bearing debt is capitalised at amortised cost, since the difference between amortised cost and fair value is insignificant. Details on the swap agreement can be found in Note 25.

Credit risk

The Group's exposure to credit risk is affected largely by particular circumstances relating to each individual customer. The Group is not materially exposed to any single counterparty. Historically, bad debts have been small – see Note 18 for further details. Trade receivables are monitored continuously and the Group's policy is to insure all major trade receivables against non-payment.

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.

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 22.

Capital structure and equity

The board's objective is to maintain a strong capital base in order to preserve investor, creditor and market confidence, and develop the business. Return on capital and the level of dividend are monitored by the board. Access to loan capital and compliance with loan covenants are monitored continuously. The Group's loan agreements contain requirements with regard to the financial ratios net interest-bearing liabilities/EBITDA and the equity ratio. See Note 22 for further details.

Note 2 Companies in Group

The consolidated financial statements for 2011 cover the companies below:

(NOK 1 000)	Registered office	Nominal share capital	Shareholding %
Parent company			
Norway Royal Salmon ASA	Trondheim	39 611	
Subsidiaries			
NRS Feøy AS	Feøy	1 445	100.00 %
NRS Finnmark AS	Alta	9 429	100.00 %
Nor Seafood AS	Torsken	205	82.50 %
Nord Senja Laks AS	Botnhamn	405	66.67 %

Note 3 Business combinations and purchases/sales associates

2011

The Group sold all its shares in Larssen Seafood, corresponding to 48 per cent of the shares for a total of NOK 24.1 million in the fourth quarter. The book value of Larssen Seafood AS was NOK 6.3 million which gave a profit of NOK 17.7 million. The profit is presented as a financial income on the line Gain on realisation of associates and financial assets. The company was recognised as an associated company in the balance sheet.

2010

Material share acquisitions in 2010 were as follows: These acquisitions are recognised in accordance with the acquisition method from the acquisition date.

(NOK 1 000)	Shares purchased 2010	Date acquired	Cost	Of which transaction costs
Nord Senja Laks AS	16.67 %	01.07.10	13 590	109
Frewi Havbruk AS	100.00 %	05.01.10	2 000	0
Ranfjord Fiskeprodukter AS	27.65 %	01.10.10	15 952	373

The Group acquired 27.65 per cent of the shares in Ranfjord Fiskeprodukter AS in 2010. The Group did not hold any shares in the company prior to the acquisition. This investment is defined as an associate. A total of KNOK 15,952 was paid in connection with the acquisition, including total excess values of KNOK 11,161. Of the excess values, KNOK 1,000 is allocated to licences while the remaining KNOK 10,161 is allocated to goodwill.

Subsidiaries purchased 2010

Nord Senja Laks AS

Effective 1 July 2010 the Group acquired 16.25 per cent of the shares in Nord Senja Laks AS (formerly Nord-Senja Fiskeindustri AS). The above acquisition increased the Group's shareholding in the company to 66.25 per cent. Nord Senja Laks AS has been consolidated from this date. The Group acquired a further five shares in Nord Senja Laks in October 2010 for KNOK 1,050, which is the same price per share as in the previous acquisition. The Group's aggregate shareholding is 66.67 per cent.

The acquisition was made to further reinforce the Group's already strong position in the Senja area. Nord Senja Laks AS is a salmon-farming company, and owned three salmon-farming licences at the acquisition date.

Breakdown of payment:	
Cash consideration	9 700
Receivable set off	2 000
Equity instruments (125,001 shares in Norway Royal Salmon ASA)	1 781
Consideration transferred	13 481
Fair value of shareholding in Nord Senja Laks AS before the acquisition	41 481
Fair value of shareholding in Nord Senja Laks AS	**54 962**

The fair value of the 125,001 shares issued as consideration for the acquisition of Nord Senja Laks AS is based on the market price at the transaction date. The issue costs of KNOK 100 were recognised in the share premium fund on the issue of the shares.

There are no contingent liabilities in connection with the acquisition.

Assets and liabilities associated with the acquisition as of 1 July 2010: (NOK 1 000)	**Book value**	**Fair value adjustments**	**Fair value**
Licences	13 800	85 787	99 587
Property, plant and equipment	20 234	1 000	21 234
Non-current financial assets	1 837	598	2 435
Biological assets/inventories	21 430	0	21 430
Receivables	17 642	0	17 642
Cash and cash equivalents	1 848	0	1 848
Deferred tax liabilities	-4 824	-24 300	-29 124
Interest bearing debt	-15 673	0	-15 673
Trade and other current payables	-36 416	0	-36 416
Fair value of net assets	**19 877**	**63 085**	**82 962**
Fair value of non-controlling interests			28 000
Fair value of shareholding in Nord Senja Laks AS			**54 962**

The fair value of non-controlling interests in Nord Senja Laks AS is estimated based on multiples which have been used for other comparable companies, multiples used by financial analysts in valuing fish farming companies listed on the Oslo Stock Exchange, estimated future cash flows at the business at Nord Senja Laks AS and the company's assets, rights and obligations at the time of acquisition. The final value is established by negotiation between the parties.

The Group recognised a profit of KNOK 18,121 as a result of the revaluation to fair value of the previous 50 per cent shareholding in Nord Senja Laks AS. The profit is recognised as financial income on the line Gain on realisation of associates and financial assets.

Since 1 July 2010 Nord Senja Laks AS has contributed KNOK 5,492 in sales revenues and KNOK 9,473 to the consolidated net profit for the year. Although it has not harvested any salmon since becoming part of the Group, the company had a positive impact on the consolidated net result for the year as a result of the fair value adjustments of biomass in the period.

Based on its results in 2010, the consolidated income statement would have shown sales revenues of KNOK 2,028,969 and a net profit for the year of KNOK 132,382 had Nord Senja Laks AS been consolidated from 1 January 2010. In the first half of 2010 the former Nord-Senja Fiskeindustri AS included both fish farming and white fish business. From 1 July 2010 the white fish business was sold and is no longer included in the Group's operations. In future Nord Senja Laks AS will solely engage in salmon-farming. The company's sales will be made to the parent company Norway Royal Salmon ASA, and thus generally be eliminated on consolidation.

Frewi Havbruk AS

The Group acquired 100 per cent of the shares in Frewi Havbruk AS for KNOK 2,000 in 2010. The company did not have any activity in 2010, but holds a licence to farm cod and an associated site. Work is underway to find new sites for salmon in connection with this company. Frewi Havbruk AS was merged with Nor Seafood AS in 2010.

Assets and liabilities associated with the acquisition as of 1 January 2010: (NOK 1 000)	**Book value**	**Fair value adjustments**	**Fair value**
Sites	431	726	1 158
Property, plant and equipment	297	1 703	2 000
Receivables	232	0	232
Cash and cash equivalents	21	0	21
Deferred tax liabilities	0	-661	-661
Other long-term liabilities	-700	0	-700
Trade and other current payables	-50	0	-50
Fair value of net assets	**232**	**1 768**	**2 000**

Frewi Havbruk AS did not contribute any sales or have any impact on profits during the year.

Note 3 cont.

Acquisition of non-controlling interests
An agreement was entered into in October 2010 to buy out the remaining minority shareholders in AS Tri. The Group acquired a further 23.76 per cent of the shares in the company and now holds 100 per cent of the shares.

The transaction was performed as a Group merger with Altafjord Laks AS, with a cash settlement and compensatory shares in the parent company. Minority shareholders received 815,789 shares in Norway Royal Salmon ASA at a price of NOK 16.50 per share (total KNOK 13,461) plus a cash settlement of KNOK 3,000. The book value of the minority interest at the acquisition date was KNOK 29,141. The gain of KNOK 12,680 was recognised in equity.

AS Tri and Altafjord Laks AS were renamed NRS Finnmark AS after the merger, which is wholly owned by Norway Royal Salmon ASA.

Note 4 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's business areas are divided into the Sales and Fish farming. The Sales segment includes the purchase and sale of salmon and trout, as well as the Group's chain management activities. The fish farming business covers farming and harvesting salmon. The fish farming business is divided into two regions: Region North, which consists of the fish farming business in Senja and West Finn-mark; and Region South, which consists of the fish farming business in the area around Haugesund.

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

	Sales		Fish farming				Total	
			Region North		Region South			
(NOK 1 000)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Total segment revenues	1 685 577	1 990 838	348 409	209 524	152 375	167 264	2 186 361	2 367 626
Revenues between segments	0	0	-313 045	-199 262	-139 836	-166 279	-452 881	-365 541
Revenues from external customers	1 685 577	1 990 838	35 364	10 262	12 539	985	1 733 480	2 002 085
Cost of materials	1 636 580	1 939 287	237 882	86 598	127 138	88 338	2 001 600	2 114 223
Depreciation	716	399	16 527	11 999	8 800	6 157	26 043	18 555
Write-downs	0	0	0	12 851	0	0	0	12 851
Other costs	24 697	25 258	47 872	39 144	21 392	21 762	93 961	86 164
Operating result before fair value adjustments	23 584	25 894	46 128	58 932	-4 955	51 007	64 757	135 833
Fair value adjustments	-786	1 516	-54 493	26 393	-15 348	-1 570	-70 627	26 339
Operating result	22 797	27 410	-8 366	85 325	-20 303	49 437	-5 872	162 172
Interest income	451	383	161	312	215	9	827	704
Interest expenses	-2 228	-1 636	-13 733	-7 070	-7 754	-5 944	-23 715	-14 650
Other financial items	-445	1 086	-440	-555	-28	-57	-913	474
Segment result before tax	20 576	27 243	-22 379	78 012	-27 870	43 445	-29 673	148 700
Total assets	**243 954**	**286 141**	**827 231**	**750 342**	**298 936**	**282 194**	**1 370 121**	**1 318 677**

For further details of the biomass for the fish-farming business see Note 17.

Reconciliation of reported segment EBT with Group EBT:

(NOK 1 000)	2011	2010
EBT for reportable segments:	-29 673	148 700
Unallocated income statement items:		
Income from associates	-1 689	19 772
Gain on realisation of associates and financial assets	41 430	18 121
Unallocated expenses (operations)	-19 998	-13 044
Unallocated interest (finance)	-7 237	-4 624
Total EBT before tax	**-17 166**	**168 925**

Reconciliation of reported segment assets to total assets:

(NOK 1 000)	2011	2010
Segment assets for reportable segments:	1 370 121	1 318 677
Unallocated assets:		
Investments in other shares	96 087	114 136
Other long-term receivables	319	31 265
Restricted bank balances	766	760
Total assets in relation to balance sheet	**1 467 292**	**1 464 838**

Geographical market sales:

(NOK 1 000)	2011	2010
Norway	110 035	107 732
Western Europe	965 543	1 257 945
Eastern Europe & Russia	388 770	416 709
Asia & Middle East	267 242	213 065
Other countries	2 432	6 635
Total operating revenues	**1 734 022**	**2 002 085**

Note 5 Personnel expenses and benefits

Wages and personnel expenses

(NOK 1 000)	**2011**	**2010**
Wages and salaries	50 691	39 509
National insurance contributions	4 935	4 011
Pension costs defined contribution scheme	347	152
Pension costs defined benefit scheme	2 950	2 323
Other benefits	1 673	1 448
Total wages and personnel expenses	**60 595**	**47 443**
Average full-time equivalents	**85**	**73**

REMUNERATION TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS:

Senior management:

2011 (NOK 1 000)	**Salary**	**Fees** [1]	**Bonus**	**Payments in kind**	**Total**	**Accrued pension costs** [2]
John Binde, CEO	1 687	45	404	218	2 354	356
Ola Loe, CFO	1 349	0	120	16	1 485	230
Roger Bekken, COO	945	60	17	23	1 044	148
Stein Martinsen, Director marketing and sales	893	0	38	13	944	601
Torstein Tiller, Director admin and chain operations	884	0	38	13	935	414
Total	**5 759**	**105**	**616**	**282**	**6 762**	**1 750**

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.

2010 (NOK 1 000)	**Salary**	**Fees** [1]	**Bonus**	**Payment in kind**	**Total**	**Accrued pension costs** [4]
John Binde, CEO	1 367	40	363	215	1 984	191
Ola Loe, CFO	1 016	0	109	18	1 143	122
Roger Bekken, COO [2]	398	20	0	5	423	88
Håkon Brønstad, COO [3]	544	0	108	4	656	35
Stein Martinsen, Director marketing and sales	859	0	102	12	973	318
Torstein Tiller, Director admin and chain operations	845	0	68	11	924	354
Total	**5 030**	**60**	**750**	**264**	**6 104**	**1 107**

1) Fees are directors' fees paid by subsidiaries.
2) Roger Bekken took up his position as COO on 1 August 2010. Salary received from 1 July 2010.
3) Håkon Brønstad was COO until 1 August 2010. The salary shown is for the period 1 January–31 July 2010.
4) Accrued pension cost are entitlements under the defined benefits pension scheme for the year. The amount is not deducted wiht the employees own share on 2 percent of gross salary.

Directors fee:

(NOK 1 000)	2011	2010
Helge Gåsø, Board Chair [1)]	209	138
Kristine Landmark, Vice Chair	100	0
Eldbjørg Gui Standal	253	165
Åse Marie Valen Olsen	134	0
Endre Glastad	144	71
Inge Kristoffersen	146	73
Karsten Måsøval	0	73
Karl-Olaf Jørgensen	29	78
Yngve Myhre	83	0
Fredd Wilsgaard	5	0
Total	**1 102**	**597**

1) Includes directors' fees received from subsidiaries in the amounts of KNOK 60 in 2011 and KNOK 60 in 2010. The Chair also received consultancy fees via his company Gåsø Næringsutvikling AS for consultancy services during the period in the invoiced amounts of KNOK 50 for 2011 and KNOK 80 for 2010. These are not included in the list above.

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. MAIN PRINCIPLES ON REMUNERATION FOR THE 2012 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
Bonuses will be established and paid based on position levels and the added value staff or groups of staff have created. Bonuses are paid the year after they are earned. All senior executives, with the exception of the CEO, participate in the bonus scheme on the same basis as all parent company staff. The maximum bonus is 100 per cent or 150 per cent of one month's salary. For 2012 the CEO has a bonus scheme determined at the discretion of the Compensation Committee, and depends on a number of factors. The bonus scheme may not exceed three months' salary.

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

Share-based incentive schemes
A bonus scheme based on "synthetic options" was introduced for Group management in February 2011. 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. Bonuses are calculated 12, 24 and 36 months after the listing date, and the bonus scheme involves an obligation to invest net bonuses in Norway Royal Salmon shares at their market price at each date. Shares purchased under the bonus scheme will be subject to a 12-month lock-in period. All bonus payments are contingent on full-time employment with the company. Bonuses are based on the increase in value of shares in Norway Royal Salmon from the time they are listed until the dates stated, and in proportion to the price increase in the period for 300,000 shares for the Group Chair and from 90,000 to 210,000 shares for other senior executives.

Pension schemes
Norway Royal Salmon ASA has a defined-benefit pension scheme covering all the company's staff and Group management. No members of Group management have any pension scheme other than that for the other staff.
Notice period and severance pay
The CEO and CFO are entitled under certain circumstances to

Note 5 cont.

one year's and six months' severance pay respectively. Otherwise, individual contracts of employment apply which are essentially based on the terms of the Norwegian Working Environment Act.

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.

2. SENIOR MANAGEMENT REMUNERATION POLICY IN 2011

In addition to their fixed salary, the following benefits were paid to Group management in 2011:

Group management participates in the bonus scheme on the same basis as all parent company staff. This bonus scheme is based on the parent company's operating profit, where the maximum bonus is 100 per cent or 150 per cent of one month's salary. No bonus will be paid if the operating profit achieved is less than 75 per cent of budget.

In 2011 the CEO's bonus scheme consisted of a fixed and a discretionary component. The discretionary component shall not exceed three months' salary. The discretionary component is established by the Compensation Committee, and depends on a number of different factors. The fixed component was linked to the listing of the company on the Oslo Stock Exchange. Bonuses paid in 2011, based on the fixed component and the results achieved in 2010, amounted to KNOK 404.

Group management is covered by the Group pension scheme on the same basis as other parent company staff. For further details see Note 8.

The CEO and CFO are entitled to severance pay if the company terminates their contracts. The CEO is entitled to one year's severance pay, while the CFO is entitled to six months' salary following cessation of employment. No other member of Group management or the board is entitled to severance pay.

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

Loans have been extended to the CEO with a book value of KNOK 266 as of 31 December 2011. Interest is at NIBOR + 0.25 per cent. The loan is to be repaid over five years. Security was provided by pledging shares.

Note 6 Operating expenses

Specification of other operating expenses:

(NOK 1 000)	**2011**	**2010**
Premises and equipment hire	4 203	4 102
Maintenance	16 570	12 454
Equipment not recognised in balance sheet	2 436	1 233
Fuel	9 220	3 771
External fees	5 540	4 770
Bad debts	504	2 325
Other	14 892	23 110
Total other operating expenses	**53 365**	**51 765**

Write-downs and non-recurring items

(NOK 1 000)	**2011**	**2010**
Write-down of operating assets	0	12 851
Winding-up costs harvesting activity	0	1 293
Clearing costs	0	325
Costs of stock exchange listing	2 500	0
Total	**2 500**	**14 469**

Note 7 Auditor's fees

Auditor's fees:	**Deloitte**		**Other auditors**	
(NOK 1 000)	**2011**	**2010**	**2011**	**2010**
Statutory auditing services	325	266	80	66
Other attestation services	57	6	0	0
Tax advisory services	10	3	11	0
Ohter services	44	75	27	0
Total auditor's fees	**436**	**350**	**118**	**66**

All auditor's fees are exclusive VAT. TNOK 83 is expensed directly against equity in connection with equity transactions.

Note 8 Pension costs and liabilities

As of 31 December 2011, all the Group's employees were members of various pension schemes. Companies in Norway are required to operate occupational pension schemes under the Norwegian Mandatory Occupational Pensions Act. The schemes offered by all Group companies meet statutory requirements.

Subsidiaries have defined contribution schemes for staff.

The parent company operates a defined benefits pension scheme, covering 33 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 a pension fund. In combination with the state pension and with full entitlement, the scheme entitles members to around 66 per cent of basic salary up to 12G from the age of 67 (G being the Norwegian National Insurance Scheme's basic unit of calculation).

Pension costs:

(NOK 1 000)	**2011**	**2010**
Current service cost	3 011	2 353
Interest cost	1 015	936
Expected return on plan assets	-709	-640
Actuarial gain and losses	0	0
Employee contributions to scheme	-367	-325
Net pension costs service – defined benefit scheme	**2 950**	**2 323**
Costs of defined contribution pension scheme	347	152
Total pension costs	**3 297**	**2 475**

Assumptions:	**2011**	**2010**
Discount rate	2,60 %	4,00 %
Expected return on plan assets	4,10 %	5,40 %
Future salary increases	3,50 %	4,00 %
Inflation rate	3,25 %	3,75 %
Future pension increase	0,10 %	1,30 %
Demographic factors:		
Early retirement	IR02-level	IR02-level
Mortality rate	K2005	K2005

	2011	2010
Paid into scheme during the year	2 240	2 681
Forecast payment to scheme next year	2 318	2 000

Calculation of amount recognised in the balance sheet:

(NOK 1 000)	31.12.2011	31.12.2010
Present value of funded obligations	31 185	25 729
Fair value of plan assets	-17 840	-15 930
Employer's national insurance contributions	1 882	0
Actuarial gains/ losses not recognised in the income statement	-6 746	-2 079
Net pension liabilities in balance sheet	**8 480**	**7 719**

Change in present value pension liabilities:

(NOK 1 000)	2011	2010
Pension liabilities as of 1 January	25 729	21 472
Current service cost	3 011	2 353
Interest expense	1 015	936
Pension payments	-175	-175
Employer's national insurance contributions on payment for the year	0	-378
Actuarial losses/ (gain)	1 605	1 521
Pension liabilities as of 31 December	**31 185**	**25 729**

Change in estimated fair value of plan assets:

(NOK 1 000)	2011	2010
Estimated fair value of plan assets as of 1 January	15 930	13 775
Expected return on plan assets	709	640
Contributions paid	2 240	2 681
Pension payments	-175	-175
Actuarial (losses)/ gain	-865	-991
Plan assets as of 31 December	**17 840**	**15 930**

Pension funds are made up as follows:

(NOK 1 000)	2011	2010
Money market fund	13.3 %	12.0 %
Shares	19.5 %	17.0 %
Short-term bonds	14.5 %	26.0 %
Long-term bonds	32.6 %	23.0 %
Property	17.0 %	16.0 %
Other	3.1 %	6.0 %
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 24,988. Conversely, reducing the discount rate by 1 per cent would result in a gross pension liability of KNOK 39,510.

Note 9 Financial income and financial expenses

Financial items included in the income statement:

(NOK 1 000)	2011	2010
Income from associates	-1 689	19 772
Gain on revaluation of associate shareholding to fair value	0	18 121
Sale of associate	17 704	0
Sale of shares	23 904	0
Interest income	338	704
Foreign exchange gains	1 299	0
Change in unrealised gains on derivatives	0	3 090
Other financial income	109	205
Financial income	**41 664**	**41 892**
Interest expenses	28 363	19 466
Foreign exchange losses	0	1 856
Change in market value interest rate swap	2 315	0
Unealised losses on derivatives	1 763	0
Realised losses on derivatives	0	147
Other financial expenses	519	627
Financial expenses	**32 960**	**22 096**
Net financial items	**8 704**	**19 796**

Note 10 Taxation

Tax on the result is as follows:

(NOK 1 000)	2011	2010
Tax payable	1 895	1 136
Change in deferred tax	-17 487	35 759
Corrections from previous years	44	-97
Tax on the result for the year	**-15 548**	**36 798**

Tax on items recognised in comprehensiveincome:	**2011**			**2010**		
(NOK 1 000)	**Before tax**	**Tax expense**	**After tax**	**Before tax**	**Tax expense**	**After tax**
Available-for-sale financial assets	(23 847)	(715)	(23 132)	23 847	715	23 132
Total tax recognised in comprehensive income	**(23 847)**	**(715)**	**(23 132)**	**23 847**	**715**	**23 132**

Tax recognised directly in equity:

(NOK 1 000)	2011	2010
Tax relating to costs recognised directly in equity	1 680	45
Total tax recognised in equity	**1 680**	**45**

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2011	2010
Result before tax	-17 166	168 925
Tax calculated at nominal tax rate (28 %)	-4 806	47 299
Expenses not deductible for tax purposes	-1 233	206
Equity method associates	473	-5 536
Gain on revaluation of associate shareholding to fair value	0	-5 074
Gain on sale of financial assets	-11 661	0
Tax on share issue costs	1 680	45
Corrections from previous years	0	-142
Tax on the result	**-15 548**	**36 798**
Effective tax rate *	**91 %**	**22 %**

* High effective tax rate 2011 due to realisation of non-current financial assets (MNOK 41.6) is included in result before tax.

Note 10 cont.

DEFERRED TAX LIABILITIES

Breakdown of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2011	31.12.2010
Intangible assets	452 091	452 091
Property, plant and equipment	-11 920	-15 066
Inventory	387 280	385 475
Trade receivables	10 647	-582
Pensions	-8 480	-7 719
Other	-684	7 674
Tax losses carried forward	-279 692	-201 822
Basis for deferred tax	**549 242**	**620 051**
Estimated deferred tax liabilities	**153 784**	**173 610**

Short- and long-term breakdown of deferred tax benefits and deferred tax liabilities:

(NOK 1 000)	31.12.2011	31.12.2010
Deferred tax benefits:		
Long-term tax items	-86 425	-63 519
Short-term tax items	0	-163
Deferred tax:		
Long-term tax items	126 585	126 585
Short-term tax items	113 627	110 707
Deferred tax 31 December	**153 784**	**173 610**

Change in deferred tax liabilities in balance sheet:

(NOK 1 000)	2011	2010
Book value as of 1 January	173 610	107 352
Acquisition of subsidiaries (Note 3)	0	29 785
Income statement charge	-17 431	35 759
Tax effect relating to components of other comprehensive income	-715	715
Deferred tax share issue cost	-1 680	0
Book value 31 December	**153 784**	**173 610**

The Group has capitalised deferred tax related to tax loss carryforwards. This has been done on the assumption that the Group will be able to apply them against future taxable revenues. All Group companies are located in Norway and are subject to a nominal tax rate of 28 %. Losses carried forward within the Group have no expiry date.

Note 11 Intangible assets

Cost: (NOK 1 000)	**Fish farming licences** **2011**	**2010**
Acquisition cost as of 1 January	498 287	397 543
Additions from acquisitions during the year	0	100 744
Additions during the year	4 600	0
Acquisition cost as of 31 December	502 887	498 287

Specification of fish farming licences by region: (NOK 1 000)	**Number of licences**	**Cost**	**Book value 31.12.2011**
Region North	19	370 026	370 026
Region South	6	132 861	132 861
Total	25	502 887	502 887

Annual impairment test

Fishfarming licences are defined as having an indefinite useful economic life and are not amortised, but are tested for impairment annually. This is done by comparing assets' recoverable amounts with their book values.

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 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.

Calculations are based mainly on discount rates, harvesting volumes, salmon prices, production costs per kg and investment levels. In the calulation it is assumed that the production capacity of about 30,000 tonnes will be utilised in the future and that the long-term EBIT margin per kg. will be around NOK 5.

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 per cent. The estimated value in use is based on a discount rate after tax of 7.80 per cent. The discount rate is an estimated average capital cost for the Group (WACC). Capital costs are calculated by considering the company's long-term share payments, 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.

There are significant positive differences between estimated recoverable amounts and book values in Region North and Region South. Sensitivity analyses have been performed by examining at changes in discount rates, EBIT per kg and harvesting volume.

Note 12 Property, plant and equipment

(NOK 1 000)	Land and buildings	Machinery and equip-ment	Boats and floating assets	Other operating assets	Total	Of which leased opera-ting assets
Acquisition cost as of 1 January 2010	**8 055**	**48 526**	**25 491**	**9 892**	**91 965**	**28 408**
Additions from acquisitions during the year	3 177	10 609	9 167	280	23 233	1 425
Additions	128	29 426	33 124	3 074	65 751	54 068
Disposals	-1 398	-6 425	-6 015	0	-13 839	0
Acquisition cost as of 31 December 2010	**9 962**	**82 136**	**61 767**	**13 246**	**167 111**	**83 902**
Acquisition cost as of 1 January 2011	**9 962**	**82 136**	**61 767**	**13 246**	**167 111**	**83 902**
Disposals	942	48 894	34 637	5 310	89 783	65 940
Acquisition cost as of 31 December 2011	0	-2 691	-2 232	-88	-5 010	0
Anskaffelseskost 31. desember 2011	**10 904**	**128 339**	**94 172**	**18 468**	**251 884**	**149 842**
Accumulated depreciation as of 1 January 2010	**1 206**	**15 276**	**10 417**	**6 001**	**32 898**	**10 436**
Depreciation for the year	465	11 340	5 189	1 561	18 555	7 509
Impairment	4 899	5 792	2 160	0	12 851	0
Disposals	0	-6 425	-4 707	0	-11 132	0
Accumulated depreciation as of 31 December 2010	**6 570**	**25 982**	**13 059**	**7 562**	**53 173**	**17 945**
Accumulated depreciation as of 1 January 2011	**6 570**	**25 982**	**13 059**	**7 562**	**53 173**	**17 945**
Depreciation for the year	313	15 701	7 256	2 773	26 043	13 371
Disposals	0	-2 357	-2 232	-54	-4 643	0
Accumulated depreciation as of 31 December 2011	**6 883**	**39 326**	**18 084**	**10 280**	**74 572**	**31 316**
Economic life	6 850	33 251	15 075	3 892	59 068	17 972
Depreciation schedule	3 392	56 154	48 708	5 683	113 937	65 955
Book value as of 31 December 2011	4 021	89 013	76 089	8 187	177 311	118 526

Economic life	20 years	5–10 years	5–15 years	3–5 years
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line

Write-downs and other non recurring items

In 2011 the Group has not recognised write-downs or costs relating to individual events.

Note 13 Investments in associates

2011 (NOK 1 000)	Shareholding	Book value 31.12.2010	Share of result for the year	Dividend received	Acquisitions/ disposals in the period	Book value 31.12.2011
Company						
Wilsgård Fiskeoppdrett AS	37.50 %	41 232	-2 865	-2 250	0	36 117
Larssen Seafood AS *	48.00 %	9 578	-834	0	-8 744	0
Måsøval Fishfarm AS	36.10 %	23 052	39	-7 220	0	15 871
Hellesund Fiskeoppdrett AS	33.50 %	22 394	-827	-50	0	21 517
Hardanger Fiskeforedling AS	31.10 %	1 045	1 506	0	1 866	4 417
Espevær Laks AS	37.50 %	1 059	-230	0	0	829
Ranfjord Fiskeprodukter AS	27.65 %	15 728	1 522	0	37	17 287
Other		48	0	0	0	48
Total associates		**114 135**	**-1 689**	**-9 520**	**-6 841**	**96 087**

The Group's share of fair value adjustments in connection with biomass at associates was KNOK -8,495 as of 31 December 2011. The fair value adjustments at the start of the year were KNOK 12,284. The decrease of KNOK 20,779 is included in income from associates.

* Larssen Seafood AS was an associate until 30 September 2011 when the shares were sold. The figures stated are for the period 1 January – 30 September 2011.

2010 (NOK 1 000)	Shareholding	Book value 31.12.2009	Share of result for the year	Dividend received	Acquisitions/ disposals in the period	Book value 31.12.2010
Company						
Nord Senja Laks AS	50.00 %	23 281	-30	0	-23 251	0
Wilsgård Fiskeoppdrett AS	37.50 %	34 292	6 940	0	0	41 232
Larssen Seafood AS	48.00 %	7 039	3 463	-924	0	9 578
Måsøval Fishfarm AS	36.10 %	16 988	8 952	-2 888	0	23 052
Hellesund Fiskeoppdrett AS	33.50 %	23 364	-920	-50	0	22 394
Hardanger Fiskeforedling AS	31.10 %	2	1 043	0	0	1 045
Espevær Laks AS	37.50 %	0	-66	0	1 125	1 059
Ranfjord Fiskeprodukter AS	27.65 %	0	-224	0	15 952	15 728
Other		48	0	0	0	48
Total associates		**105 013**	**19 158**	**-3 862**	**-6 174**	**114 136**
Share of negative equity – recognised as provision			612			
Share of associates recognised in income			**19 772**			

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 12,484 as of 31 December 2010. The fair value adjustments at the start of the year were KNOK 11,617. The increase of KNOK 867 is included in income from associates.

Nord Senja Laks AS (formerly Nord-Senja Fiskeindustri AS) was an associate until 30 June 2010. The company is included as a subsidiary in the Group from 1 July 2010. For further details of the transaction see Note 3.

Nord Senja Laks AS (formerly Nord-Senja Fiskeindustri AS) was an associate until 30 June 2010. The company is included as a subsidiary in the Group from 1 July 2010. For further details of the transaction see Note 3.

The Group acquired a 27.65 per cent stake in the smolt producer Ranfjord Fiskeprodukter AS in 2010. For further information see Note 3.

As of 31 December 2009 Espevær Laks AS had negative equity. NRS recognised its share of the negative equity up to the value of the guarantee liability issued by the Group. In 2010 Espevær Laks AS implemented an issue, on which it generated a profit. The provision of KNOK 612 was therefore reversed in 2010. NRS contributed KNOK 1,125 to the issue implemented by the company in 2010.

Note 13 cont.

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

2011 (NOK 1 000)	**Business local authority**	**Operating revenues 2011**	**Profit/loss 2011**	**Total assets 31.12.11**	**Total liabilities 31.12.11**	**Total equity 31.12.11**
Company						
Larssen Seafood AS *	Nord-Solvær	7 643	-1 842			
Wilsgård Fiskeoppdrett AS	Torsken	63 552	-13 237	129 109	78 778	50 331
Måsøval Fishfarm AS	Frøya	249	-1 830	29 390	11 846	17 543
Hellesund Fiskeoppdrett AS	Høvåg	12 622	-2 467	76 267	47 309	26 200
Ranfjord Fiskeprodukter AS **	Mo i Rana	38 260	4 672	66 146	42 679	23 467
Hardanger Fiskeforedling AS	Strandebarm	50 099	4 940	33 145	18 940	14 205
Espevær Laks AS	Bømlo	41 693	-632	16 121	13 911	2 211

* Larssen Seafood AS was an associate of the Group until 30 November 2011 when the shares were sold. The figures stated are for the period 1 January–30 September 2011.

2010 (NOK 1 000)	**Business local authority**	**Operating revenues 2010**	**Profit/loss 2010**	**Total assets 31.12.10**	**Total liabilities 31.12.10**	**Total equity 31.12.10**
Company						
Nord Senja Laks AS *	Botnhamn	51 796	3 982			
Wilsgård Fiskeoppdrett AS	Torsken	77 087	18 107	110 642	46 990	63 652
Larssen Seafood AS	Nord-Solvær	28 573	7 035	23 382	6 246	17 136
Måsøval Fishfarm AS	Frøya	249	22 761	54 812	10 351	44 462
Hellesund Fiskeoppdrett AS	Høvåg	24 303	-2 744	35 564	3 988	31 576
Ranfjord Fiskeprodukter AS **	Mo i Rana	34 431	4 593	46 004	29 487	16 517
Hardanger Fiskeforedling AS	Strandebarm	44 012	3 093	13 843	10 481	3 362
Espevær Laks AS	Bømlo	42 214	542	12 565	9 742	2 823

* Nord Senja Laks AS (formerly Nord-Senja Fiskeindustri AS) was an associate of the Group until 1 July 2010, since when the company has been included in the Group's scope of consolidation. The figures stated are for the period 1 January–30 June 2010. In the first half of 2010 the former Nord-Senja Fiskeindustri AS included both fish farming and white fish business. From 1 July 2010, the white fish business was sold to a separate company, which is no longer included in the Group's operations.

** Ranfjord Fiskeprodukter AS has been included in the Group since 1 October 2010. However, the figures stated cover the whole of 2010.

Note 14 Financial instruments by category

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

As of 31 December 2011

(NOK 1 000)	Loans and receivables at amortised cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available-for-sale	Total
Available-for-sale financial assets	0	0	0	3 385	3 385
Derivatives	0	4 594	0	0	4 594
Trade and other receivables*	264 209	0	0	0	264 209
Cash and cash equivalents	6 205	0	0	0	6 205
Total	**270 414**	**4 594**	**0**	**3 385**	**278 393**

* Trade and other receivables exclude prepayments

(NOK 1 000)	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	Total
Loans (excluding finance leases)	0	0	403 335	403 335
Finance leases	0	0	134 603	134 603
Derivatives	2 315	0	0	2 315
Trade and other payables *	0	0	228 080	228 080
Total	**2 315**	**0**	**766 018**	**768 333**

* Trade and other payables excluding statutory liabilities

As of 31 December 2010

(NOK 1 000)	Loans and receivables at amortised cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available-for-sale	Total
Available-for-sale financial assets	0	0	0	34 053	34 053
Derivatives	0	4 855	0	0	4 855
Trade and other receivables*	286 756	0	0	0	286 756
Cash and cash equivalents	4 748	0	0	0	4 748
Total	**291 504**	**4 855**	**0**	**34 053**	**330 412**

* Trade and other receivables exclude prepayments

(NOK 1 000)	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	Total
Loans (excluding finance leases)	0	0	366 752	366 752
Finance leases	0	0	63 988	63 988
Trade and other payables *	0	0	268 481	268 481
Total	**0**	**0**	**699 221**	**699 221**

* Trade and other payables excluding statutory liabilities

Note 14 cont.

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: 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: 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 2011:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	4 594	0	4 594
Available-for-sale financial assets				
– Equity instruments	0	0	3 385	3 385
– Debt instruments	0	0	0	0
Total assets	**0**	**4 594**	**3 385**	**7 979**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading purposes	0	0	0	0
- Derivatives used for hedging	0	2 315	0	2 315
Total liabilities	**0**	**2 315**	**0**	**2 315**

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2010:

(NOK 1 000)	Nivå 1	Nivå 2	Nivå 3	Sum
Assets				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	4 855	0	4 855
Available-for-sale financial assets				
– Equity instruments	0	0	34 053	34 053
– Debt instruments	0	0	0	0
Total assets	**0**	**4 855**	**34 053**	**38 908**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
Derivatives used for hedging	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**

Note 15 Available-for-sale financial assets

The Group recognised a net value adjustment in 2010 of KNOK 23,132. This value adjustment was recognised in comprehensive income and was included in comprehensive income for 2010. The value adjustment was connected to the Group's shares in Lingalaks AS. All the shares were realized in the first quarter of 2011. All the Group's investments in the available-for-sale category, are unlisted shares.

(NOK 1 000)	**31.12.10**	**Additions in connection with acquisitions**	**Capital increase**	**31.12.11**
Available-for-sale financial assets	34 053	(30 968)	300	3 385
Total available-for-sale financial assets	**34 053**	**(30 968)**	**300**	**3 385**

Available-for-sale financial assets comprise:

(NOK 1 000)	**Ownership share**	**31.12.2011**	**31.12.2010**
Company			
Lingalaks AS	12.80 %	0	30 850
Skardalen Settefisk AS	30.00 %	2 300	2 000
Other unlisted shares		1 085	1 204
Total available-for-sale financial assets		**3 385**	**34 053**

The Group has a 30 per cent shareholding in Skardalen Settefisk AS. The Group has not defined this investment as an associate, as the company has a dominant owner with a 70 per cent shareholding, which means the Group cannot be deemed to have a significant influence.

Note 16 Inventory

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Raw materials	12 381	11 776
Finished goods	6 470	3 443
Total inventory	**18 851**	**15 219**

Raw materials mainly comprise feed for the farming business. Finished products comprise frozen salmon for resale.

Note 17 Biological assets (biomass)

Specification of biological assets:

(NOK 1 000)	31.12.2011	31.12.2010
Biological assets valued at cost	382 721	310 975
Fair value adjustments of the biological assets	5 159	75 000
Total biological assets	**387 880**	**385 975**

Specification of changes in book value of biological assets:

(NOK 1 000)	2011	2010
Biological assets as of 1 January	385 975	256 142
Book value of biological assets in acquired entities	0	19 926
Increase due to production in the period	469 919	294 644
Reduction due to harvesting in the period	-398 173	-209 560
Fair value adjustments of the biological assets	-69 841	24 823
Biological assets as of 31 December	**387 880**	**385 975**

Specification of biological assets – tonnes (ungutted weight):	2011	2010
Biological assets as of 1 January	12 768	10 639
Additions of biological assets in acquired entities	0	225
Increase due to production in the period	26 139	14 816
Reduction due to harvesting in the period	-22 780	-12 912
Biological assets as of 31 December	**16 127**	**12 768**

Valuation of biological assets

In accordance with IAS 41, Agriculture, biological assets must be valued at fair value less sales and harvesting costs. Changes to valuation adjustments are recognised in the income statement on an ongoing basis and classified as a separate line in order to highlight operating results before and after fair value adjustments.

Valuation model:

The starting point for the fair value adjustments is the market price for harvested fish as presented in published market statistics. Deductions are made to the market price for harvesting costs and transport to the market to reflect the net sales consideration for live fish to the farmer. Expected quality upon harvesting is estimated and affects the calculated net sales price. The biomass at each individual site is valued separately. Specification of the biomass includes number of fish, estimated average growth and production cost. In the model the value is calculated by assigning a value to the weight in kg of biomass. The weight in kg of biomass is multiplied by the value per kg to express overall fair value. For smaller fish, production costs per kg will exceed calculated market value. When this case the biomass is valued at production cost as long as one expect a gain when selling harvestable fish. If the anticipated growth in weight and sales revenues is not expected to cover production costs when the fish is harvestable, the biomass is valued at calculated market value.

Sensitivity analyses:

Based on the Group's biomass as of 31 December 2011, an increase in price of NOK 1.00 per kg would result in an increase in the book value of the biomass of KNOK 6,352. Similar a reduction in price of NOK 1,00 per kg would result in an reductin in the book value of the biomass of KNOK -7,964.

Note 18 Trade and other receivables

Specification of trade and other receivables:

(NOK 1 000)	31.12.2011	31.12.2010
Trade receivables	228 801	255 362
Provision for bad debts	-900	-1 450
Net trade receivables	227 901	253 912
Other short-term receivables	43 021	40 811
Other long-term receivables	3 766	3 760
Total trade and other receivables	**274 688**	**298 483**

Other short-term receivables comprise:

(NOK 1 000)	2011	2010
Fair value of derivatives	4 594	4 855
Prepaid costs	10 179	11 727
Value added tax repayable	18 071	23 057
Other receivables	10 177	1 172
Total other short-term receivables	**43 021**	**40 811**

Change in provision for bad debts:

(NOK 1 000)	2011	2010
Provision for bad debts as of 1 January	-1 450	-800
Bad debts recorded in the year	1 054	1 675
Change in provision for bad debts	-504	-2 325
Provision for bad debts as of 31 December	**-900**	**-1 450**

Foreign currency exposure on receivables:

(NOK 1 000)	31.12.2011	31.12.2010
CHF	363	1 019
EUR	125 388	153 399
GBP	5	2 701
JPY	5 732	5 407
SEK	513	1 135
USD	46 851	40 360
NOK	49 049	49 891
Total book value trade receivables	**227 901**	**253 912**

Note 19 Cash and cash equivalents

(NOK 1 000)	31.12.2011	31.12.2010
Bank deposits	6 205	4 748
Cash and cash equivalents	**6 205**	**4 748**
Of which restricted bank balances	6 134	4 494

Note 20 Share capital and shareholder information

Share capital in parent company as of 31 December 2011:	No. of shares	Nominal	Value
Ordinary shares	39 611 083	1,00	39 611 083

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 2011:

Shareholder	No. of shares	Shareholding	Voting rights
Gåsø Næringsutvikling AS	4 905 778	12.38 %	12.38 %
Glastad Invest AS	4 295 861	10.85 %	10.85 %
Egil Kristoffersen og Sønner AS	3 661 059	9.24 %	9.24 %
Havbruksinvest AS	3 117 312	7.87 %	7.87 %
Måsøval Eiendom AS	3 079 022	7.77 %	7.77 %
Nyhamn AS	2 013 371	5.08 %	5.08 %
Lovundlaks AS	1 781 254	4.50 %	4.50 %
Sparebanken Midt-Norge Invest AS	1 531 663	3.87 %	3.87 %
Norway Royal Salmon ASA	1 467 442	3.70 %	3.70 %
Hellesund Fiskeoppdrett AS	1 140 000	2.88 %	2.88 %
SIX SIS AG	681 006	1.72 %	1.72 %
Henden Fiskeindustri AS	592 502	1.50 %	1.50 %
Colebros LLC	502 065	1.27 %	1.27 %
Atoli AS	500 752	1.26 %	1.26 %
Wilsgård Fiskeoppdrett AS	468 689	1.18 %	1.18 %
Karl Olaf Jørgensen	435 100	1.10 %	1.10 %
Gry Marit Eikremsvik	430 000	1.09 %	1.09 %
Alf Pedersen	367 503	0.93 %	0.93 %
Sjøinvest AS	284 654	0.72 %	0.72 %
MP Pensjon PK	266 700	0.67 %	0.67 %
Total 20 largest shareholders	**31 521 733**	**79.58 %**	**79.58 %**
Total other shareholders	**8 089 350**	**20.42 %**	**20.42 %**
Total no. of shares	39 611 083	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	4 905 778	12.38 %	12.38 %
Kristine Landmark	Vice Chair	38 000	0.10 %	0.10 %
Endre T. Glastad v/ Glastad Invest AS	Board member	4 295 861	10.85 %	10.85 %
John Binde c/o Kabuso AS and Barbinvest AS *	CEO	325 050	0.82 %	0.82 %
Ola Loe	CFO	41 725	0.11 %	0.11 %
Roger Bekken	COO	40 050	0.10 %	0.10 %
Stein Martinsen and related parties	Director marketing and sales	140 533	0.35 %	0.35 %
Torstein Tiller	Director admin and chain operations	100 735	0.25 %	0.25 %

* CEO owns 50 per cent of the shares in Barbinvest AS. Barbinvest AS owned 272,115 shares in NRS as of 31 December 2011.

Treasury shares:
The board is authorised to acquire treasury shares up to a total nominal value of NOK 3,961,108. This authority runs until the Annual General Meeting in 2012, however not later than 30 June 2012. 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 45.00. The Group acquired 1,467,442 treasury shares in connection with the sale of Lingalaks. The market value on acquisition was NOK 20. In addition the Group has sold 9,224 treasury shares in 2011.

The Norway Royal Salmon Group held 1,467,442 treasury shares at the end of 2011. This is 1,458,218 more than at the end of the previous year. Treasury shares represent 3.7 per cent of all shares issued.

Board mandates:
The board is authorised to increase the share capital by up to NOK 3,961,108 by issuing up to 3,961,108 shares at NOK 1.00. This authority runs until the Annual General Meeting in 2012, however not later than 30 June 2012.

Dividend:
Dividends paid in 2011 and 2010 were KNOK 34,711 (NOK 0,91 per share) and KNOK 5,430 (NOK 0.15 per share) respectively. There is not proposed dividend for the financial year 2011. The resolution will be adopted at the Annual General Meeting of 22 May 2012.

Note 21 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)	**2011**	**2010**
Majority share of net result for the year	**2 140**	**123 528**
Fair value adjustment	60 146	-20 854
Tax on changes in fair value adjustments	-16 841	5 839
Majority share of value-adjusted result for the year	**45 445**	**108 513**
Weighted average number of ordinary shares outstanding	**37 731 467**	**36 300 212**

Basic earnings per share	**2011**	**2010**
Basis	0.06	3.40
Diluted	0.06	3.40

Value-adjusted earnings per share	**2011**	**2010**
Basis	1.20	2.99
Diluted	1.20	2.99

Shares outstanding:

(NOK 1 000)	**2011**	**2010**
Shares outstanding as of 1 January	37 219 974	36 024 079
Issue effects	2 381 885	940 790
Effect of purchase of treasury shares	-1 467 442	-78 924
Effect of sale of treasury shares	9 224	334 029
Shares outstanding as of 31 December	**38 143 641**	**37 219 974**

Note 22 Interest bearing debt

Long-term interest bearing debt:

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Debt to financial institutions	227 094	228 953
Long-term finance leases	91 705	52 528
Other long-term debt	2 085	1 000
Total long-term interest bearing debt	**320 884**	**282 481**

Short-term interest bearing debt:

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Debt to financial institutions	193 102	132 438
First year's instalment long-term debt	23 952	15 821
Other short-term interest bearing debt	0	0
Total short-term interest bearing debt	**217 054**	**148 259**
Total interest bearing debt	**537 938**	**430 740**
Cash and cash equivalents	6 205	4 748
Net interest bearing debt	**531 733**	**425 992**
Limit credit facility	325 000	310 000
Drawn upon credit facility	193 102	132 438
Unutilised drawing rights	**131 898**	**177 562**

Group loan agreements
NRS refinanced its long-term debt in 2010, and a new group loan agreement was entered into. Long-term debt associated with this agreement total KNOK 225,000. The loan is interest-only until 2013, and is thereafter repayable in instalments corresponding to a 20-year repayment period. The borrowing agreement expires in 2015 and the residue of the loan shall be repaid on 1 January 2015. The loan agreement covers all Group companies, except Nord Senja Laks AS which has its own loan agreement as described below.

Interest on the long-term debt is floating and linked to NIBOR plus a margin depending on the consolidated NIBD/EBITDA ratio and the equity ratio. Interest on the multi-currency credit line is a 3-month NIBOR/EURIBOR/LIBOR plus a margin.

Nord Senja Laks AS
Nord Senja Laks AS had a credit facility as of 31 December 2011 of KNOK 50,000. The interest rate on the loan is three-month NIBOR plus a margin.

Nord Senja Laks AS also has three long-term loans with respective book values of KNOK 1,451, KNOK 2,911 and KNOK 234 as of 31 December 2011. The interest rates are three-month NIBOR plus a margin.

Leasing liabilities
The Group has entered into framework leasing agreements with three financial institutions for respectively KNOK 40,000, KNOK 50,000 and KNOK 77,500. As of 31 December 2011 the book value of the company's leasing liabilities amounted to KNOK 113,154. 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 for solidity (equity) and earnings (net interest bearing debt/EBITDA). From the fourth quarter of 2011 the Group's covenants was changed. The group has been excempt from the covenant saying that net interest bearing debt shall not exceed 6.5 times a 4-quarters rolling EBITDA in 2012. This covenant will apply from the first quarter of 2013 and will be reduced to 5.5 in the fourth quarter of 2013 and to 5.0 in the fourth quarter of 2014. The Group shall furthermore have an equity ratio of at least 30 per cent in 2012, and from the first quarter of 2013 the covenant increases to 35 per cent. At the end of 2011 the Group is in compliance with the terms of its loan agreements.

Note 22 cont.

Foreign currency exposure in connection with company's interest bearing debt at 31 December 2011:

(NOK 1 000)	NOK	EUR	USD	SEK	JPY	Other	Total
Long-term interest bearing debt	320 884	0	0	0	0	0	320 884
Short-term interest bearing debt	135 366	28 681	45 632	476	5 567	1 331	217 054
Total interest bearing debt	**456 250**	**28 681**	**45 632**	**476**	**5 567**	**1 331**	**537 938**

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

Maturity structure of Group's interest-bearing debt:

(NOK 1 000)	31.12.2011	2012	2013	2014	2015	2016	After 2016
Long-term debt to financial institutions *	229 597	2 503	12 348	12 101	202 545	45	55
Long-term finance leases *	113 154	21 956	19 681	19 107	18 342	13 672	20 396
Other long-term debt	2 085	0	0	0	0	0	2 085
Other short-term interest bearing debt	193 102	193 102	0	0	0	0	0
Total interest bearing debt	**537 938**	**217 561**	**32 029**	**31 208**	**220 887**	**13 717**	**22 536**

* 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 23 Pledges and guarantees etc.

Reported liabilities secured by pledge:

(NOK 1 000)	31.12.2011	31.12.2010
Long-term liabilities to financial institutions	227 094	228 953
Long-term finance leases	91 705	52 528
Other secured liabilities	217 054	148 259
Total liabilities secured by pledges	**535 853**	**429 740**
Guarantee obligations and guarantor liabilities	6 365	5 620

The Group has also pledged a guarantee for Haugesund Sparebank in connection with liabilities assumed by one of the Group's associates. The guarantee liability has an upper limit of KNOK 612.

Book value of assets pledged:

(NOK 1 000)	31.12.2011	31.12.2010
Concessions	502 887	498 287
Property, plant and equipment	177 311	113 937
Shares	99 472	148 189
Inventories and biological assets	406 731	401 194
Trade receivables	227 901	253 912
Other receivables	29 488	21 514
Total book value of pledged assets	**1 443 790**	**1 437 033**

Note 24 Other current liabilities

Specification of other short-term liabilities:

(NOK 1 000)	31.12.2011	31.12.2010
Official taxes due	4 034	3 356
Liabilities in connection with the buyout of minority shareholders in AS Tri (for details see Note 3)	0	3 000
Other short-term liabilities and accruals	10 526	11 143
Total other short-term liabilities	**14 560**	**17 499**

Note 25 Derivatives

As of 31 December 2011

(NOK 1 000)	Other short-term receivables	Other current liabilities
Forward currency contracts	3 864	0
Financial Fish Pool contracts	730	0
Interest rate swap	0	2 315
Total	**4 594**	**2 315**

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	4 900	15.03.12-17.12.12	7.866-8.023	669
Forward currency contracts – fair value hedging	Sale	EUR	12 000	21.06.12	8.110	3 195
Total forward currency contracts						**3 864**

Forward currency contracts
Forward currency contracts are recognised at fair value at the balance sheet date. As of 31 December 2011 forward currency contracts totalled KEUR 16,900. These contracts mature between 15 March 2012 and 17 December 2012, and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables.

Financial Fish Pool contracts
Contracts have been signed to purchase 1 411 tonnes on the Fish Pool salmon exchange. The contract prices are in the range NOK 24.00–NOK 25.37 and cover the period from January to December 2012. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers.

Interest rate swap
NRS entered into an interest rate swap agreement in 2011.The interest rate swap is not recognized as hedge accounting. Subsequent the fair value changes on the agreement will be charged to the income statement as a part of other net financial items.

Currency	Amount	NRS pays	NRS receives	Maturity	Market value	Change in market value 2011
NOK	100 000	Fixed 3.37 %	3 MND NIBOR	07.09.16	-2 315	-2 315

As of 31 December 2010

(NOK 1 000)	Other short-term receivables	Other current liabilities
Forward currency contracts	3 339	0
Financial fish pool contracts	1 516	0
Total	**4 855**	**0**

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	5 785	18.1.11-15.06.11	8,169 - 8,217	1 867
Forward currency contracts – fair value hedging	Sale	EUR	12 000	21.03.11	7.981	1 472
Total forward currency contracts						3 339

Note 26 Operating leases

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

Specification of operating leases: (NOK 1 000)	**Lease term**	**Annual leasing charges**
Property lease Trondheim	31 March 2015	824
Property lease Kristiansand	Three months' notice	278
Property rental leases		787
Leases other equipment and boats		549
Annual operating lease costs		**2 438**

Note 27 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:

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Change in fair value adjustments of biomass	-69 841	24 823
Change in provision for onerous contracts	0	0
Change in unrealised gains/loss on financial Fish Pool contracts	-786	1 516
Total fair value adjustments	**-70 627**	**26 339**

Note 28 Related parties

Group transactions with related parties:

Goods and services purchased:

(NOK 1 000)	2011	2010
Associates – products purchased	72 747	177 797
Associates – services purchased	18 350	13 769
Associates – equipment hire	150	150
Enterprise controlled by board members – purchase of services	280	5 329
Total goods and services purchased from related parties	**91 527**	**197 045**

The company conducts transactions on normal terms with associates and chain members who are also shareholders in NRS. This applies to the purchase of fish from fish-farming companies. The Group also buys smolt both from associates and companies owned by associates. Purchases of smolt are also made at market price.

The Group buys in 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.

Wellboat services are purchased from enterprises controlled by the company's Chair Helge Gåsø. Administrative services are also purchased from the Chair. These services are priced at market terms.

Trade payables due to services purchased:

(NOK 1 000)	2011	2010
Associates	6 893	33 020
Total services purchased from related parties	**6 893**	**33 020**

Loans to related parties:

(NOK 1 000)	2011	2010
Loans to Group management:		
Book value 1 January	257	252
Interest added to loan	8	5
Book value 31 December	**266**	**257**

Note 29 Subsequent events

Share issue

Norway Royal salmon completed a private placement on the 28th of February 2012. The company issued 3,961,108 new shares and sold 1,467,442 existing treasury shares at a price of NOK 8.00 per share. The gross proceeds from the placement amounted to NOK 43.4 million. In connection with the placement the company's bank syndicate agreed to increase the Company's current bank facility with an amount equal to the net proceeds raised in the placement. Hence from the same date the bank facility increased by NOK 42.4 million.

Financial statements


ROYAL
SIMRAD

Income statement

(NOK 1 000)	Note	2011	2010
Sales revenues	2	1 681 171	1 984 442
Other operating revenue	14	6 505	7 066
Total sales revenues		**1 687 677**	**1 991 508**
Cost of materials	14	1 636 580	1 939 287
Personnel expenses	3,5	30 503	24 568
Depreciation	7	716	399
Other operating expenses	4	16 292	14 404
Total operating expenses		**1 684 092**	**1 978 657**
Net operating result		**3 585**	**12 852**
Financial items			
Income from associates and subsidiaries	6,8	19 088	86 793
Other interest income	6,14	9 129	5 791
Other financial income	6,14,18	42 848	1 873
Other interest expenses	6	-15 886	-11 894
Other financial expenses	6,18	-2 356	-139
Net financial items		**52 823**	**82 424**
Result before tax		**56 408**	**95 276**
Tax on ordinary profit	13	575	-2 663
Net result for the year		**56 982**	**92 613**
Allocations:			
Proposed dividend	12	0	35 000
Allocated to/(from) reserve for valuation variances	12	803	83 753
Allocated to/(from) other equity	12	56 179	-26 139
Total allocations		**56 982**	**92 613**

Balance sheet

(NOK 1 000)	Note	31.12.2011	31.12.2010
Assets			
Non-current assets			
Intangible assets			
Deferred tax assets	13	3 814	1 559
Total intangible assets		**3 814**	**1 559**
Property, plant and equipment			
Fixtures & fittings, office equipment, etc.	7,16	1 476	1 439
Total property, plant and equipment		**1 476**	**1 439**
Non-current financial assets			
Investments in subsidiaries	8,16	356 363	346 174
Loans to group companies	10,14,16	4 032	2 000
Investments in associates	8,16	93 211	104 797
Investments in other shares	8,16	319	7 419
Other non-current receivables	10,16	766	758
Total non-current financial assets		**454 690**	**461 148**
Total non-current assets		**459 980**	**464 146**
Current assets			
Inventory	11,16	6 470	3 442
Total inventory		**6 470**	**3 442**
Receivables			
Trade receivables	14,16	210 297	253 270
Other receivables	14,16,18	20 587	37 353
Total receivables		**230 884**	**290 623**
Bank deposits, cash and cash equivalents	17	168 939	104 565
Total current assets		**406 294**	**398 630**
Total assets		**866 274**	**862 776**

EQUITY AND LIABILITIES (NOK 1 000)	Note	31.12.2011	31.12.2010
Equity			
Paid-in capital			
Share capital	12	39 611	37 229
Treasury shares	12	-1 467	0
Share premium fund	12	54 936	15 525
Other paid-in equity	12	704	88
Total paid-in capital		**93 784**	**52 843**
Retained earnings			
Reserve for valuation variances	12	103 480	102 677
Other equity	12	206 516	177 928
Total retained earnings		**309 997**	**280 605**
Total equity		**403 780**	**333 448**
Liabilities			
Provisions			
Pension liabilities	5	8 480	7 719
Total provisions		**8 480**	**7 719**
Other non-current liabilities			
Debt to credit institutions	15,16	225 000	225 000
Total other non-current liabilities		**225 000**	**225 000**
Current liabilities			
Trade payables	14	220 082	244 505
Public charges payable		2 299	2 093
Dividend	12	0	35 000
Other current liabilities	14	6 632	15 011
Total current liabilities		**229 013**	**296 609**
Total liabilities		**462 494**	**529 328**
Total equity and liabilities		**866 274**	**862 776**
Guarantee liabilities	16	**6 365**	**5 620**

Alta, 17 April 2012

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Endre Glastad

Inge Kristoffersen

Åse Marie Valen Olsen

Eva von Hirsch

John Binde
Chief Executive Officer

Financial statements

Cash flow

(NOK 1 000)	Noter	2011	2010
Operating result		**3 585**	**12 852**
Taxes paid		0	0
Depreciation	7	716	399
Pension costs with no cash effect		761	-411
Share based payment		616	0
Change in inventories		-3 028	419
Change in trade receivables		42 973	-43 239
Change in trade payables		-24 422	95 030
Change in other current assets and other liabilities		13 490	-5 902
Net cash flow from operating activities		**34 691**	**59 148**
Cash flow from investing activities			
Payments for purchase of property, plant and equipment	7	-752	-808
Proceeds from investments in non-current financial assets	8	16 208	3 863
Proceeds from sale of financial assets		25 483	0
Proceeds from associated companies		-1 903	-17 077
Proceeds from subsidiaries		0	-14 020
Change in loans to subsidiaries, associates and others		-2 040	31 140
Net cash flow from investing activities		**36 996**	**3 098**
Cash flow from financing activities			
Receipts from new non-current borrowings		0	225 000
Non-current debt repayments		0	-105 315
Net change in overdraft		0	-56 270
Net proceeds from IPO		40 112	0
Purchase/sale of treasury shares		0	971
Net interest paid		-6 699	-6 069
Group contribution paid		-6 016	-11 849
Dividend payment		-34 711	-5 430
Net cash flow from financing activities		**-7 314**	**41 038**
Net increase/ reduction in cash and cash equivalents		64 373	103 284
Cash and cash equivalents 1 January		104 565	1 281
Cash and cash equivalents 31 December		**168 939**	**104 565**

Notes to the Financial Statements 2011

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 the 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 on the basis of an informed estimate. Other exceptions to the matching principle are specified where relevant.

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 a financial item.

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

Derivatives

Currency Forward contracts are capitalised at their fair value on the date the contract was signed. Changes in fair value are recognised in the income statement. The impact on profit and loss is classified under financial items.

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

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

Derivatives that meet the requirements for hedge accounting are capitalised at fair value.

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 to be 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

Note 1 cont.

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 made on the basis of 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

When accounting for defined benefit pension plans the liability is charged as an expense over the vesting period in accordance with the plan's vesting formula. The allocation method corresponds to the plan's vesting formula unless the bulk of the accrued entitlements relate to towards the end of the vesting period. In such cases entitlements are allocated on a straight-line basis. For this reason entitlements are recognised on a straight-line basis in connection with pension schemes pursuant to the Norwegian Mandatory Occupational Pension Schemes Act.

Estimate deviations and the impact of changed assumptions are amortised over the expected remaining accrual period to the extent that these exceed 10 per cent of the greater of pension liability and pension assets (corridor). The impact of retroactively applicable changes in plans that are not conditional upon future employment is recognised in the income statement immediately. The impact of retroactively applicable changes in plans that are conditional upon future employment is distributed in a straight line over the period until the benefit is no longer conditional upon future employment.

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 pro rata 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)	2011	2010
Norway	63 689	97 155
Western Europe	965 543	1 257 945
Eastern Europe & Russia	388 770	416 709
Asia & Middle East	267 242	213 065
Rest of the world	2 432	6 635
Total operating revenues	**1 687 677**	**1 991 508**

Note 3 Personnel expenses and benefits

(NOK 1 000)	2011	2010
Wages and salaries	23 472	18 988
National insurance contributions	3 333	2 920
Pension costs – defined benefits scheme	2 950	2 323
Other benefits	749	337
Total salary and personnel expenses	**30 503**	**24 568**
Average number of full-time-equivalents	**32**	**30**

For details of the salary and other benefits payable to the Board of Directors, CEO and other senior executives, see Note 5 to the consolidated financial statements.

Note 4 Auditor's fees

	Deloitte	
(NOK 1 000)	2011	2010
Statutory auditing services	223	171
Other attestation services	57	4
Tax advisory services	10	3
Other services	32	65
Total auditor's fees	**322**	**243**

All auditing costs are exclusive of VAT. KNOK 83 have been charged directly to equity in connection with equity transactions.

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.

Norway Royal Salmon ASA's pension scheme entitles 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.

Pension costs:

(NOK 1 000)	**2011**	**2010**
Current service cost	3 011	2 353
Interest cost	1 015	936
Expected return on plan assets	-709	-640
Actuarial gains and losses	0	0
Employee contributions to the scheme	-367	-325
Net pension cost – defined benefit scheme	**2 950**	**2 323**

Assumptions	**2011**	**2010**
Discount rate	2,60 %	4,00 %
Expected return on plan assets	4,10 %	5,40 %
Future salary increases	3,50 %	4,00 %
Inflation rate	3,25 %	3,75 %
Future pension increase	0,10 %	1,30 %
Number of people covered by the scheme:		
In work	33	32
Pensioners	2	2
Total	35	34

Net pension liabilities:

(NOK 1 000)	**2011**	**2010**
Pension liabilities	31 185	24 518
Fair value of plan assets	-17 840	-15 930
Accrued employer's national insurance contributions	1 882	1 211
Unrecognised actuarial gains and losses	-6 746	-2 079
Pension liability as of 31 December	**8 480**	**7 719**

Note 6 Financial income and financial expenses

Financial items included in the income statement:

(NOK 1 000)	2011	2010
Income from associates and subsidiaries	19 088	86 793
Sale of associate [1]	17 704	0
Sale of shares [2]	23 726	0
Interest income	9 129	5 791
Foreign exchange gains	1 299	184
Other financial income	120	1 688
Financial income	**71 065**	**94 457**
Interest expenses	15 886	11 894
Change in market value interest rate swap	2 315	0
Other financial expenses	41	139
Financial expenses	**18 242**	**12 033**
Net financial items	**52 823**	**82 424**

1) Sale of Larssen Seafood AS
2) Sale of shares in Lingalaks AS

Note 7 Property, plant and equipment

	Operating consumables, fixtures & fittings, office equipment and vehicles	
(NOK 1 000)	**2011**	**2010**
Acquisition cost 1 January	5 145	4 337
Additions	752	808
Disposals	0	0
Acquisition cost 31 December	5 898	5 145
Accumulated depreciation 1 January	3 706	3 308
Depreciation for the year	716	399
Disposals	0	0
Accumulated depreciation 31 December	4 422	3 706
Book value 31 December	**1 476**	**1 439**
Useful economic life	5–7 years	5–7 years
Depreciation method	Straight-line	Straight-line
Annual leasing cost of uncapitalised operating assets	1 256	1 168

Note 8 Subsidiaries and associated companies

Company	Consolidated	Registered office	Last acquisition date	Additional acquisitions in the year	Voting and shareholding	Book value
Nor Seafood AS	Yes	Torsken	10.08.07		82.50 %	37 912
NRS Feøy AS	Yes	Feøy	10.10.07		100.00 %	95 647
NRS Finnmark AS	Yes	Alta	01.08.08		100.00 %	185 191
Nord Senja Laks AS	Yes	Botnhamn	01.07.10		66.67 %	37 613
Total investment in subsidiaries						**356 363**
Wilsgård Fikseoppdrett AS	No	Torsken	19.08.08		37.50 %	36 344
Måsøval Fishfarm AS	No	Frøya	03.01.03		36.10 %	15 644
Hellesund Fiskeoppdrett AS	No	Høvåg	21.02.04		33.50 %	21 012
Ranfjord Fiskeprodukter AS	No	Mo i Rana	01.10.10		27.65 %	14 917
Hardanger Fiskeforedling AS	No	Strandebarm	27.08.98	16.05.11	31.10 %	4 418
Espevær Laks AS	No	Bømlo	10.02.06		37.50 %	829
Other	No					48
Total investment in associates						**93 211**

Subsidiaries:

(NOK 1 000)	Nord Senja Laks AS	Nor Seafood AS	NRS Feøy AS	NRS Finnmark AS	Total
Acquisition cost	41 019	23 691	81 198	125 592	
Paid excess value	24 473	14 045	18 162	77 824	
Opening balance 1 January 2011	38 638	39 207	104 603	163 726	346 174
Share of profit/loss for the year	-1 025	2 830	-8 956	21 465	14 314
Equity adjustments and dividend	0	-4 125	0	0	-4 125
Closing balance 31 December 2011	**37 613**	**37 912**	**95 647**	**185 191**	**356 363**

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)	Wilsgård Fiske-oppdrett AS	Larssen Seafood AS	Måsøval Fishfarm AS	Hellsund Fiske-oppdrett AS	Ranfjord Fiske-produkter AS	Other	Total
Acquistion cost at 31.12.2011	25 011	2 608	10 977	17 472	15 988	6 613	
Paid excess value	17 205	1 353	7 699	11 807	11 161	0	
of which amortisable excess value / goodwill	0	0	0	10 161	0		
Excess value and goodwill as of 31 December 2011	17 205	1 353	7 699	11 807	8 827	0	
Opening balance 1 January 2011	35 912	9 577	19 917	21 849	15 389	2 153	104 797
Additions/disposals	0	-6 279	0	0	37	1 866	-4 376
Share of profit/loss for the year	2 682	-834	2 947	-787	1 522	1 276	6 806
Amortisation of excess values and goodwill during the period	0	0	0	0	-2 032	0	-2 032
Dividend	-2 250	-2 465	-7 220	-50	0	0	-11 985
Closing balance 31 December 2011	**36 344**	**0**	**15 644**	**21 012**	**14 916**	**5 295**	**93 211**

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 10,161 out of a total excess value of KNOK 11,161 has been allocated to goodwill. Goodwill is amortised over 5 years.

Income from associates	**2011**
Share of profit/loss for the year	6 806
Amortisation of excess values and goodwill during the period	-2 032
Total revenue recognised	**4 774**

Note 9 Shares in other companies

Non-current assets: (NOK 1 000)	**Acquired**	**Share holding**	**Book value**
Fiskerinæringens Innkjøpslag AS			1
Aqua Gen AS		0.2 %	318
Total investment in other shares			**319**

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Note 10 Receivables due in more than one year

(NOK 1 000)	2011	2010
Loans to group companies	4 032	2 000
Other receivables	500	500
Loans to employees	266	258
Total receivables due in more than one year	**4 798**	**2 758**

Note 11 Inventory

(NOK 1 000)	2011	2010
Finished goods	6 470	3 442
Total inventory	**6 470**	**3 442**

Note 12 Share capital and shareholders

Share capital as at 31 Dec 2011 comprises the following classes of share:	Number of shares	Nominal value	Book value
Ordinary shares	39 611 083	1	39 611 083

Norway Royal Salmon ASA had 1,351 shareholders as at 31 December 2011. All shares afford the same rights in the company.
The board has proposed no payment of dividend for the year 2011.
For details of the largest shareholders and shares owned by board members, the CEO and other senior executives, see Note 20 to the consolidated financial statements.

(NOK 1 000)	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Reserve for valuation variances	Other equity	Total
Equity as of 31 December 2010	37 229	0	15 525	88	102 677	177 928	333 448
Change in the year:							
Net result for the year	0	0	0	0	803	56 179	56 982
Proposed dividend	0	0	0	0	0	0	0
Proposed dividend 2010, not paid	0	0	0	0	0	289	289
Share based payment	0	0	0	616	0	0	616
Share issues – net of transaction costs	2 382	0	39 410	0	0	0	41 792
Purchase and sale of treasury shares	0	-1 467	0	0	0	-27 881	-29 347
Equity as of 31 December 2011	39 611	-1 467	54 936	704	103 480	206 516	403 780

Norway Royal Salmon ASA bought 1 467 442 treasury shares at a price of NOK 20.00 each in 2011.

Note 13 Taxation

(NOK 1 000)	2011	2010
Tax payable	0	1 684
Change in deferred tax	-575	979
Tax related to profit/loss for the year	**-575**	**2 663**

Tax payable in the balance sheet:

(NOK 1 000)	31.12.11	31.12.2010
Tax payable	0	1 684
Tax on group contributions	0	-1 684
Tax payable	**0**	**0**

Specification of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2011	31.12.2010
Property, plant and equipment	118	-135
Inventories	600	500
Trade receivables	-788	582
Pensions	8 480	7 719
Other temporary differences	-2 809	-3 097
Tax losses carried forward	8 019	0
Basis for deferred tax	**13 621**	**5 569**
Deferred tax assets	**3 814**	**1 559**
Deferred tax on items recognised directly in equity	**1 680**	**45**

Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2011	2010
Result before tax	56 408	95 276
28% tax on profit	15 794	26 677
28% tax on permanent differences	576	117
Income from associates with the equity method and gains on shares	-16 945	-24 131
Tax related to the result for the year	**-575**	**2 663**
Effective tax rate *	**-1.0 %**	**2.8 %**

* Negative effective tax rate 2011 due to realisation of non-current financial assets (MNOK 41.6) is included in profit before tax.

Note 14 Intra-group transactions and balances

Intra-group balances:

(NOK 1 000)	Non-current receivables 2011	Non-current receivables 2010	Trade receivables 2011	Trade receivables 2010	Other current receivables 2011	Other current receivables 2010
Group companies	4 032	2 000	0	3	0	16 461
Associated companies	0	0	5	172	0	0
Total	**4 032**	**2 000**	**5**	**175**	**0**	**16 461**

(NOK 1 000)	Trade payables 2011	Trade payables 2010	Other current liabilities 2011	Other current liabilities 2010
Group companies	103 170	52 349	0	6 016
Associated companies	10 687	30 933	0	0
Total	**113 857**	**83 282**	**0**	**6 016**

Other current liabilities to group companies consist entirely of group contributions.

Transactions with group companies:

(NOK 1 000)	2011	2010
Other operating revenues	2 100	670
Cost of goods sold	452 882	364 777
Other interest income	9 009	1 522
Other financial income	0	1 463

Note 15 Long-term liabilities

Instalment profile – debt to credit institutions:

(NOK 1 000)	2012	2013	2014	2015	2016	Totalt
Debt to credit institutions	0	11 250	11 250	202 500	0	225 000
Total	**0**	**11 250**	**11 250**	**202 500**	**0**	**225 000**

NRS refinanced its long-term debt in 2010, and a new group loan agreement was entered into. Long-term debt associated with this agreement total KNOK 225,000. The loan is interest-only until 2013, and is thereafter repayable in instalments corresponding to a 20-year repayment period. The borrowing agreement expires in 2015 and the residue of the loan shall be repaid on 1 January 2015.

Interest on the long-term debt is floating and linked to NIBOR plus a margin depending on the consolidated NIBD/EBITDA ratio and the equity ratio. Interest on the multi-currency credit line is a 3-month NIBOR/EURIBOR/LIBOR plus a margin. In addition has NRS entered into an interest rate swap agreement in 2011. The interest rate swap is not recognized as hedge accounting under IFRS. Subsequent the fair value changes on the agreement will be charged to the income statement as a part of other net financial items.

The company's loan covenants are based on standard ratios for solidity (equity) and earnings (net interest-bearing debt/EBITDA). From the fourth quarter of 2011 the Group's covenants was changed. The group has been excempt from the covenant saying that net interest bearing debt shall not exceed 6.5 times a 12-months rolling EBITDA in 2012. This covenant will apply from the first quarter of 2013 and will be reduced to 5.5 in the fourth quarter of 2013 and to 5.0 in the fourth quarter of 2014. The Group shall furthermore have an equity share of at least 30 % in 2012, and from the first quarter of 2013 this covenant is increased to 35 %. The requirement is based on the consolidated financial statements. At the end of 2011 the Group is in compliance with the terms of its loan agreements.

Note 16 Assets pledged as securities, guarantees, etc.

Capitalised secured liabilities

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Long-term debt to credit institutions	225 000	225 000
Short-term debt to credit institutions	0	0
Total secured liabilities	**225 000**	**225 000**

Book value of assets pledged as security

(NOK 1 000)	**31.12.2011**	**31.12.2010**
Shares	434 657	458 390
Property, plant and equipment	1 476	1 439
Inventories	6 470	3 442
Trade receivables	210 297	253 270
Other receivables	25 385	40 111
Total secured liabilities	**678 285**	**756 652**
Guarantee liabilities	**6 365**	**5 620**

In addition to the above-mentioned guarantees, the company had the following liabilities as of 31 December 2011:

1) Norway Royal Salmon ASA has given guarantees to credit institutions with respect to some of its subsidiaries' leasing liabilities. As of 31 December 2011 the total recognised leasing liabilities for which NRS has pledged security amounted to KNOK 112,710.
2) Norway Royal Salmon ASA has given guarantees to certain of its subsidiaries' feed suppliers with respect to feed purchases. Recognised liabilities for which guarantees have been given as of 31 December 2011 amounted to KNOK 32,917.
3) Norway Royal Salmon ASA has given guarantees to the bank of one of the subsidiaries, limited to KNOK 10,000.
4) Furthermore, Norway Royal Salmon ASA has joint and several liability up to a maximum of KNOK 500,000 for a group overdraft arrangement.

Note 17 Liquidity

As at 31 December 2011 the company had restricted deposits of KNOK 5,878. The funds have been pledged as security for the company's trading activities on Fish Pool.

Note 18 Derivatives

Forward currency contracts
Forward currency contracts are recognised at fair value at the balance sheet date. As of 31 December 2011 forward currency contracts totalled KEUR 16,900. These contracts mature between 15 March 2012 and 17 December 2012, and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables. The fair value of derivatives as of 31 December 2011 was KNOK 3,864 and are classified as other short-term receivables.

As of 31 December 2011 (NOK 1 000)	**Type**	**Currency**	**Currency amount**	**Currency period**	**Exchange rate range**	**Book value**
Forward currency contracts – cash flow hedging	Sale	EUR	4 900	15.03.12-17.12.12	7.866-8.023	669
Forward currency contracts – fair value hedging	Sale	EUR	12 000	21.06.1012	8.110	3 195
Total forward currency contracts						3 864

As of 31 December 2010 (NOK 1 000)	**Type**	**Currency**	**Currency amount**	**Currency period**	**Exchange rate range**	**Book value**
Forward currency contracts – fair value hedging	Sale	EUR	12 000	21.03.11	7.981	1 472
Total forward currency contracts						1 472

Financial Fish Pool contracts
The contracts are entered into by Sales for the purpose of hedging margins associated with deliveries at fixed prices.

The purchase of 1 411 tonnes on the Fish Pool salmon exchange has been agreed. The agreed prices vary between NOK 24.00 and NOK 25.37 and are valid for the period January to December 2012. Gains or losses on contracts are recognised in the income statement on the date of realisation. The fair value of unrealised Fish Pool contracts as of 31 December 2011 was KNOK 730.4.

As of 31 Decemer 2010 the purchase of 560 tonnes on the Fish Pool salmon exchange has been agreed. The agreed prices vary between NOK 35.30 and NOK 38.50 and are valid for the period January to June 2011. Gains or losses on contracts are recognised in the income statement on the date of realisation. The fair value of unrealised Fish Pool contracts as of 31 December 2010 was KNOK 1 516.

Interest rate swap
NRS entered into an interest rate swap in 2011.The interest rate swap is not recognized as hedge accounting under IFRS. Subsequent the fair value changes on the agreement will be charged to the income statement as a part of other net financial items.

Currency	**Amount**	**NRS pays**	**NRS receives**	**Maturity**	**Market value**	**Change in market value 2011**
NOK	100 000	Fixed 3.37%	3 M NIBOR	07.09.16	-2 315	-2 315

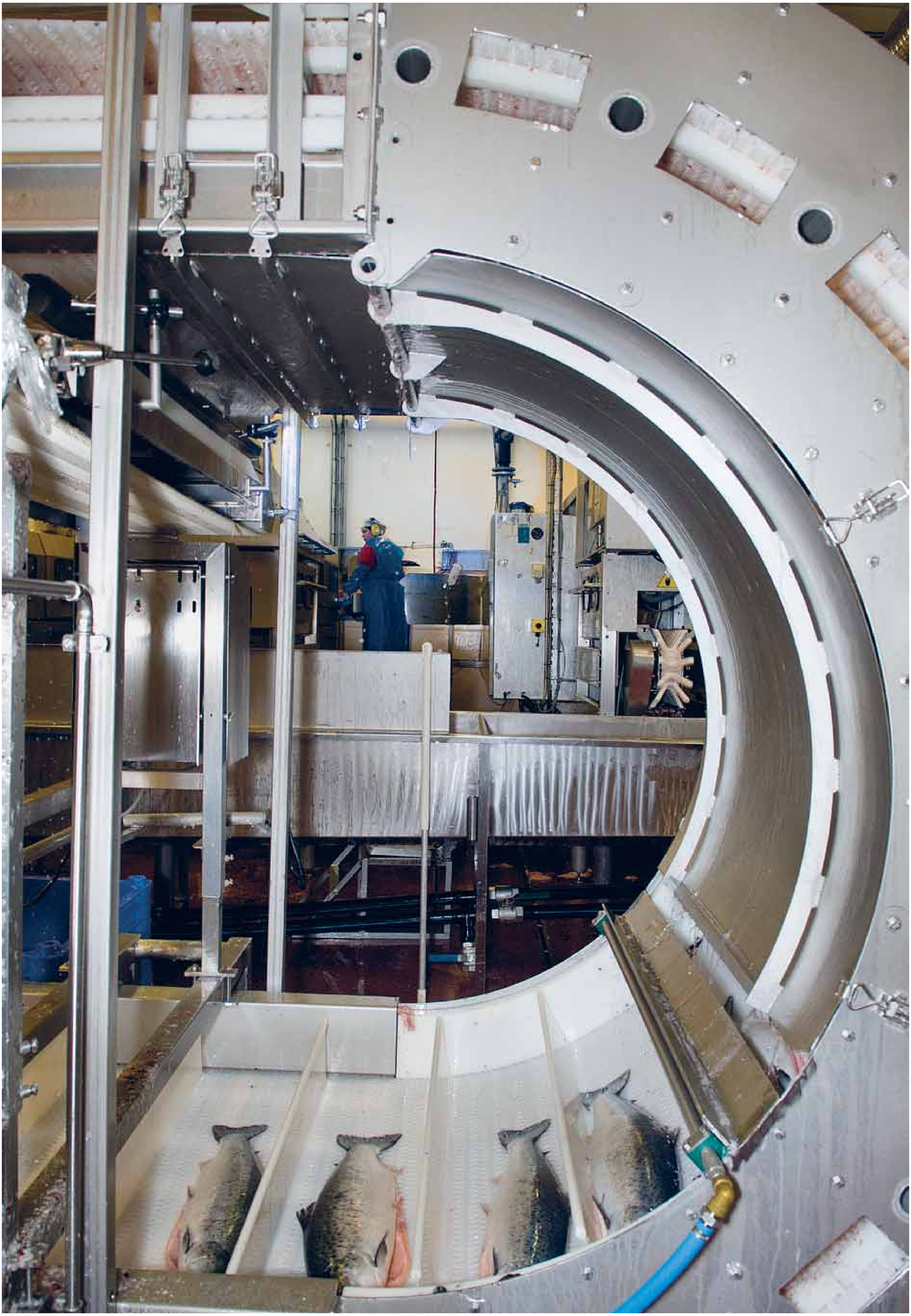
Note 19 Financial risk

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 20 Subsequent events

Private placement
Norway Royal salmon completed a private placement on the 28th of February 2012. The company issued 3,961,108 new shares and sold 1,467,442 existing treasury shares at a price of NOK 8.00 per share. The gross proceeds from the placement amounted to NOK 43,4 million.

In connection with the placement the company's bank syndicate agreed to increase the Company's current bank facility with an amount equal to the net proceeds raised in the placement. Hence from the same date the bank facility increased by NOK 42,4 million.



Responsibility statement from the Board of Directors and Chief Executive Officer

We confirm that, to the best of our knowledge, the financial statements for the period for 2011 for the group and the parent company have been prepared in accordance with applicable accounting standards, and that the accounts give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of the operations per 31 December 2011.

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.

Alta, 17. april 2012

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Endre Glastad

Inge Kristoffersen

Åse Marie Valen Olsen

Eva von Hirsch

John Binde
Chief Executive Officer

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norway Royal Salmon ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norway Royal Salmon ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements of the parent company comprise the balance sheets as at 31 December 2011, the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheets as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norway Royal Salmon ASA as at 31 December 2011, and of 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.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Norway Royal Salmon ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report, the statement of corporate governance principles and practices and the allocation of the profit

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 the statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

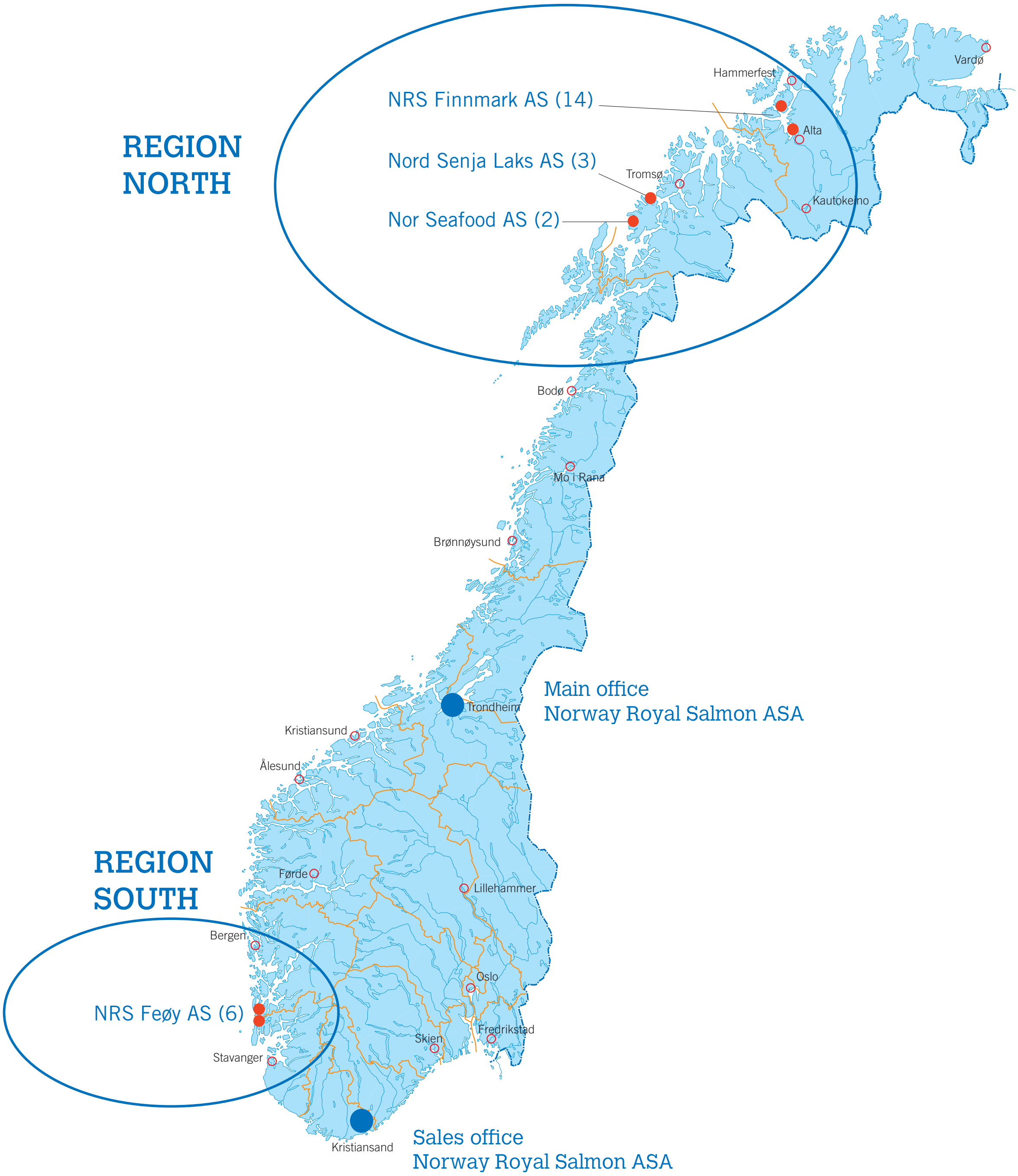
Opinion on Registration and Documentation

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, 17 April 2012
Deloitte AS

Karl O. Sanderød
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]



Norway Royal Salmon ASA is the majority shareholder in four companies, which operate 25 fish farming licences. These are located in Alta and Senja in northern Norway (Northern Region) and in the area around Haugesund (Southern Region). The number of licences is stated in parentheses.

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