Austevoll Seafood ASA

Annual Report 2017

F/V Don Ole, Peru

Content

Important strategic events

This is Austevoll Seafood ASA

A leading seafood industry specialist within the salmon, white fish and pelagic sector.

Austevoll Seafood ASA (AUSS) is a globally integrated pelagic, white fish and salmon industry specialist with operations in Norway, Chile, Peru and North Atlantic region. Our beginning can be traced back to Austevoll Havfiske AS, a company established in 1981 by Helge Møgster, Ole Rasmus Møgster and their father. The fishing activities were small-scale up until 1991, when the Møgster family purchased their second fishing vessel, including fishing license, in Norway. Over the last decade, AUSS has acquired a significant number of companies of a complementary nature to its existing business areas.

In 1991 the Møgster family entered into the pelagic wild catch in Chile after being invited by EWOS to operate their fishing vessels. The Chilean operation was gradually expanded and AUSS now controls approx. 9.1 % of the Chilean horse mackerel quotas in the South of Chile. The next major investments were done in 2006, by entering into the fishmeal and fish oil operation in Norway and Peru through the acquisitions of Welcon Invest AS (Norway) and Austral Group S.A.A (Peru). In 2006, AUSS was established based on Austevoll Havfiske AS, by then one of the top pelagic fishery and salmon farming companies in Norway. The main shareholder of the company is LACO AS, a company under joint control by the Møgster family.

Today our investments include ownership and operation of fishing vessels, fishmeal plants, canning plants, freezing plants, salmon farming, trading, processing, sales and distribution of fish. The total number of full-time equivalents (FTEs) for the Group in 2017 was 6,229 of which 1,653 were in South America.

At AUSS we see the focus in sustainability as the key for our success and existence. A successful balance of environmental, social and economic elements will help ensure that AUSS remains commercially feasible, socially acceptable and in compliance with the capacity of the environment we operate in.

Glossary
AUSS - Austevoll Seafood ASA
NPEL - Norway Pelagic ASA
LSG - Lerøy Seafood Group ASA

2017
LSG started building one of the world's largest smolt facilities at Kjærelva in Hordaland.
Acquired 100 % ownership of Epax Norway AS (via Pelagia AS)

2016
Acquired 100 % ownership of Havfisk ASA and Norway Seafoods Group AS (via LSG)
Decreased ownership in LSG to 52.69 %

2015
Austral took over the new technologically advanced fishing vessel "Don Ole"
LSG became a significant producer of cleaner fish

2014
Pelagia Holding AS were established
Villa demerged and LSG'share fully consolidated into LSG

2013
Increased ownership in NPEL from 43.3 % to 100.0 %
Acquired 49.43 % of the shares in Villa Organic AS (via LSG)
AUSS and Kvefi AS agreed to merge respective pelagic activities in Europe. Transaction was completed in January 2014

2012
Acquired 50 % of the share capital of Hordafor AS (via Welcon Invest AS)
Acquired 50.1 % of the shares in Rode Beheer B.V (via LSG)

2011
Increased ownership in NPEL from 33.27 % to 43.3 %
Increased ownership in Br. Birkeland AS from 40.2 % to 49.99 %

2010
Acquired 33.27 % share capital of NPEL
Sold the entire shareholding of Epax Holding AS
Acquired 50.1 % of Sjøtroll Havbruk AS (via LSG)

2009
AUSS and Origin Enterprises plc. merged their respective fishmeal and fish oil activities in Norway, Ireland and UK
Decreased ownership in LSG to 63.7 %
Completed private placement for a total of 18,400,000 new shares

2008
Increased ownership in LSG to 74.93 %

CEO Letter

"Staying true to our long term ambition to build a fully integrated seafood company, we have grown AUSS into a global leader within the Salmon, Whitefish and Pelagic sectors."

VALUE CREATION IN INTEGRATION

An investment strategy based on conviction, industrial insight, and long-term focus in seafood companies which add sustainable value to our business activities had led our group from having a turnover of NOK 2.7 billion from the listing in 2006 to yet another record of NOK 20.8 billion in 2017. Staying true to our long term ambition to build a fully integrated seafood company, we have grown Austevoll Seafood ASA into a global leader within the Salmon, Whitefish and Pelagic sectors.

Supply in the global salmon industry increased by 6.4 % in 2017 with a total harvested volume of approx. 2,305 million tonnes compared with 2016. The Norwegian harvest volumes increased by 3.1 %. Throughout 2017, the Norwegian fish farming industry has shown a positive development when it comes to biological performance. Improvements in production resulted in higher harvest volumes, which in turn put some pressure on the spot price for salmon in the second half of the year, but all in all the prices remained strong in 2017. The acquisitions of Havfisk ASA and Norway Seafoods Group AS (now renamed Lerøy Norway Seafoods AS) were completed in Q4 2016. I am confident that these acquisitions will significantly strengthen Lerøy Seafood Group's position as a global total supplier of seafood by providing access to more than 100,000 tonnes of whitefish.

Industrial developments and employment in capital-intensive activities exposed to global competition such as fish farming, fisheries and processing, represent challenges and require a long-term perspective by the industry itself and politicians at national level. Therefore I believe it to be very important that the industry work closely with the politicians to lay the foundation for the future of the Norwegian seafood industry. The long term framework conditions of this cooperation must be advanced knowledge based on an understanding of environmental sustainability.

In 2017, Lerøy Seafood Group ASA (LSG) achieved another record result, and reported the highest revenue and operating profit in the Group's history. We can summarise the year with good salmon and trout prices, strong demand for both salmon and whitefish, but not without some biological challenges. LSG harvested a total of 173,300 tonnes of salmon and trout from its own production in 2017, up 5 % from 164,200 tonnes in 2016. We currently estimate the total harvest volume for LSG in 2018 to be approx. 182,000 tonnes.

Our South America operations faced yet another challenging but interesting year in 2017. Marked by the "Niño Costero" in the early months of 2017, high sea surface temperatures resulted in very strong rainfalls particularly along Peru's northern coast. This event delayed the start of the first fishing season in the North Central Zone which began on April 22nd with a 2.8 million tonnes anchoveta quota. Despite the challenges, Peru has had a good first season in 2017, with 2.4 million tonnes caught vs. 0.9 million tonnes during the same period in 2016. Nevertheless, low temperatures and high occurrence of juveniles delayed the start of the second season until January 2018. Early start of the spawning period prevented all from completing the second season quota (46 %). The high presence of juveniles during the second season 2017, together with normalization of the seawater condition, provide an outlook for a better fishery in 2018.

In Chile, we experienced recovery from the earlier market restrictions in our main markets for frozen pelagic products in Africa. Chilean catches of giant squid and the market for those products have remained positive. Demand remains high due to limited catches in other South American fishing grounds. The Chilean horse mackerel quota was set at 317,300 tonnes for 2017, which was a 7 % increase from 2016. The quota for 2018 was set at 371,700 tonnes, an increase of 17 %. There were also a sharp increase of 84 % in artisanal landings in the Centre South of Chile at 613,100 tonnes in 2017 vs. 332,200 tonnes in 2016.

Our pelagic industry in the North Atlantic has been facing a year with a substantial increase in raw material both for fishmeal and products for human consumption compared with 2016. The increase of quotas has also resulted in decreasing market prices in particular during the first half of the year. However, Pelagia has also benefited from the increased raw material intake to our factories. With the acquisition of Epax AS in June 2017, a leading omega-3 oil concentrate producer in the world, Pelagia has gained yet another strong value adding component. Pelagia's total intake of raw material in 2017 (ex. associated company) was 1,269 million tonnes, an increase of 8.5 % compared with 1,169 million tonnes in 2016. The pelagic quotas in the North Atlantic indicated for 2018 are slightly lower but in line with the 2017 levels.

IN CONCLUSION

2017 was a year of significant progress and I am satisfied with the Group's financial performance. Austevoll Seafood ASA will continue developing our businesses in our capacity as an active and engaged owner. The quality of our active ownership is dependent on the quality of the people working in the Austevoll Seafood group. I am once again humbled by all the great contribution from our employees and grateful for all of their efforts throughout the year. Your trust, loyalty, sacrifices and devotion have been, and will continue to be, key factors in our success. Thank you.

Company overview

Austevoll Seafood ASA is a globally integrated pelagic, salmon and white fish industry specialist with operations in Norway, Chile, Peru and North Atlantic.

*Associated companies

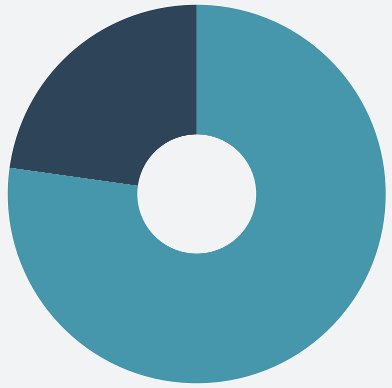
Key figures

Amounts in NOK 1 000		2017	2016	2015
PROFIT AND LOSS ACCOUNT				
Operating income		20 798 933	18 911 523	15 273 494
Operating expenses		-16 051 684	-15 030 692	-13 029 418
EBITDA		**4 747 249**	**3 880 831**	**2 244 076**
Depreciation, amortisation, impairment and depreciation of excess value		-920 094	-967 920	-857 640
EBIT (before fair value adj.biological assets)		**3 827 155**	**2 912 911**	**1 386 436**
Fair value adjustment of biological assets		-1 832 499	1 549 449	246 567
OPERATING PROFIT		**1 994 656**	**4 462 360**	**1 633 003**
Income from associated companies		498 790	459 498	264 279
Net financial items		-293 431	-239 277	-325 145
Profit before tax		2 200 015	4 682 581	1 572 137
Profit after tax		1 830 956	3 707 974	1 283 106
Net profit after discontinued operations		**1 830 956**	**3 707 974**	**1 283 106**
Profit to minority interests		821 489	2 063 069	560 863
BALANCE SHEET				
Intangible assets		11 697 603	11 746 906	8 115 351
Vessels, other property, plant and equipment		7 563 091	6 691 064	5 531 053
Other non current assets		2 305 574	1 864 664	1 861 178
Current assets		13 742 956	14 698 769	10 286 381
Total assets		**35 309 224**	**35 001 403**	**25 793 963**
Equity		19 171 739	18 212 820	13 610 808
Long term liabilities		10 902 868	11 231 383	8 238 442
Short term liabilities		5 234 617	5 557 200	3 944 714
Total equity and liabilities		**35 309 224**	**35 001 403**	**25 793 964**
Net interest bearing debt		**4 137 532**	**5 492 880**	**4 838 160**
CASH FLOW				
Net cash flow from operating activities		**4 220 079**	**3 249 085**	**1 211 128**
KEY RATIOS				
Liquidity ratio	1	2,63	2,64	2,61
Equity-to-asset ratio	2	54 %	52 %	53 %
EBITDA margin	3	23 %	21 %	15 %
Return on equity	4	10 %	23 %	10 %
Average no. of shares (thousands) *		**201 824**	**201 410**	**200 995**
Earnings per share	5	5,00	8,17	3,59
Paid out dividend		2,50	7,00	2,00
Proposed dividend payout 2018		2,80		

1) Current assets/short term liabilities
2) Equity/total capital
3) Operating profit/loss before depreciation expressed as a percentage of operating income
4) Net profit after tax (incl. discontinued operations) expressed as a percentage of average equity
5) Net profit after tax (incl. discontinued operations)/average no. of shares
* Ex. own shares (893,300) from July 2016, and AUSS shares owned through Br. Birkeland AS for the year 2012 to July 2016

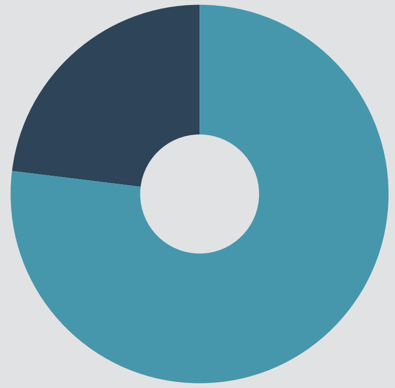
SALMON PELAGIC

Operating Revenue 2017



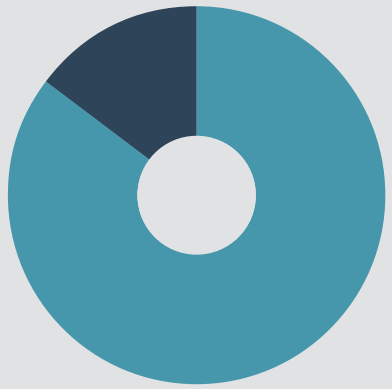
Lerøy Seafood Group ASA	18 619 588
Austral Group S.A.A	1 250 406
Foodcorp Chile S.A	507 877
Br. Birkeland AS	655 498
Pelagia AS (50 %)	3 061 055
Other/elimination	-234 436
Total	**23 859 988**

Operating Revenue 2016



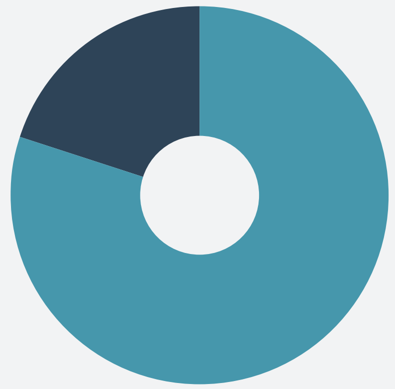
Lerøy Seafood Group ASA	17 269 735
Austral Group S.A.A	1 020 483
Foodcorp Chile S.A	425 333
Br. Birkeland AS	789 702
Pelagia AS (50 %)	2 879 204
Other/elimination	-593 730
Total	**21 790 727**

EBITDA 2017



Lerøy Seafood Group ASA	4 300 013
Austral Group S.A.A	136 637
Foodcorp Chile S.A	79 056
Br. Birkeland AS	219 475
Pelagia AS (50 %)	306 965
Other/elimination	12 067
Total	**5 054 213**

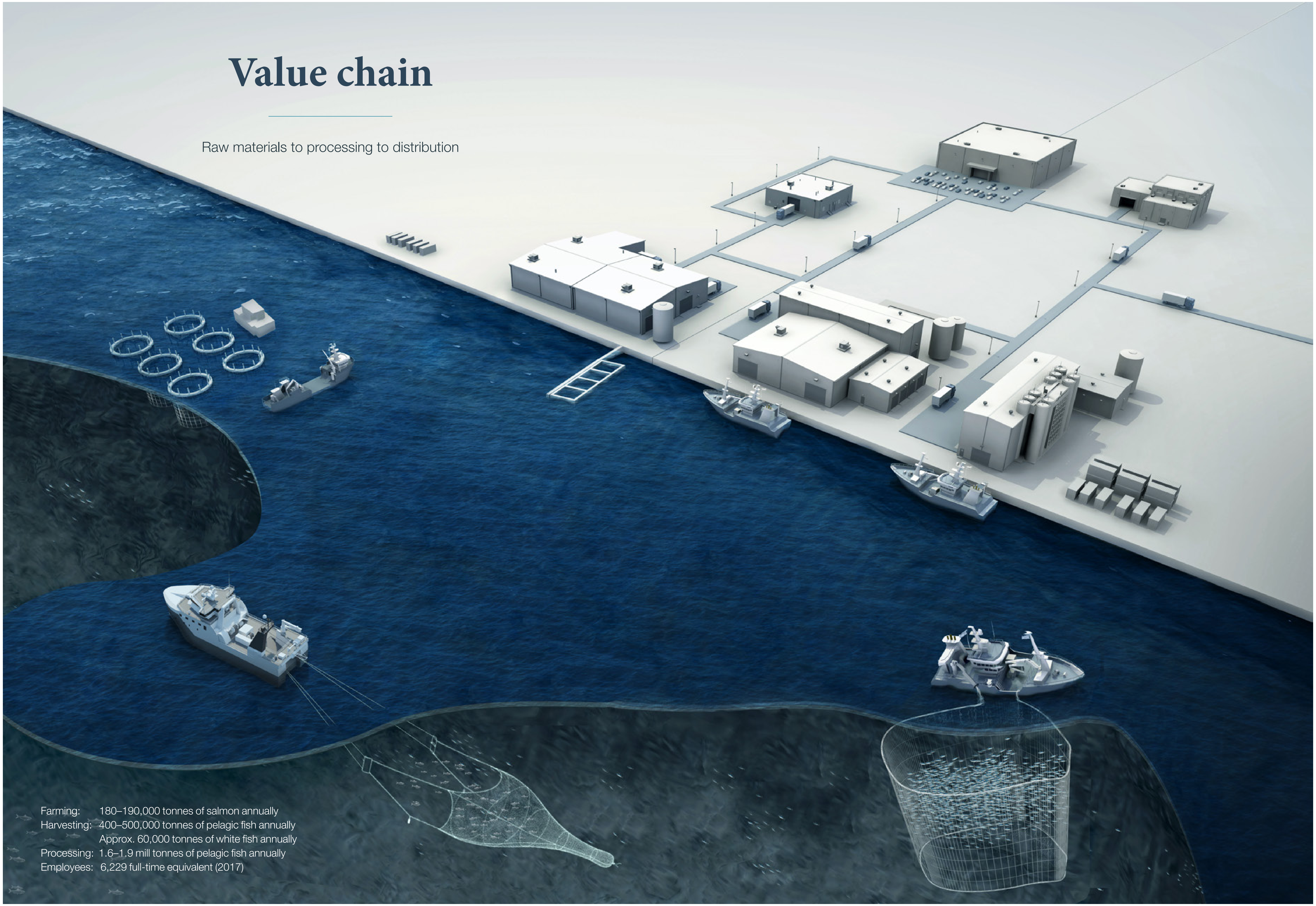
EBITDA 2016



Lerøy Seafood Group ASA	3 355 089
Austral Group S.A.A	140 105
Foodcorp Chile S.A	31 135
Br. Birkeland AS	344 541
Pelagia AS (50 %)	314 098
Other/elimination	9 961
Total	**4 194 929**

Value chain

Raw materials to processing to distribution



Farming: 180–190,000 tonnes of salmon annually
Harvesting: 400–500,000 tonnes of pelagic fish annually
Approx. 60,000 tonnes of white fish annually
Processing: 1.6–1.9 mill tonnes of pelagic fish annually
Employees: 6,229 full-time equivalent (2017)

Lerøy Seafood Group ASA

Lerøy Seafood Group's vision is to be the leading and most profitable global supplier of sustainable, quality seafood.

Lerøy Seafood Group ASA (LSG) has experienced significant growth both organic and through acquisitions over the past 15 years. Today, LSG is one of the world's largest producers of Atlantic salmon and trout. After acquisitions in the whitefish segment was completed in 2016, LSG is now the largest corporation in Norway in terms of catches and processing of whitefish, with a significant position internationally. LSG is among the largest seafood exporters in the world.

The seafood market is experiencing increasingly strict requirements on traceability, food safety, product quality, cost efficiency, sustainability, continuity of supply and a higher level of processing. LSG maintains a strong focus on the market, and a vertically integrated value chain is vital in offering end customers the right product at the right time. The seafood industry is still a young industry with substantial potential for future development and growth.

LSG's strategy is to be a fully integrated supplier of its core products and the business is currently operated via a number of subsidiaries in Norway and abroad. LSG reports within three segments: Farming, Wild Catch and Whitefish, and Value-added Processing, Sales and Distribution (VAPS&D).

Operational highlights for 2017

LSG reported revenue in 2017 of NOK 18,620 million, up from NOK 17,270 million in 2016. This is the highest revenue ever reported by LSG. The growth in LSG's revenue is mainly attributed to an increased level of activity within whitefish, the increase in harvest volume from Farming, good market conditions for salmon and a positive development in LSG's downstream activities.

LSG's operating profit before fair value adjustment related to biological assets was NOK 3,717 million in 2017 compared with NOK 2,843 million in 2016. Profit before tax and fair value adjustment related to biological assets was NOK 3,805 million in 2017 compared with NOK 2,926 million in 2016. Earnings per share when adjusted for fair value adjustment related to biological assets and minority interests totalled NOK 4.90 compared with NOK 3.84 per share in 2016.

The Wild Catch and Whitefish segment is a new segment for LSG, emerging in 2016 as a result of the largest acquisition ever made by LSG. In October 2016, Lerøy Seafood Group obtained 100 % ownership of both Havfisk ASA (Havfisk) and Norway Seafoods Group AS. As a result of this transaction, both companies were consolidated into Lerøy Seafood Group as of 1 September 2016. Norway Seafoods Group AS subsequently changed its name to Lerøy Norway Seafoods AS (LNWS).

Havfisk's primary business is fishing whitefish. Havfisk has licence rights to harvest just above 10 % of the total Norwegian cod quotas in the zone north of 62 degrees latitude. After taking over the trawler Nordtind from the shipyard in January 2018, Havfisk has ten trawlers in operation. Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants. Havfisk's total catch volume in 2017 was 66,729 tonnes, up 5 % from 2016. The company reported stable and good operations throughout 2017.

LNWS's primary business is processing wild-caught whitefish. The company operates eight processing plants in Norway, five of which are on leased from Havfisk. LNWS is the largest purchaser of cod from the coastal fishing fleet in Norway. LNWS previously owned two facilities in Denmark, but these were sold at the start of 2017 to Seafood International A/S – a Danish seafood corporation in which Lerøy Seafood Group ASA owns 33 % of the shares.

The Farming segment comprises LSG's three farming regions in Norway: Lerøy Aurora AS, which holds 26 licences in Troms; Lerøy Midt AS, which owns 57 licences in Central Norway; and Lerøy Sjøtroll, which consists of the two farming companies Lerøy Vest AS (37 licences, wholly- owned by LSG) and Sjøtroll Havbruk AS (26 licences, 50.7 % owned by LSG), in addition to Norsk Oppdrettsservice AS, producers of cleaner fish. LSG also produces salmon in Scotland through the associate Norskott Havbruk AS (LSG shares: 50, which reported a harvest volume of 31,000 tonnes of salmon in 2017.

In 2017, LSG harvested 173,300 tonnes of salmon and trout, including LSG's share of the volume from Norskott Havbruk, up from 164,200 tonnes in 2016.

LSG has done, and are in the process of doing, major investments in new smolt production, including production based on recirulation technology. In 2013 a new facility was completed in Central Norway and in 2015 a new facility was completed in North Norway. In 2017 and 2018 LSG is building two smolt facilities, one for salmon and one for trout, in West Norway. The construction of LSG's new processing facility for salmon in Central Norway has continued in full pace in 2017. The facility is due to be completed in the second quarter of 2018 and will be the world's most modern and efficient slauthering and processing unit for salmon.

LSG has major downstream activities and a clearly defined goal to drive demand for seafood in the form of new products and market development. LSG sells, processes and distributes own-produced salmon and trout along with whitefish from its own fleet of trawlers, but also has substantial activities in cooperation with third parties. As a result, LSG now supplies a wide range of seafood products, and sells its products to more than 70 markets worldwide. LSG has identified positive synergy effects in its marketing work as a result of the acquisition within whitefish.

Investments made towards downstream activities have eradicated the dividing lines that existed previously between processing operations and sales and distribution. As a result LSG has merged the two reporting units Value-added Processing (VAP) and Sales and Distribution (S&D) into one segment VAPS&D from 1 January 2017.

Key initiatives and accomplishments in 2017

In Q1 2017, a business combination was conducted between Norway Seafoods Group AS and Norway Seafoods AS, with Norway Seafoods AS as the recipient party. Norway Seafoods AS changed its name to Lerøy Norway Seafoods. Significant changes were made in 2017 to management structure, and the CEO of Havfisk is now also the CEO of Lerøy Norway Seafoods. LSG has achieved substantial reductions in costs and has initiated the process of exploiting synergy effects in Lerøy Norway Seafoods. This process is in its initial stages, and much remains to be done. Industrial processing of whitefish in Norway is challenging, but LSG is confident that such operations are possible and that the challenges can be solved by means of improved marketing and more efficient operations. Though this process will take time LSG is confident there are gains to be made.

In the VAPS&D segment, there is a clear trend among consumers, moving from preference for whole fish towards products with a higher degree of processing. LSG maintains a continuous focus on developing new products and markets. In recent years, LSG has achieved a position as Norway's largest producer of sushi. LSG's sushi concept has been successfully launched on several other markets. In 2014, the Group started sales and distribution activities in Spain with the establishment of Lerøy Processing Spain. This company is enjoying a rapid pace of development. It not only runs a modern factory on the outskirts of Madrid, but also opened two new factories for ready meals in 2017. Developments in Spain are very exciting, and the Group is confident that it is well-positioned for sustained positive development.

LSG has made significant investments in so-called "fish-cuts". These are factories/facilities on the end market with relatively simple processing but large volumes, and where proximity to the end customer is key. These "fish-cuts" represent a revolution in the distribution of fresh fish with new and simple consumer-oriented packaging and short efficient logistics chains making it possible for more retailers to sell fresh fish. Given the substantial development made within the "ready meals" segment in 2016 and 2017 LSG has identified interesting potential in this market to exploit.

In 2017 and 2018 LSG is building two smolt facilities, one for salmon and one for trout, in West Norway. The smolt facility for salmon are located on the island of Fitjar in Hordaland and will be one of the world's largest RAS post-smolt facilities. The plan is to introduce eggs to the facility in the second quarter of 2018, with the first release

of smolt in 2019. Based on in-house experience, LSG expects a high yield from this investment, including the potential for considerable reductions to release from stock costs and an increased production volume for the region.

Market overview for 2017

Both LSG and the Norwegian fish farming industry have experienced a positive development in biological production of salmon in 2017 and the first months of 2018. This has allowed for increased growth, resulting in an increase in harvest volume of salmon in Norway towards the end of 2017. LSG has close links with the end market for seafood, including salmon, and can confirm that the trend for increased demand remains strong.

For the year as a whole, LSG's prices realised on salmon and trout were up 9 % from 2016 to 2017. Import restrictions in Russia and neighbouring countries since 7 August 2014 have had a negative impact on prices realised for trout. Trout prices were on the increase in 2016 and were on par with salmon prices at the start of 2017, but fell unfortunately against salmon prices througout 2017. Prices realised for trout by LSG in 2017 were approx. NOK 4 lower per kg than the corresponding prices for salmon.

In line with its market strategy, LSG exported a broad range of seafood products from Norway to a large number of countries in 2016, the most significant market being the EU. It is satisfying to observe the positive developments generated by LSG's efforts related to distribution of fish in the Nordic countries and Europe, and how these strengthen LSG own and its customers' position on this important seafood market. There is a healthy demand for LSG's products.

The current estimate for harvest volume in 2018, including the share of LSG's volume from associates, is 182,000 GWT.

Foodcorp Chile S.A

A key player in the Centre-South Chilean pelagic industry.

Foodcorp Chile S.A (FC), a fully owned subsidiary of AUSS since 1991, and one of the main players in the pelagic fishing industry in the Centre-South region of Chile. FC owns a fleet of three purse seiner vessels, plants for freezing, canning, fishmeal and fish oil production. In addition FC also purchases raw material from coastal fishermen under long term fish delivery agreements.

FC has a quota of 9.1 % for horse mackerel of the Centre-South Chile in addition to a quota for sardine/anchoveta.

Operational highlights for 2017
2017 was another challenging year for FC, but far more positive than 2016. African frozen market restrictions were released in Q2, but the effects of a very unusual "Coastal El Niño" phenomenon affected the size structure of the horse mackerel and the availability of giant squid and sardine/anchovy fisheries. On the up side FC were able to secure important horse mackerel quota from high seas, operators that were negatively affected by the oceanographic conditions, causing the majority of the biomass to move inside Chile's Economic Exclusive Zone (EEZ), therefore mainly available to be caught in Chilean waters. The total raw material intake increased by 54 % in 2017 compared to 2016, in total 102,300 tonnes vs. 66,400 tonnes in 2016. The increased volumes improved the year end result substantially.

For the year 2017, FC has reported turnover of NOK 508 million compared with NOK 425 million in 2016. EBITDA for 2017 was NOK 79 million compared with NOK 31 million in 2016. Operating profit before impairment for 2017 was NOK 47 million compared with operating loss of NOK 38 million in 2016. Operating profit in 2017 was NOK 46 million. Operating loss in 2016 was NOK 187 million including write-downs of NOK 149 million related to non-current assets that were not part of scheduled production for the coming years. These write-downs related mainly to assets for production of canned goods and inactive fleet.

Key initiatives and accomplishments
In 2017, FC focused in increasing the availability of raw material to be caught by its own fleet, as well as purchases from and services to third parties. The first, was possible by securing agreements with high seas horse mackerel quota holders for an amount similar to FC's own quota. Catches were performed by own fleet and did not require the use of additional assets. Total catch of horse mackerel in 2017 was 43,150 tonnes vs. 25,700 tonnes in 2016.

Market overview for 2017
The recovery of the African frozen fish market in Q2 and a stable market in Peru, has enabled FC to allocate additional production. The frozen fish African market recovered demand in Q2, which together with a stable Peruvian one, allowed FC to allocate the additional production. New regulation criteria from Peruvian authorities stopped shipments by year end, affecting sales and end of year inventory levels.

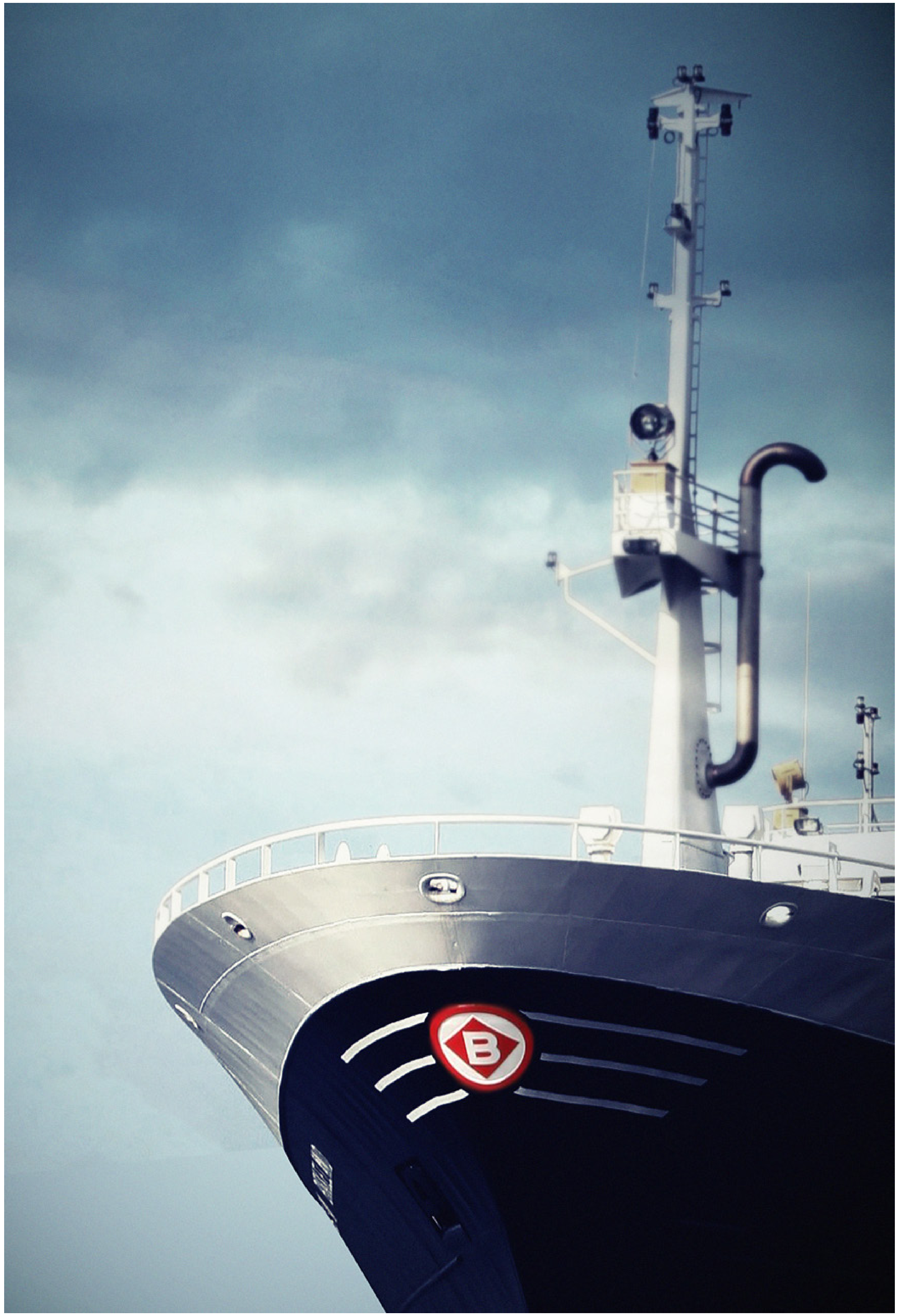
Frozen giant squid supply has been limited in all South America, reducing our production levels when compared to previous years. This shortage has considerably increased prices of both, raw material and finished product.

Fishmeal and fish oil segment has a sharp change in 2017, from a buyer's market in 1H, to a seller's one in Q4, mainly due to the effect of non-completion of the Peruvian quota. FC managed to maintain focus in domestic market all through 2017, same as previous year.

During its annual gathering in September 2017, the Technical Scientific Committee of the South Pacific Regional Fish Management Organisation (SPRFMO) determined the improvement of the horse mackerel fisheries to a "recovered" status, with a Maxim Sustainable Yield level of 105 %, and suggesting a 16.8 % increase in the total allowable catch (TAC) for 2018.

The recommendation was also adopted by Chile and, as Fishing Act establishes, 15 % of the horse mackerel industrial quota was auctioned by the end of 2017, for a 20 year period (2018–2037). FC sustain its share of quotas.

F/V Cazador, Chile



Br. Birkeland AS/ Br. Birkeland Farming AS

Headquartered in Austevoll, Norway with key business segments in fishing and salmon farming.

Br. Birkeland AS operates a fleet of 4 vessels; two purse-seiner/trawlers and two crab fishing vessels.

The salmon activities are operated by a subsidiary of Br. Birkeland Farming AS; Kobbevik og Furuholmen Oppdrett AS (KF). KF operates 7 salmon and trout farming licenses with production in Hordaland Norway.

Operational highlights for 2017
In 2017 Br. Birkeland AS operated three pelagic vessels. An agreement was signed in December 2017 for the sale of the subsidiary Maron AS, including the vessel "Siglar". The transaction was completed in January 2018, and at the time of transaction Maron AS had a 409 basic tonne quota.

The main species for the pelagic vessels in 2017 have been herring, mackerel, capelin and blue whiting. The quotas for the above mentioned species increased in 2017 compared with 2016. The vessels had a good operational year, however the increased quotas led to lower prices for the raw material compared to 2016. All catches were sold through the auction system for Norwegian pelagic fishing vessels through Norges Sildesalgslag.

Crab fishing in the Barents Sea in 2017 was a challenge with ice condition in the Barents Sea during the main season between April and June 2017 severely hampered the vessels' ability to fish. "M/S Northeastern" was in its third year of operation and was joined by a second crab fishing vessel "M/S Northguider" commissioned in Q1 2017. All in all the Norwegian snow crab catch volume (round weight) for 2017 was poor, with only about 3,142 tonnes of the National quota (4,200 tonnes) landed vs. 5,293 tonnes in 2016. The combined catch volume of both the Br. Birkeland AS vessels caught 912 tonnes (round weight) in 2017 compared to 1,246 tonnes in 2016. The market for the finished products were good in 2017, snow crab reached record prices, with Norwegian average export prices at 118 NOK per kg vs. 84 NOK per kg in 2016.

The Atlantic salmon and trout production activities take place in Hordaland on the west coast of Norway. The price achievement has been good in 2017.

For 2017 in total, BRBI reported a turnover of NOK 655.5 million compared with NOK 789.7 million in 2016. EBITDA for 2017 was NOK 219.5 million compared with NOK 344.5 million in 2016. Operating profit for 2017 as a whole was NOK 124 million compared with NOK 277 million in 2016.

Austral Group S.A.A

A leading Peruvian fishing company with primary activity in industrial fishing of pelagic fish for both direct and indirect human consumption.

Austral Group S.A.A (Austral) is a leader in the production of fishery products, conducts its operations following a management model focused on continuous improvement, eco-efficiency and innovation. Its shares are listed on the Lima Stock Exchange. Austral's main shareholder is Austevoll Seafood ASA, owning 89.35 % of the shares.

Austral's primary activity is industrial fishing, including the extraction, processing and commercialization of pelagic fish for both direct (frozen, fresh and canned products) and indirect human consumption (fishmeal and fish oil).

The company operated a fleet of 20 vessels in 2017 of which 13 are equipped with RSW systems and has 4 fishmeal plants distributed along the Peruvian coast, 2 canning plants and 1 frozen plant.

Operational highlights for 2017

The early months of 2017 were marked by the "Niño Costero" (Coastal Child) which is characterised by high sea surface temperatures which result in very strong rainfalls particularly along Peru's northern coast.

This event delayed the start of the first fishing season in the North Central Zone which began on April 22nd with a quota of 2,763,126 tonnes. Oceanographic conditions complicated the catch and only 85.85 % of the quota was caught.

The second season began on November 23rd with a quota of 1,490,000 tonnes but was subsequently suspended due to the abundance of juveniles until January 7th 2018. The season ended on January 26th 2018 due to the development of the spawning process. As a result of the short fishing season only 46.14 % of the quota was caught.

In the Southern Zone quotas of 515,000 tonnes were established for the two seasons (first and second half of the year). Only 33 % was caught in the first season and 2 % in the second season.

Austral's share of the national landings (including both zones and raw material purchases) was 8.6 % for the indirect human consumption business for 2017, a total of 272,000 tonnes of raw material. In 2016 Austral's share of the national landings was 8.9 %, a total of 244,000 tonnes.

Regarding the direct human consumption business, there were moderate national landings of mackerel of 96,223 tonnes. It should be noted that 74 % of these landings were recorded in the period between February and March, months in which a significant level of mackerel biomass was detected in national waters. The capture volume of Austral for this business was 9,175 tonnes for the year 2017 vs. 11,904 tonnes in 2016.

For 2017 in total, Austral reported a turnover of NOK 1,250 million compared with NOK 1,020 million in 2016. EBITDA for 2017 was NOK 137 million compared to NOK 140 million in 2016. Operating loss in 2017 was NOK 51 million compared to an operating loss of NOK 9 million in 2016.

Key initiatives and accomplishments

As regards to investments, Austral's focus in 2017 was on the fleet and plants renovation and modernization and included:

- Importation and implementation of the fishing vessel "Ligrunn" into the operation.
- Implementation of a third discharge line in the Coischo plant improved discharge speed, fishmeal quality, and allows higher discharge volumes.

During 2017, Austral received for the third time the "Socially Responsible Company Distinction 2016-2017" delivered by Peru 2021. This distinction recognises the company's socially responsible culture in environmental, social and economic issues. It also demonstrates the great commitment assumed by all Austral's collaborators with each of the company's stakeholders.

Austral was also selected within the "Top 2 Companies of the Fishing Sector" where Peruvians want to work according to a study conducted by Arellano Marketing. Through this type of recognition, Austral reaffirms its commitment to develop quality human talent.

Finally, Peru suffered the ravages of the event "Coastal Child" (Niño Costero) during the first months of the year, due to this, Austral joined the support of affected populations donating water, preserves, food, among other items of first necessity. As a result of this solidary contribution, both the Ministry of Labour and the Ministry of Defense gave the company formal recognition for the support provided in this national emergency.

Market overview for 2017

In 2017, the Peruvian fishmeal faced challenging conditions due to the recovery of volumes available for sale during the first semester putting pressure on prices. China remained the main market receiving a record 91 % of Austral's fishmeal and the balance was sold to South East Asian markets.

Fish oil prices have been well below 2016 levels despite the diversification of markets where China and Norway received 40 % each of Austral's fish oil. The sales to Omega 3 refineries have increased substantially reaching 69 % of total sales confirming a continuous trend.

The frozen fish sales have been supported by mackerel unloading during the first trimester. Nigeria and Ghana have consolidated as major markets with 49 % and 31 % of sales respectively.

Pelagia Holding AS

A driving force in product development
and innovation within the pelagic industry.

Pelagia Holding AS (Pelagia) is an associated company of Austevoll Seafood ASA (AUSS) and a leading North Atlantic region producer and exporter of pelagic products. Pelagia is jointly owned by AUSS (50 %) and Kvefi AS (Kvefi) (50 %) and was established in January 2014.

Pelagia is headquartered in Bergen and has divided the group's core activities into two divisions; food and feed. The food division's activities focus on production, sales and marketing of fresh, frozen and marinated pelagic products. The feed division's activities focus on the production and sales of fishmeal and fish oil towards the feed industry. The company operates production facilities strategically located in close proximity to fishing grounds in Norway, UK and Ireland.

In 2017 Pelagia added on a third division, ingredients, subsequent to the acquisition of FMC Corporation's Epax® Omega-3 business. Epax is a leading global brand of concentrated marine-based omega-3 fatty acids for dietary supplement and pharmaceutical preparations. The Epax Omega-3 product line will complement Pelagia's existing product offerings and add to the strategy of increasing Pelagia's portfolio of value added products.

Pelagia's vision is to be the leading global supplier of pelagic fish products.

Operational highlights for 2017

For 2017 in total, Pelagia reported a turnover of NOK 6,122 million compared with NOK 5,758 million in 2016. EBITDA was NOK 613 million compared with NOK 628 million in 2016. Operating profit was in 2017 NOK 484 million compared with NOK 464 million in 2016. The total intake of raw material in 2017 was 1.4 million tonnes, an increase of 16 percent compared with 1.2 million tonnes in 2016. The total includes the raw material intake of Hordafor AS, an associated company of which 50 % of the share capital is owned by Pelagia.

Pelagia believes that the pelagic sector has great potential in product development and marketing, which has yet to be harnessed. Therefore it is a key goal for Pelagia to become the driving force in product development and innovation within the pelagic industry. The wholly integrated operational structure of Pelagia provides an optimal resource utilisation rate, where 100 % of the raw material is used in the different production processes within the organisation, consequently allowing the possibilities for further value adding.

Pelagia maintains a strict position on environmental sustainability within its operating principles. All Pelagia activities are based upon the principles of sustainable exploitation of pelagic fish stocks in the ocean. Pelagia supports and engages in environmental standards for sustainable and well regulated fisheries based on sustainable stocks, minimum impact of the fisheries on their respective ecosystems and efficient management. Pelagia believes that long term profitability and survival of the industry lies in adherence to the safeguard measures in place today. Pelagia participates in various research and development projects run by the Norwegian Seafood Research Fund (FHF), and the Norwegian Seafood Council (NSC).

Through active contributions and participations, Pelagia aims to ensure that allocated funds for such projects will be used effectively.

Market overview for 2017

The main species of raw material for the food division are mackerel, herring and capelin. The main species of raw material for the feed division are blue whiting, sand eel, Norwegian pout, capelin and trimmings from the food division's production. The food division's products are sold worldwide, while the feed division's products are mostly sold within Europe. Main seasons for intake of pelagic raw material are first and fourth quarter.

In 2017, Russia still maintains a ban on importation of Norwegian seafood. However Pelagia has implemented successful measures in diverting its products to alternative markets. A weakened Norwegian krone has been a force behind the competitive advantage of Norwegian seafood products in the global market the last couple of years, but the Norwegian auction system seems to adjust the cost of purchase depending on market prices over time. With key markets in Africa having faced currency restrictions combined with the Ukrainian currency falling against the US dollar, has resulted in increased prices for many consumers globally. Through 2017 this currency issue has improved and Pelagia is confident that its products in these markets will do well against competition from alternative sources of protein.

Environmental and social responsibility

Our corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles.

AUSTEVOLL SEAFOOD ASA (AUSS)

For many years AUSS has worked actively to ensure that a strong focus on environmental attitudes and corporate social responsibility is exercised as part of daily operations.

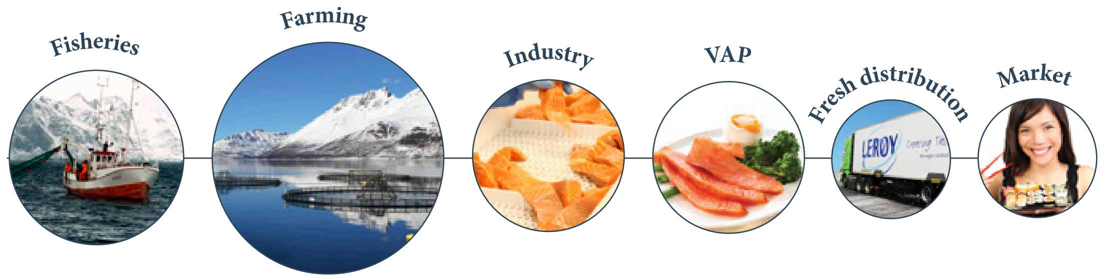
AUSS maintains a constant focus on environmental standards and corporate social responsibility and works to ensure that all our employees, at all stages of production are made aware of the need to exercise strong focus on environmental standards and social responsibility in their daily work. Our corporate social responsibility is manifested in the local communities in which it operates. For AUSS corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles. These major goals shall be achieved through the operation of our subsidiaries and monitored by AUSS. This report contains some of the important work done by our subsidiaries; Lerøy Seafood Group ASA, Austral Group S.A.A and Foodcorp Chile S.A.

LERØY SEAFOOD GROUP ASA (LSG)

THE VALUE CHAIN

What are LSG's focus areas?

For LSG as a corporation, it is essential to maintain a constant focus on areas where LSG has the greatest influence in terms of sustainability. Based on a critical evaluation of the value chain and processes, LSG has reached the conclusion that they currently have the greatest influence within the work on the different areas related to LSG's fisheries and fish farming activities.



A major share of LSG's efforts related to the environment and sustainability will therefore focus on these areas. The value chain can be seen below.

A materiality assessment was performed in 2015, involving interviews of in-house and external stakeholders. The assessment concluded that LSG's sustainability reporting should focus on five main areas: product, employees, environment, society and value chain. These areas will therefore receive particular focus.

"Take action today – for a difference tomorrow"
No other country in the world can match Norway's coast in terms of food production. Few nations can boast such a rich coastal culture, where the seafood industry has played such a central role throughout history in providing for vigorous local communities along the coast. With the global population approaching 9 billion (by 2050), it seems perfectly natural that in addition to the wild caught fish, the increased demand for food production could be satisfied by significant growth in fish farming.

For LSG, it is essential to maintain a focus on the entire concept of sustainability, a concept that encompasses not only the environment, but also social and economic factors. LSG's industry plays a significant role within society, and LSG aims to take its social responsibility very seriously, and to ensure that the social benefits provided by LSG's activities are safeguarded by maintaining robust and profitable businesses, ripple effects within local communities and stronger environmental management within fish farming.

Fisheries
LSG's operations within fisheries are based on fish as a natural resource. LSG therefore rely on proper management of the different species in the sea. Limitations on the harvest volumes of individual fish stocks come from Mother Nature herself.

Information on fishing volumes (catch statistics), monitoring of fish stocks and estimates provided by researchers from numerous countries all form the basis for the fishing quotas established. Research and advice from the Institute of Marine Research in Bergen and the International Council for the Exploration of the Sea (ICES) shall help ensure that future generations are able to harvest the major assets in the sea and along the coast. One of the vessels owned by LSG's subsidiary Havfisk is part of the Institute of Marine Research's reference fleet. As such, LSG play a part in collecting a significant amount of biological data utilised in the research into fish stocks.

Norway enters negotiations with other countries when total fishing quotas are to be established. The final decisions regarding the total quotas for fishing different species are taken based on stock assessments and advice on quotas from the International Council for the Exploration of the Sea (ICES). More than 90 % of the fish resources harvested by Norway are managed in cooperation with other countries.

The national quotas in Norway are discussed by the different stakeholders during regulation meetings, for which the Norwegian Directorate of Fisheries is responsible. These regulation meetings are held twice a year.

Subsequent to the discussions during the regulation meetings, the Directorate of Fisheries issues a proposal for regulation of fisheries to the Norwegian Ministry of Trade, Industry and Fisheries. The Ministry issues provisions regarding the distribution of quotas to Norwegian fishing vessels and provisions regarding fisheries in the form of annual regulations for each species of fish.

LSG's operations are based on public permits for the harvesting of Norwegian fish resources. The entitlement provided by these permits entails statutory obligations in terms of activity and delivery, as well as a responsibility to fish sustainably. It is LSG's aim to be a "proud custodian", and LSG have taken an active approach to ensuring full compliance with all regulations involving fisheries. LSG manage its natural resources on behalf of society as a whole, and therefore accept a particular responsibility for ensuring sustainable operations, leaving behind the smallest possible ecological footprint. LSG monitors all employees and management to ensure compliance with prevailing regulations and quota provisions. LSG has also cooperated with authorities, trade associations and non-governmental organisations to help counteract illegal fishing, thereby safeguarding resources for future generations.

Norwegian North East Arctic cod, haddock and saithe fisheries gained Marine Stewardship Council (MSC) certification in 2010. This was followed by MSC certification for shrimp fisheries in 2012. These certificates substantiate the sustainability of Norwegian fisheries for these species. The cod, haddock and saithe fisheries were awarded a new five-year certificate in 2015.

LSG's fisheries operations mainly comprise MSC certified cod, haddock and saithe, in addition to shrimp.

In 2016, Havfisk and the other parties involved in the Norwegian trawling industry entered into the Arktis-avtalen (Industry Group Agreement to Cod fishery in the northern part of North-East Atlantic). As a result of the melting of the ice sheet around the North Pole and so-called new areas becoming accessible, a map has been prepared showing those regions traditionally fished. The parties to the agreement have committed to not fishing in waters north of these areas before the seabed has been charted and it has been established that fishing will not cause permanent damage to vulnerable benthic biotopes.

There are 19 areas under Norwegian administration that are protected against bottom trawling. These are mainly found along the coastline and have been established to protect coral and other benthic organisms.

Farther north, there is a total prohibition on fishing around all islands surrounding Svalbard and extending 12 nautical miles. Combined with a more comprehensive nature reserve where fishing is prohibited and a general prohibition on fishing in waters that are shallower than 100 metres around Svalbard, the protected area covers 70,000 square kilometres. The minimum water depth of 100 metres protects food sources for animals that live on shore and birds that dive for food close to the coast. A number of other regulatory measures also apply, including a prohibition on fishing deeper than 1,000 metres to protect potentially vulnerable benthic biotopes in these areas.

Main goal: Eco-friendly and profitable operations supplying healthy food from sustainable stocks in the cleanest sea waters in the world.

Farming
LSG has a strategy whereby its fish farming activities are based on a "lasting perspective" which lays the foundations for LSG's utilisation of coastal resources. Such a perspective requires the involvement of owners, employees and suppliers and is applied daily as LSG work to produce the best seafood in the world from production activities based on natural resources.

LSG is organised with local management of its fish farming activities, and the local management's knowledge of and care for the local communities, environment and nature are of decisive importance. It is particularly important for LSG to establish proper arenas where parties involved in coastal fishing and fish farming can meet to exchange knowledge and to ensure that these two industries interact in the development of their potential to benefit local communities and Norway as a nation. LSG shall take a leading role in constantly improving the interaction between fish farming and the environment, aiming at generating positive and lasting environmental gains.

LSG has fish farming activities in three regions: West Norway (Lerøy Sjøtroll), Central Norway (Lerøy Midt AS) and North Norway (Lerøy Aurora AS). All three regions work closely together, benchmark and exchange experiences in order to arrive at a best practice, laying the foundations for further development of the local operating organisations.

Simultaneously with the reinforcement and development of competencies within the local operating organisations over many years, LSG has built up a strong team to support the local operating organisations in their efforts to secure good environmental and biological results.

Advisory group for environment and safety:
supports the production companies in relation to prevention of accidental release and staff safety standardises operating concepts, technology and methods.

The fish health team:
supports preventive work and ensures good routines for managing salmon lice, and ensures good fish health and welfare.

The RAS/post-smolt team:
provides project management and support to the production companies when selecting appropriate solutions for environmental and more efficient operations, and shorter production time in open cage systems at sea.

The cleaner fish team:
supports LSG's six production plants for lumpfish and develops good models for optimal utilisation of own-produced and wild-caught cleaner fish to combat salmon lice at LSG's fish farms.

The technology team:
builds up LSG's own technological development team, with competencies related to ordering and in-house competencies for the improvement of current production concepts and development of new production technology.

LSG follows a goal-oriented strategy to improve routines, methods and the company's environmental results. To the extent that certification schemes can contribute towards this strategy, international standards such as GlobalG.A.P. and ASC, along with standards developed in-house, may be useful in providing inspiration for and documentation of good routines and attitudes.

The following areas are of particular importance for the operational part of the LSG's environmental work within fish farming activities:

- measures to reduce salmon lice
- work to prevent accidental release of fish
- fish health and fish welfare
- efficient utilisation of land and sea areas
- reduction of discharge of nutrient salt per locality

Among the above, there has been a special focus in recent years on work to minimise the challenges related to salmon lice and the secondary effects of a transition from medicinal methods to mechanical methods to treat salmon lice.

LSG has documented positive results with the use of lumpfish as a lice eater. LSG work on cleaner fish comprises both in-house-produced lumpfish and wrasse caught in the wild. LSG efforts involving cleaner fish have made a positive contribution to the work to eliminate the use of medicinal methods.

In addition, LSG has invested a lot of work in development projects to strengthen sustainability within fish farming, including:

- raw materials for fish feed ensuring compliance with LSG's requirements for sustainable and regulated fishing ensuring that fish health, fish welfare and the environment are taken into account when developing and producing new raw materials for fish feed
- contributing to the production of new marine raw materials for fish feed
- facilitating improved biosafety throughout the value chain, from parent fish to harvesting
- development of new technology for fish farming in both fresh water and at sea

LSG's fish farming companies have established a clearly defined set of goals for each main operating segment and have developed operating procedures specifically to ensure that they can reach the goals set for such important environmental work. LSG also carries out regular internal and external audits to ensure full correspondence between operating procedures and actions. LSG has implemented advanced technology to secure and monitor operations. In addition, LSG has developed requirement specifications for its suppliers, in an effort to contribute to their active participation towards achievement of LSG's environmental targets.

There is vast potential off the coast of Norway for increased production of seafood. At the same time, however, we also have a heavy obligation to take care of the environment effectively so that we can realise our lasting perspective for fish farming.

LSG's environmental vision – "Take action today – for a difference tomorrow" – therefore provides a clear statement from every employee within LSG that we fully intend, every day, to take the initiative for environmental improvements, benefiting the environment, the fish farming industry and LSG's coastal communities.

Ethics and social responsibility

LSG is a corporation involved in global business and working relationships with suppliers and subcontractors worldwide.

In order to safeguard all its activities, LSG has prepared a set of values that apply to LSG and its partners in the daily work. LSG's ethical code of conduct has been reviewed by the Board of Directors and implemented in every Group company. LSG is responsible for ensuring the ethical code of conduct is put into practice, but each employee also bears an individual responsibility to follow the code of conduct when carrying out tasks for LSG. The company management is responsible for ensuring full practice of and compliance with the ethical code of conduct.

The ethical code of conduct has been divided into two separate areas and comprises the following:

Part 1: Factors relating to companies, suppliers and subcontractors

Part 2: Factors relating to the individual employee

Key words for the contents of the ethical code of conduct:

- ethical requirements for suppliers and subcontractors
- requirements on regulation of working conditions for employees
- the rights of the company's employees, and employees of suppliers and subcontractors
- factors involving HSE
- forced labour/discrimination
- exploitation of resources and impact on local environment
- corruption
- notification of censurable conditions
- ethical guides for employees representing the company outside the workplace

LSG has an international working environment. A number of LSG's employees are from other countries, and several of LSG's companies have a multinational workforce. Some of LSG's companies are located close to local refugee centres. By employing residents at such centres, LSG make an important contribution to successful integration in the local community. A number of the people who live in such centres work at LSG's facilities for short or longer periods of time. They contribute towards value creation and gain valuable experience of working life in Norway.

Companies in LSG work closely with employee representatives. This is based on a close working relationship between local representatives and local management at each company. This cooperation is also very much evident at the core of LSG, where the corporate management and a working committee representing the majority of trade unionists exchange information and discuss shared challenges and opportunities, both at regular intervals and when required. If necessary, formal discussions and negotiations are conducted.

Lerøy Seafood Group is fully committed to developing the local communities where the Group's different facilities are located, and aims to generate increased earnings for these communities by purchasing the highest ratio possible of local goods, equipment and services. Lerøy Seafood Group's companies in Norway purchased goods, equipment and services totalling NOK 12.5 billion in 2017. The figures show that the Group purchased these goods, equipment and services from more than 287 different municipalities in Norway. In 2017, the Group had facilities located in nearly 60 different Norwegian municipalities. Our employees paid income tax totalling NOK 460 million to 257 different municipalities. Based on our activities over the past nine years, Lerøy Seafood Group as a corporation has paid NOK 3.85 billion in tax. As such, we make an important contribution towards sustaining a number of local communities and workplaces in many different parts of Norway.

(Source: Lerøy Seafood Group ASA)

AUSTRAL GROUP S.A.A (AUSTRAL)

The activities of the Austral Group S.A.A (Austral) are framed within the General Environmental Law No. 28611 published in 2005. Austral is faithful adherents of the commitments assumed in the Environmental Management Instruments such as Environmental Impact Studies (EIA) and Environmental Management Programs (LDCs) and others voluntarily assumed.

In order to comply with all the legal and environmental requirements established by the Peruvian Government and in accordance with the demands of Austral's customers, the company has a certified environmental management model, which includes three international environmental standards, such as:

- ISO 14001:2004 Certification for the environmental management system in all the plants, head office and the fishing fleet oriented to the protection of the environment and prevention of pollution.
- Friend of the Sea Certification to ensure the production of marine food from sustainable fisheries and to prevent the capture of endangered species.
- IFFO RS Certification for the application of principles for the responsible fishing supply and the safe production of the products.

During 2017 Austral successfully approved follow-up audits of the ISO 14001:2004 and IFFO RS certifications, and recertified with the "Friend of the Sea" standard, in this way, the company reaffirm their commitment to excellence in the management of all its operations, products and services, as well as the protection of the environment and their responsibility to society.

Since 2012 Austral is member of The Global Compact Program, through which Austral aligns its operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and Anti-Corruption set by the United Nations. In addition, in 2013, Austral was one of the first 16 Peruvian companies that signed the Business Commitment to the Prevention and Eradication of Child Labour promoted by the Global Compact and CONFIEP. By joining this initiative, Austral is part of a movement replicated in Latin America and the Caribbean and is positioned in the front line in the struggle against child labor, which affects 1.7 million children in Peru and 215 million children worldwide. In addition, Austral, through its economic, social and environmentally responsible management, also contributes to the achievement of the Sustainable Development Objectives established worldwide since 2015 by the United Nations.

Austral continue working in the line of sustainability contributing to the development of the localities where the company operates. During 2017, Austral has developed programs with great impact in the areas of education, work, health, nutrition and the environment. Some of the most remarkable activities of this 2017 are the following:

"Mathematics for All" program has contributed to improving the learning of first and second grade students in Coishco, Paracas and Chancay by strengthening pedagogical strategies supported by the use of innovative educational materials provided by the program to reinforce the ones supplied by the Ministry of Education. Four schools, 19 teachers and 505 students from national schools were benefited every year.

The children and young talents participating in the program "Let's move Coishco" have trained very hard to compete in sporting championships and popular expression contests, where they have obtained a meritorious presentation. 440 youth and children have benefited from this program each year.

In 2017 Austral carried out 2 health campaigns in Coishco benefiting more than 600 people with free consultations in pediatrics, gynecology, general medicine, physical therapy, nutrition and free haircuts. Austral also conducted an ophthalmological health campaign in each locality benefiting more than 700 people with free visual exams and lenses with very low cost measurements.

"Austral green" are environmental campaigns that seek to raise worker´s awareness of the role Austral play as a business and as members of the community. In 2017 Austral participated in several activities organised in local towns, including cleaning beaches at all locations where the company operate, being members of the municipality's environmental committees, and doing environmental talks in schools.

The corporate volunteer seeks to contribute to local development with an activity that involves economic investments by Austral and the voluntary participation of Austral's collaborators. In 2017 Austral workers participated by donating toys, books and board games for the elderly and children who are interned in a hospital in their city. Austral benefited more than 250 people with this activity.

Good Corporate Governance

During 2017, Austral Corporate Governance Committee proposed to the Board the approval of the Regulations of the General Shareholders' Meeting, which was approved at its meeting held on June 13th 2017. The purpose of this Regulation is to regulate the organization and functioning of the General Shareholders' Meeting, especially regarding the call, information, concurrence and development thereof, in accordance with the provisions of the General Corporation Law, the Statute of the Society and the Policies of Good Corporate Governance of the Company.

Additionally, in line with what is established in pillar IV: Risk and Compliance, during the year 2017 Austral carried out, with the advice of Ernst & Young (EY), a comprehensive assessment of strategic, financial, operational and compliance risks, with the purpose of incorporating the controls that mitigate the identified risks. As a result of this evaluation, a map of qualified risks has been prepared according to their impact, probability and criticality.

Likewise, in an effort to increase levels of transparency within the framework of Law No. 30424, Austral began during 2017 the design of a Crime Prevention Model, in order to avoid the occurrence of corrupt practices and the commission of any other crime that poses a criminal risk to the company and/or its representatives. This Model is based on the NTP-ISO 37001-Anti-bribery among other protocols. The company is working towards to complete the implementation of this program, during 2018, also reinforcing the internal procedures and policies of the company.

(Source: Austral Group S.A.A)

FOODCORP CHILE S.A (FC)

At Foodcorp Chile S.A (FC), environment and social responsibility activities are fully integrated in all industrial and administrative processes. It is managed as a business vision that generates value for the company.

FC's Environmental and Social Responsibility program (ESR) was established as an organisational culture in 2006 and is aligned with the United Nation's Global Compact Program since its adoption in 2009. The ESR aligns all activities and strategies within 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption standards set by the United Nations. The program is divided into Internal (employees) and External (local community) chapters. The ESR program runs under the leadership of a CSR Committee formed by a group of volunteer workers from all areas and corporate levels, progress that is reported on a yearly basis to Global Compact Organisation and made public through its web site.

Safe and healthy working environment is a major concern of FC's active "Health and Incident Prevention Committee" who has successfully implemented a permanent program and extended its action scope to third party workers performing activities at FC's facilities.

The external chapter of our ESR program focuses in a close relationship and knowledge of our community and neighbourhood, working in areas of common concern that has been a key success factor.

FC is directly involved in additional environmental programs, such as air particle emission control, fishmeal plant odour control and testing of technical solutions, successful improvements to fish transport systems and sustainable fisheries programs through the active participation in the fish research institute, INPESCA.

The "IFFO RS", responsible fishmeal and fish oil supplier certification from the leading organisation concerning marine ingredients is fully integrated in all areas of operation. A continuous improvement view has been implemented and new fish species will be added soon, in order to have almost all of our fishmeal productions certified by this standard.

Lastly at FC our corporate social responsibility remains focused on achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles.

(Source: Foodcorp Chile S.A)

Corporate Governance

1. INTRODUCTION

1.1 Background

AUSTEVOLL SEAFOOD ASA ("AUSS" or the "Company"), the parent company in AUSS' group of companies ("The Group"), is established and registered in Norway and subject to Norwegian law, hereunder corporate and other laws and regulations. The Company's aim is to observe all relevant laws and regulations, and the Norwegian recommendation for corporate governance. This also applies for all other companies within the Group, and consequently this document applies to the extent reasonable for all companies therein.

The Company's Board of Directors adopted in its meeting held on 29 August 2006 a document which largely and in principle adhered to the then applicable Corporate Governance standard, with a few deviations. The Board of Directors have later examined revised versions of the Corporate Governance standard, published by the Norwegian Committee for Corporate Governance (NUES), latest standard published on 30 October, 2014. The Board has approved and adopted this document as the Company's Corporate Governance Policy to reflect the will of AUSS to fully comply with the Corporate Governance recommendations from NUES. The Company will act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market.

1.2 Objective

This governing document contains measures which have been and will be implemented to secure efficient management and control of the activities of the Company. The main objective is to establish and maintain systems for communication, surveillance and incentives which will increase and maximise the financial results of the Company, its long-term soundness and overall success, and investment return for its shareholders. The development and improvement of the Company's Corporate Governance is a continuous and important process, on which the Board of Directors and the Executive Management keep a keen focus.

1.3 Rules and regulations

The Company is a public limited company listed on the Oslo Stock Exchange.

In that respect the Company is subject to the corporate governance regulations contained in the Public Limited Companies Act 1997 (asal.), the Securities Trading Act 2007 (vphl), the Stock Exchange Act with regulations (børsreg) and other applicable legislation and regulations, including the NUES recommendations.

1.4 Management of the Company

Management of and control over the Company is divided between the shareholders, represented through the general meeting of the shareholders, the Board of Directors and the Managing Director (CEO) in accordance with applicable legislation.
The Company has an external and independent auditor.

1.5 Implementation and reporting on Corporate Governance

The Board of Directors must ensure that the company implements sound corporate governance.

The Board of Directors must provide a report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the Company's corporate governance must cover every section of the Code of Practice. If the Company does not fully comply with this Code of Practice, the Company must provide an explanation of the reason for the deviation and what alternative solution it has selected.

The Board of Directors should define the company's basic corporate values and formulate ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

The Board has decided to follow the Norwegian Recommendation for Corporate Governance and the Group has drawn up a separate policy for Corporate Governance.

AUSS takes a very conscious approach to its responsibility for ethical conduct, society at large and the environment. The Company has prepared a set of ethical guidelines for Group employees, aiming to establish common principles and regulations which govern all employees within AUSS and its subsidiaries. The Group's ethical guidelines for conduct reflect the values represented by the Group and guide the employees to make use of the correct principles for business conduct, impartiality, conflict of interest, political activity, entertaining customers, processing information and duty of confidentiality, relationships with business partners, corruption, whistle blowing, bribes etc. Each employee is individually responsible for practicing the ethical guidelines. The Company has prepared an Ethics Test for employees which will help them to make the right decisions whenever needed. The company management is responsible for ensuring compliance with the regulations.

The Company's goal is to contribute towards improving human rights, labour rights and environmental protection, both within the Group, in relation to suppliers and subcontractors; in addition The Board of Directors report has a paragraph on Social, health, safety and the environment. In the Company's annual report content of the environmental and social responsibility for the largest subsidiaries can be found in the chapter Environmental and Social responsibility.

Deviation from the Recommendations: None

2. BUSINESS

The Company's business shall be clearly defined in its Articles of Association.

The Company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association.

The annual report should include the business activities clause from the Articles of Association and describe the company's objectives and principal strategies.

The objective of the company is to be engaged in production, trade and service industry, including fish farming, fishing operations and ship owning business and any business related thereto, including investments in other companies with similar objects.

These statements appear in § 3 of Austevoll Seafood ASA's articles of associations.

Deviations from the Recommendations: None

3. EQUITY AND DIVIDENDS

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile.

The Board of Directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed.

The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the Board of Directors to increase the Company's share capital should be restricted to defined purposes. If the general meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting. Mandates granted to the Board should be limited in time to no later than the date of the next annual general meeting.

This should also apply to mandates granted to the Board for the Company to purchase its own shares.

Equity

The company's need for financial strength is considered at any time in the light of its objective, strategy and risk profile. The Board of Directors considers consolidated equity to be satisfactory.

Dividend policy

The goal is, over time, to pay out 20 % to 40 % of the Group's net profit (ex. fair value adjustment of biological assets) as dividends.

Capital increase

The Board has the authority until the ordinary general meeting in 2018 to increase the share capital by issuing up to 20,271,737 shares.

Purchase of treasury shares

The Board has the authority, until the ordinary general meeting in 2018, to purchase treasury shares in Austevoll Seafood ASA limited to 10 % of the company's share capital. Shares may not be purchased for less than NOK 20 per share, and no more than NOK 150 per share.

At 31 December 2017, AUSS directly owned 893,300 treasury shares.

Deviations from the Recommendations: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The company should only have one class of shares.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board of Directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the Board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, Executive Personnel or close associates of any such parties, the Board should arrange for valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act.

Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

The Company should operate guidelines to ensure that Members of the Board of Directors and Executive Personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Class of shares

Austevoll Seafood ASA has only one class of shares. The articles of associations place no restrictions on voting rights. All shares are equal.

Trading in treasury shares

The Board's authorisation to acquire treasury shares is based on the assumption that the acquisition will take place in the open market. Acquired shares may be disposed in the market or used as payments for acquisitions.

Transactions between related parties

See note 25 for related party transactions.

Deviations from the Recommendations: None

5. FREELY NEGOTIABLE SHARES

The Company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

The articles of association place no restrictions on negotiability. The shares are freely negotiable.

Deviations from the Recommendations: None

6. GENERAL MEETINGS

The Board of Directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board.

Such steps should include:

- making the notice calling the general meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting.
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- the Board of Directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies
- ensuring that the members of the Board of Directors and the nomination committees and the auditor are present at the general meeting
- making arrangement to ensure an independent chairman for the general meeting.

Shareholders who cannot attend the meeting in person should be given the opportunity to vote.
The Company should:

- provide information on the procedure for representation at the meeting through a proxy
- nominate a person who will be available to vote on behalf of shareholders as their proxy
- to the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

By virtue of the Annual General Meeting, the shareholders are guaranteed participation in the Groups supreme governing body. The following matters shall be discussed and resolved at the annual general meeting:

- Adoption of the annual financial statement and the annual report, including distribution of dividends.
- Any other matters which by virtue of law or the articles pertain to the general meeting.

Notification

The annual general meeting shall be held each year no later than six months after the end of each financial year. Notification shall be sent out within the deadlines in the Code of practice and relevant documentation is available on the Group's website at least 21 days prior to the general meeting. The Financial Calendar is published on the internet and through a notification to Oslo Stock Exchange.

Participation
It is possible to register by post, telefax or e-mail. Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

Deviations from the Recommendations: In 2017 three out of the seven Board members attended the General meeting. In 2017 none of the members of the nomination committee attended the General meeting.

7. NOMINATION COMMITTEE

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should have contact with shareholders, the Board of Directors and the company's executive personnel as part of its work on proposing candidates for election to the Board.

The nomination committee should be laid down in the Company's Articles of Association. The general meeting should stipulate guidelines for the duties of the nomination committee.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board of Directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the Board. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself for re-election to the Board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the Board of Directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

According to the Articles of Association § 6 the company shall have a nomination committee. The nomination committee shall issue a proposal to the general meeting regarding the election of shareholder elected Board members. The nomination committee shall consist of three members. The members of the committee shall be elected by the company's annual general meeting, which also appoints the committee's chairman. The members of the nomination committee are elected by the general meeting for terms of two years at a time. The general meeting determines the remuneration of the committee's members.

Composition
The current committee was elected on the AGM on May 25th 2016 and consists of:

Harald Eikesdal
Mr. Eikesdal is a lawyer with the firm Eikesdal. He previously held a position as Divisional Head with the Norwegian Ministry of Finance and as a deputy judge and notary public at Haugesund Magistrates Court. Until 2017 Harald Eikesdal served as the Deputy Chairman of Laco AS, the main shareholder in Austevoll Seafood ASA and DOF ASA.

Nils Petter Hollekim
Mr. Hollekim has a degree in Business Administration. He has worked as an administrator/analyst for 32 years, including Norwegian fund management companies until 2012. He spent 15 years working as a portfolio manager for ODIN Forvaltning AS. The last 7 years Mr. Hollekim has been a self-employed consultant and investment manager.

Anne-Sofie Utne
Ms. Utne holds a Master of Economy from the Norwegian University of Life Sciences (Norges Miljø- og Biovitenskapelige Universitet).
Since 2015 she holds the position as Senior Manager in BDO AS in Trondheim, and has a central position in developing BDO's strategy and excellence in services and consulting activities for the Aquaculture /Seafood Industry. Most recently Ms. Utne served as a business advisor for eight years within the Norwegian aquaculture industry through her fully owned consulting company Kauna AS. Previously she held the position as head of the Aquaculture department of a branch specialist unit in DNB Bank ASA. Ms. Utne has extensive experience within consulting and financial transactions related to national and international corporations within the aquaculture industry.

The company has not yet established specific guidelines for the nomination committee. However, the composition of the nomination committee is such that the interests of the shareholders in general are taken into account in that the majority within the committee is independent of the Board and other executive personnel.

Deviations from the Recommendations: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Where a company has corporate assembly, the composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the Company's shareholders.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The Board of Directors should not include executive personnel. If the Board does include executive personnel, the Company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the Board, including the use of board committees to help ensure more independent preparations of matters for discussion by the Board, cf. Section 9.

The Chairman of the Board of Directors should be elected by the general meeting so long as the Public Companies Act does not require that the Chairman must be appointed either by the corporate assembly or by the Board of Directors as a consequence of an agreement that the Company shall not have a corporate assembly.

The term of office for members of the Board of Directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the Board of Directors should be encouraged to own shares in the Company.

Composition of Board of Directors
According to the Articles of Association § 6 The Company's Board of Directors shall consist of 5–7 directors elected by the shareholders. Austevoll Seafood ASA has endeavoured to adapt directors' backgrounds, competence, capacity and affiliation to the Group's business activities and its need for diversity.

The Board of Directors consists of the following persons:
Helge Singelstad (1963) Chairman
Helge Singelstad has been member of the Board since 2008, and has been the Chairman of the Board since 2010. Mr. Singelstad is the CEO in Laco AS, the major shareholder in Austevoll Seafood ASA and DOF ASA. He holds a degree in Computer Engineering from Bergen University College (HiB), a degree in Business Administration from the Norwegian School of Economics (NHH) and a 1st degree of Law from the University of Bergen (UiB). He serves on numerous Boards of Directors, and is Chairman of the Board at Lerøy Seafood Group ASA and Pelagia Holding AS. Mr. Singelstad has extensive experience from various types of businesses such as oil & gas and seafood sector.

Oddvar Skjegstad (1951), Deputy Chairman
Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since 2010. Mr. Skjegstad has a degree as Master of Business Administration from Norwegian School of Economic (NHH). He is self-employed and has a wide experience from executive positions in public administration, banking and other industrial activities. Mr. Skjegstad holds board positions in companies within several different business sectors.

Lill Maren Møgster (1984), Member of the Board
Lill Maren Møgster has been member of the Board since 2012. Ms. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Ms. Møgster is educated Bachelor of Management from the Norwegian Business School (BI). She works as controller in Lerøy Seafood AS. Ms. Møgster is experienced within sales and accounting after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies.

Inga Lise L. Moldestad (1966), Member of the Board
Inga Lise L. Moldestad has been member of the Board since 2006. From the Norwegian School of Economic (NHH) Ms. Moldestad has a four-year program in Economics and Business Administration consisting of three years at Bachelor/undergraduate level and one year at graduate level. She holds a Master degree in Auditing and Accounting from NHH. Ms. Moldestad is the Executive Vice President and partner of Holberg Fondsforvaltning (a Bergen based fund management company). Having worked at Holberg, Unibank, Skandia

and Vesta in the past, Ms. Moldestad has extensive experience within the asset management industry, and from auditing and consulting after working with Arthur Andersen and Ernst & Young.

Helge Møgster (1953), Member of the Board
Helge Møgster has been member of the Board since the company was founded in April 1981, and served as Chairman of the Board until 2006. Mr. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Mr. Møgster has extensive experience from all aspects of the fisheries sector. Additionally he knows the offshore service sector very well. He is holding board positions in several companies.

Siren Merete Grønhaug (1965), Member of the Board
Siren Merete Grønhaug has been member of the Board since 2014. Ms. Grønhaug is educated Corporate Economist from the Norwegian School of Economics (NHH), and has additional education through the AFF Solstrand Programme and the Norwegian Business School (BI). She is the CFO at Lerøy Seafood AS with broad knowledge in the seafood sector after many years of experience at executive levels in Lerøy Seafood AS. Ms. Grønhaug has extensive board experience from various companies in Lerøy Seafood Group ASA.

Eirik Drønen Melingen (1988) Member of the Board
Eirik Drønen Melingen has been member of the Board since May 2017. Mr.Melingen has a bachelor degree in Marine technology from Bergen University College and a Masters Degree in Offshore Floating Systems from University of Strathclyde. Mr Melingen has experience from offshore shipping companies with specialised vessels within Subsea, Marine Seismic, Offshore Supply and Seismic Support.

The Boards autonomy
Except for the Chairman Helge Singelstad, Lill Maren Møgster, Eirik Drønen Melingen and Helge Møgster, all members of the Board are independent of the Company's major shareholders, the Company's management and the Company's main business relations. There are no conflicts of interest between any duties to the Company of the members of the Board or the Company's management, and their private interests or other duties.

No members of Group management are Directors.

Directors' ownership of shares
Helge Singelstad owns 50,000 shares in the company.
Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in the company.
Helge Møgster owns shares indirectly through Laco AS.
Inga Lise L. Moldestad owns, through Ingasset AS, 40,000 shares in the company.
Lill Maren Møgster owns shares indirectly through Laco AS.
Eirik Drønen Melingen owns shares indirectly through Laco AS.

Deviations from the Recommendations: None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The Board of Directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the Board who are independent of the company's Executive personnel.
The Board of Directors should provide details in the annual report of any board committees appointed.

The Board of Directors should evaluate its performance and expertise annually.

In total 6 Board meetings have been arranged during 2017. Helge Singelstad, Oddvar Skjegstad, Siren Grønhaug have attended all meetings. Helge Møgster, Inga Lise Moldestad and Lill Maren Møgster have attended five of the six meetings. Leif Teksum attended all meetings until he resigned in May 2017 and Eirik Drønen Melingen has attended all meetings after he was elected in May 2017.

Board responsibilities
Norwegian law lays down the tasks and responsibilities of the Board of directors. These include overall management and supervision for the company. Towards the end of each year the Board adopts a detailed plan for the following financial year. This plan covers the follow-up of the company's operations, internal control, strategy development and other issues. The company complies with the deadlines issued by Oslo Stock Exchange with regards to interim reports.

Instructions to the Board of Directors
The Board's instructions are extensive and were last revised on 28.03.2008. The instructions cover the following points: the Boards responsibly and obligations, the CEO's information obligations to the Board, and the procedures of the Board.

Use of Board committees
The Nomination Committee is governed by the Articles of Association. The Board established an Audit Committee at the end of 2008. The committees are solely responsible to the full corporate Board and their authority is limited to making recommendations to the Board, however the Nomination Committee makes recommendations for election of Board Members to the general meeting of shareholders.

Audit committee
The Audit committee has responsibilities related to financial reporting, the independent auditor and risk management and consists of two Board members. The independent auditor usually attends the meetings. The CEO and other directors are entitled to attend if the audit committee so desire.

Members: Oddvar Skjegstad and Inga Lise L. Moldestad

The Board's self-evaluation
Each year, a special Board meeting shall be organised on topics related to the Groups operations and the Board's duties and working methods.

Deviations from the Recommendations: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values, ethical guidelines and guidelines for social responsibility.
The Board of Directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

Internal control and risk management
The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated forms of management and follow-up.
Good internal management systems are essential for success, and these must be continuously developed in order to accommodate changing economic conditions. The internal control is based on daily and weekly reports that are summarised into monthly reports tailored to the individual company, while at the same time providing satisfactory reporting at Group level. There is an emphasis on the importance of uniform reporting procedures and formats in order to ensure correct reporting from all units and up to an aggregate level.

Review by the Board of Directors
A significant volume of the work of the Board of Directors is ensuring that the company management is familiar with and understands the Group's risk areas and that risk is managed by means of appropriate internal control. Frequent valuations and assessments are conducted of both the management's and Board's understanding of risk and internal control. The audit committee plays an important role in these valuations and assessments.

Description of the main elements of risk management and internal control related to financial reports
Internal control within the Group is based on the recommendation from the "Committee of Sponsoring Organizations of the Treadway Commissions" (COSO), and covers control environment, risk assessment, control activities, information and communication, and monitoring. The content of these different elements is described in detail below.

Control environment
The core of an enterprise is the employees' individual skills, ethical values and competence, in addition to the environment in which they work.

Guidelines for financial reporting
On behalf of the CFO, the Chief Accountant for the Group provides guidelines to entities within the Group. These guidelines place requirements on both the content of and process for financial reporting.

Organisation and responsibility
The Chief Accountant for the Group reports to the CFO and is responsible for areas such as financial reporting, budgets and internal control of financial reporting within the Group.
The Directors of the entities which issue the reports are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisations and business activities. The entity managers shall ensure implementation of an appropriate and efficient internal control and are responsible for

compliance with requirements.

The audit committee shall monitor the process of financial reporting and ensure that the Group's internal control and risk management systems function efficiently. The audit committee shall also ensure that the Group has an independent and efficient external auditor.

The financial statements for all companies in the Group are audited by an external auditor, within the framework established in international standards for auditing and quality control.

Risk assessment
The Chief Accountant for the Group and the CFO identify, assess and monitor the risk of errors in the Group's financial reports, together with the managers of each entity.

Control activities
Entities which issue reports are responsible for the implementation of sufficient control actions in order to prevent errors in the financial reports.

Processes and control measures have been established to ensure quality assurance of financial reports. These measures comprise mandates, division of work, reconciliation/documentation, IT controls, analyses, management reviews and Board representation within subsidiaries.

The Chief Accountant for the Group provides guidelines for financial reporting to the different Group entities.

The Chief Accountant for the Group ensures that reporting takes place in accordance with prevailing legislation, accounting standards, established accounting principles and the Board's guidelines.

The Chief Accountant and the CFO continuously assess the Group's and the segments' financial reports. Analyses are carried out in relation to previous periods, between different entities and in relation to other companies within the same industry.

Review by the Group management
The Group management reviews the financial reports on a monthly basis, with the review including the development in figures for profit/loss and balance sheet.

Reviews by the audit committee, Board and general meeting
The audit committee and Board review the Group's financial reports on a quarterly basis. During such reviews, the audit committee has discussions with the management and external auditor. At least once a year, the Board holds a meeting with the external auditor, without the presence of the administration.

The Board reviews the interim accounts per quarter and the proposal for the financial statements. The financial statements are adopted by the general meeting.

Information and communications
The Group strongly emphasises correct and open information to shareholders, potential shareholders and other interested parties. Ref. item 13 "Information and communications" for more detailed information.

MONITORING
Reporting entities
Those persons responsible for reporting entities shall ensure appropriate and efficient internal control in accordance with requirements, and are responsible for compliance with such requirements.

Group level
The Chief Accountant and CFO review the financial reports issued by the entities and the Group, and assess any errors, omissions and required improvements.

External auditor
The external auditor shall provide the audit committee with a description of the main elements of the audit from the previous financial year, including and in particular significant weak points identified during internal control related to the process of financial reporting.

The Board of Directors
The Board, represented by the audit committee, monitors the process of financial reporting.

Deviations from the Recommendations: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board of Directors should not be linked to the Company's performance. The company should not grant share options to members of its board. Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the Board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report. The Directors fees are decided by the AGM. The Directors' fees are not linked to the company's performance.

Deviations from the Recommendations: None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The Board of Directors statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like should be linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

The remuneration policy for the executive management is determined by the Board of Directors and communicated to the annual general meeting. The guidelines regarding the remuneration are approved by the AGM. See note 20 for guidelines for remuneration to executive management.
The existing remuneration policy, each year subject to approval by guiding vote in the AGM, allows performance-related remuneration. The executive management has currently no such remuneration.

Deviations from the Recommendations: None

13. INFORMATION AND COMMUNICATIONS

The Board of Directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.
The Board of Directors should establish guidelines for the company's contact with shareholders other than through general meetings.

The Company strongly emphasises correct and open information to shareholders, potential shareholders and other interested parties. The Company has presented quarterly reports with financial information since 2006.

The Company's most important medium for distributing information will be the Oslo Stock Exchange reporting system, but the Company also aims to present such information directly to investors and analysts.

The Company aims to keep its shareholders informed via annual reports, quarterly reports and at appropriate presentations. In addition, press releases will be sent out regarding important events.

Every year, the Company publishes the company's financial calendar, showing the dates for presentation of the interim financial statements and the date of the annual general meeting.

The Company's website is updated constantly with information distributed to shareholders. The Company's website is at: www.auss.no.

Deviations from the Recommendations: None

14. TAKE-OVERS

The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid. In a bid situation, the company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form view of the offer.

The Board of Directors should not hinder or obstruct take-over bids for the Company's activities or shares.

Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the

company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

Austevoll Seafood ASA's Articles of Association contain no limitation with regard to share acquisition. The shares are freely transferable. Transparency and equal treatment of shareholders is a fundamental policy. Should a bid be made for the company, the Board of Directors will make a thorough evaluation of the bid.

Deviations from the Recommendations: None

15. AUDITOR

The auditor should submit the main features of the plan for the audit of the company to the Audit committee annually.

The auditor should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the Audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board of Directors shall hold a meeting with the auditor at least once a year at which neither the Chief Executive nor any other member of the executive management is present.

The Board of Directors should establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.

The Board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

Deviations from the Recommendations: None

Declaration from the Board

on salaries and other remuneration to leading personnel,
ref. the Public Limited Companies Act Section 6-16 a, ref. Section 5-6.

The Board of Directors of AUSTEVOLL SEAFOOD ASA has signed the below declaration in respect of salaries and other remuneration applicable to leading personnel. The declaration shall be subject to an advisory vote in the General Meeting, and represents guidelines for the Board of Directors:

The main principle for stipulation of remuneration terms for leading personnel of AUSTEVOLL SEAFOOD ASA is that leading personnel shall be offered competitive terms and conditions, with salaries, other benefits, bonus and pension arrangements being appraised together. The company offers a level of remuneration which reflects a comparable level with similar companies and considering the company's requirements for highly qualified personnel at all levels.

Salaries and other remuneration to leading personnel will be determined in conformity with the above principles at all times.

The company does not have remuneration schemes based on share values.

For leading personnel remuneration may be given in addition to basic salaries in the form of bonus. Bonus to the company's CEO shall be determined by the Chairman of the Board liaising with the Board of Directors. For other leading personnel bonuses shall be determined by the CEO in consultation with the Chairman.

The company does not have arrangements for share options in the company or other companies in the group.

Leading personnel are members of the company's collective pension arrangements. The company has a defined contribution scheme pension arrangement. The payments of pension premiums are based on pension benefits of up to 12 G (G = the annual Basic Amount in the Public Pension Scheme).

Leading personnel have arrangements for free transportation and free service telephones, but do not receive benefits in kind beyond that.

Leading personnel are, in case of dismissal from the company, not entitled to benefits beyond salary and other current benefits during the period of termination as prescribed by the Norwegian Employment Act.
The policy of remuneration as described above has been fully adhered to during the preceding accounting year. During this period the Company has not given remunerations beyond what follows from service contracts already in force.

No new agreements have been entered into with leading personnel, and no changes have been made to existing agreements with leading personnel which have an impact on the Company or its shareholders.

Storebø, 19 April 2018

Helge Singelstad *Chairman*	Helge Møgster *Board member*	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad *Board member*
Eirik Drønen Melingen *Board member*	Lill Maren Møgster *Board member*	Siren M. Grønhaug *Board member*	Arne Møgster *CEO & President*

Directors of the Board

Helge Singelstad

HELGE SINGELSTAD (1963)

Chairman

Helge Singelstad has been member of the Board since 2008, and has been the Chairman of the Board since 2010. Mr. Singelstad is the CEO in Laco AS, the major shareholder in Austevoll Seafood ASA and DOF ASA. He holds a degree in Computer Engineering from Bergen University College (HiB), a degree in Business Administration from the Norwegian School of Economics (NHH) and a 1st degree of Law from the University of Bergen (UiB). He serves on numerous Boards of Directors, and is Chairman of the Board at Lerøy Seafood Group ASA and Pelagia Holding AS. Mr. Singelstad has extensive experience from various types of businesses such as oil and gas and seafood sector. Helge Singelstad owns 50,000 shares in Austevoll Seafood ASA.

Oddvar Skjegstad

ODDVAR SKJEGSTAD (1951)

Deputy Chairman

Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since 2010. Mr. Skjegstad has a degree as Master of Business Administration from Norwegian School of Economic (NHH). He is self-employed and has a wide experience from executive positions in public administration, banking and other industrial activities. Mr. Skjegstad holds board positions in companies within several different business sectors. Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in Austevoll Seafood ASA.

Lill Maren Møgster

LILL MAREN MØGSTER (1984)

Member of the Board

Lill Maren Møgster has been member of the Board since 2012. Ms. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Ms. Møgster is educated Bachelor of Management from the Norwegian Business School (BI). She works as controller in Lerøy Seafood AS. Ms. Møgster is experienced within sales and accounting after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies. Lill Maren Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.

Inga Lise L. Moldestad

INGA LISE L. MOLDESTAD (1966)

Member of the Board

Inga Lise L. Moldestad has been member of the Board since 2006. From the Norwegian School of Economic (NHH) Ms. Moldestad has a four year program in Economics and Business Administration consisting of three years at Bachelor/undergraduate level and one year at graduate level. She holds a Master degree in Auditing and Accounting from NHH. Ms. Moldestad is the Executive Vice President and partner of Holberg Fondsforvaltning (a Bergen based fund management company). Having worked at Holberg, Unibank, Skandia and Vesta in the past, Ms. Moldestad has extensive experience within the asset management industry, and from auditing and consulting after working with Arthur Andersen and Ernst & Young. Inga Lise L. Moldestad owns 40,000 shares in Austevoll Seafood ASA through Ingasset AS.

Helge Møgster

HELGE MØGSTER (1953)

Member of the Board

Helge Møgster has been member of the Board since the company was founded in April 1981, and served as Chairman of the Board until 2006. Mr. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Mr. Møgster has extensive experience from all aspects of the fisheries sector. Additionally he knows the offshore service sector very well. He is holding board positions in several companies. Helge Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.

Siren Merete Grønhaug

SIREN MERETE GRØNHAUG (1965)

Member of the Board

Siren Merete Grønhaug has been member of the Board since 2014. Ms. Grønhaug is educated Corporate Economist from the Norwegian School of Economics (NHH), and has additional education through the AFF Solstrand Programme and the Norwegian Business School (BI). She is the CFO at Lerøy Seafood AS with broad knowledge in the seafood sector after many years of experience at executive levels in Lerøy Seafood AS. Ms. Grønhaug has extensive board experience from various companies in Lerøy Seafood Group ASA.

Eirik Drønen Melingen

EIRIK DRØNEN MELINGEN (1988)

Member of the Board

Eirik Drønen Melingen has been member of the Board since May 2017. Mr. Melingen has a bachelor degree in Marine technology from Bergen University College and a Masters Degree in Offshore Floating Systems from University of Strathclyde. Mr Melingen has experience from offshore shipping companies with specialised vessels within Subsea, Marine Seismic, Offshore Supply and Seismic Support. Eirik Drønen Melingen owns shares in Austevoll Seafood ASA indirectly through Laco AS.

Board of directors' report 2017

for Austevoll Seafood ASA

INTRODUCTION

Austevoll Seafood ASA (AUSS) is a global seafood group. AUSS has world-leading operations within the production of Atlantic salmon and trout, covering the entire value chain from breeding to smolt, fish for consumer products, harvesting, processing, sale and distribution. As a result of the acquisitions within whitefish, concluded in the second half of 2016, the Group is also a major player within fisheries, processing and sale of whitefish. AUSS has pelagic operations within fisheries, production of fishmeal and fish oil, and production of pelagic products for human consumption. The Group has sales operations in Norway, Europe, Asia, the USA and South America.

The company's head office is located at Storebø in Austevoll municipality, Norway.

THE GROUP'S ACTIVITIES

The Group's activities are classified according to the following operating segments: Lerøy Seafood Group ASA (Europe), Austral Group S.A.A (Peru), Foodcorp Chile S.A (Chile), Br. Birkeland AS/Br. Birkeland Farming AS (Norway) and the joint venture, Pelagia AS (Europe).

Given the prevailing framework conditions, in particular the limited fisheries in Peru, the Board of Directors is essentially satisfied with the Group's results for 2017. The Board of Directors would like to take this opportunity to thank all the Group's employees for their hard work in 2017.

LERØY SEAFOOD GROUP ASA (EUROPE)

Lerøy Seafood Group ASA (LSG) is a fully integrated seafood corporation with a global reach and is now a fully and vertically integrated corporation within both redfish and whitefish. LSG's history dates back to the end of the 19th century with proud traditions as a pioneering enterprise in a number of areas within the Norwegian seafood industry. LSG is one of the world's leading seafood corporations. The Group's ambition is to further develop this position in the years to come.

Since 1999, LSG has invested substantially in various national and international enterprises. Through a process of organic growth and a number of acquisitions, LSG is currently the second-largest producer of salmon and trout in the world, and has 146 licences in Norway, distributed across the regions of North Norway, Central Norway and West Norway. In addition, LSG owns the Scottish fish-farming company, Scottish Sea Farm Ltd. via its 50 % shareholding in Norskott Havbruk AS. In 2017, Scottish Sea Farm Ltd. harvested 31,000 tonnes of salmon.

In October 2016, LSG obtained 100 % ownership of Havfisk ASA (Havfisk) and Norway Seafoods Group AS. Further to the acquisitions, both companies were consolidated into LSG as of 1 September 2016. Norway Seafoods Group AS subsequently changed its name to Lerøy Norway Seafoods AS (LNWS). The primary segment for Havfisk is wild catches of whitefish. Havfisk has licence rights to harvest just above 10 % of the total Norwegian cod quotas in the zone north of 62 degrees latitude, corresponding to more than 30 % of the total quota allocated to the trawler fleet. After taking over the trawler Nordtind from the shipyard in January 2018, Havfisk has ten trawlers in operation. Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants. For 2017 as a whole, Havfisk's total catch volume was 66,729 tonnes, up 5 % from 2016. LNWS's primary business is processing wild-caught whitefish. LNWS has use of eight processing plants in Norway, five of which are leased from Havfisk. LNWS is the largest purchaser of cod from the coastal fishing fleet in Norway. LNWS previously owned two facilities in Denmark, but these were sold at the start of 2017 to Seafood International A/S – a Danish corporation in which LSG owns 33 % of the shares.

LSG has major downstream activities and a clearly defined goal to increase demand for seafood in the form of new products and market development. LSG sells, processes and distributes own-produced salmon and trout along with whitefish from its own fleet of trawlers, but also has substantial activities in cooperation with third parties. As a result, LSG now supplies a wide range of seafood products. LSG has identified positive synergy effects in its marketing work as a result of the acquisition within whitefish. This involves boosting the Group's position as a supplier of fresh/"refreshed" seafood with a full range of seafood products.

LSG reported revenue of NOK 18,620 million in 2017 (2016: NOK 17,270 million). This is the highest turnover ever reported by the Group. The growth in the Group's revenue is mainly attributed to an increased level of activity within whitefish, the increase in harvest volume from Farming, good market conditions for salmon and a positive development in the Group's downstream activities.

EBITDA in 2017 amounted to NOK 4,300 million (2016: NOK 3,355 million), and EBIT before fair value adjustment related to biological assets was NOK 3,717 million (2016: NOK 2,843 million).

In 2017, LSG harvested 158,000 tonnes of salmon and trout, up from 150,000 tonnes in 2016. The prices for Atlantic salmon and trout remained strong in 2017, but with a high level of volatility throughout the year. Biological production in Norway saw a considerable improvement in 2017 when compared with the year before, resulting in increased supply and some pressure on prices towards the end of the year. For the year as a whole, the Group's prices realised for salmon and trout were up 9 % from the year before. Import restrictions in Russia and neighbouring countries since 7 August 2014 have had a negative impact on prices realised for trout. Trout prices were on the increase in 2016 and were on a level with salmon prices at the start of 2017, but fell unfortunately against salmon prices throughout 2017. Prices realised for trout by the company in 2017 were approx. NOK 4 lower per kg than the corresponding prices for salmon.

Release from stock costs for the Norwegian fish farming industry and LSG saw a negative development in the years following 2013 due to adaptations to new political regulations. Throughout 2017, there were indications of a turnaround in this negative trend. LSG's biological production was better in 2017 than in previous years. There was also a gradual reduction in production costs through the year. At the time of writing, there are clear indications that the trend for lower production costs will continue in 2018. We will have a clearer picture once the biomass in the sea has been harvested.

Given the major differences in biological framework conditions, there are major variations in release from stock costs between the regions. By region, North Norway still reports one of the lowest cost levels in the industry, and Central Norway has achieved considerable improvements in costs, while Hordaland again experienced significant challenges in the autumn of 2017 and a cost level that is not satisfactory. In Hordaland, construction of a new RAS/post-smolt facility is under way in Kjærelva in Fitjar municipality. The plan is to introduce eggs to the facility in the second quarter of 2018 and to have the first delivery/release smolt from the facility in 2019. LSG has high expectations for the yield from this investment, based on e.g. experience with similar facilities in the Group.

AUSTRAL GROUP S.A.A. (PERU)

Austral Group S.A.A. (Austral) is involved in fishing, production of fishmeal and oil, and consumer products. Austral holds 6.87 % of the total quota for anchoveta in Central/North Peru, and just below 4 % of the quota in South Peru. In addition, the company has fishing rights for horse mackerel and mackerel. Fishmeal and oil are produced in four factories, located in Coishco, Chancay, Pisco and Ilo. The company has two factories producing consumer products that share premises with the fishmeal and fish oil factories in Coishco and Pisco.

Anchoveta is used to produce fishmeal and oil, and horse mackerel/mackerel is fished for consumer products. The main fishing seasons for anchoveta in Central/North Peru are from April to July and November to January.

The quota for the first season of 2017 in Central/North Peru was 2.8 million tonnes (2016-I: 1.8 million tonnes). The season started in April and finished at the end of July, with 2.4 million tonnes caught of the total quota. The quota for the second season of 2017 in Central/North Peru was 1.5 million tonnes (2016-II: 2.0 million tonnes). The second anchoveta fishing season started on 23 November. Fishing was however stopped a few days after the season opened due to an excessive proportion of fish below the minimum size. The season did not re-open until January 2018. In 2017, the total volume of anchoveta landed in Peru (Central/North and South) was just over 3.2 million tonnes. Of this total volume, 0.6 million tonnes represented the quota from the second season of 2016, caught in January 2017, and 0.2 million tonnes came from the quota in South Peru. The remaining volume of 2.4 million tonnes was, as previously mentioned, caught in the first season of 2017.

When the season re-opened in January 2018, fisheries were concentrated around the area north of Coishco. As a result of this geographic concentration and other restrictions, only 46 % of the total quota of 1.5 million tonnes was caught in January 2018, corresponding to a volume of just under 0.7 million tonnes. In January 2017, just over 0.6 million tonnes were caught for the second season of 2016, and close to 100 % of the quota for this season was caught by the end of the season in January 2017.

In 2017, the company received a total 280,000 tonnes of raw materials, up from 253,000 tonnes in 2016. The company sold a low volume of its production from the second fisheries season in Q4 2016, and therefore had an inventory of 23,700 tonnes of fishmeal and fish oil at the start of 2017. In 2017, the company sold 95,000 tonnes of fishmeal and fish oil, compared with 62,000 tonnes in 2016. The expectations for normalisation of quotas and fishing patterns in Peru in 2017 resulted in a decline in prices realised for fishmeal and fish oil in 2017. The prices realised for fishmeal were down 11 % from 2016 to 2017. The company sells the majority of its fishmeal to Asia, with China as the single largest market. The prices realised for fish oil were down 46 % from 2016 to 2017. The lack of fishing in the second season in Q4 2017 meant the company started 2018 with zero inventory of fishmeal and oil.

Austral reported revenue of NOK 1,250 million in 2017 (2016: NOK 1,020 million), EBITDA of NOK 137 million (2016: NOK 140 million), and EBIT of NOK -51 million (2016: NOK -9 million).

From 2014 to 2017, Peru has struggled with low quotas and difficult operating conditions. The weather phenomenon known as "El Niño" has had an impact during this period. In 2017, the institutes monitoring this weather phenomenon signalled that sea temperatures were returning to normal. The recommended quotas for the first and second seasons in 2017 of 2.8 million and 1.5 million tonnes respectively indicate that the researchers believe the biomass is now more stable. Of the total quota of 4.3 million tonnes, the total caught amounted to just under 3.1 million tonnes. This was partly due to difficult weather conditions, fish that started spawning at the end of the first season and a high proportion of fish below the minimum size in the second season. The projected temperatures for 2018 and the volume of small fish throughout the second fishing season in 2017 provide an outlook for normalised fisheries in 2018.

FOODCORP CHILE S.A. (CHILE)

Foodcorp Chile S.A (FC) is involved in fishing, consumer products, and production of fishmeal and oil. In 2017, FC had a quota of 9.1 % for horse mackerel in South Chile in addition to a quota for sardine/anchoveta. All FC's shore-based industrial activities are located in the same building in Coronel.

The main season for horse mackerel fishing is from December to July. The main season for sardine/anchoveta fishing is divided into two periods. The first season starts in March and ends in July/August. The second season normally starts in October/November.

This fishing pattern means that the company generates the majority of its earnings in the first half of the year.

After several difficult years, the company's supply of raw materials has shown a very positive development in 2017. In total, the company received 102,000 tonnes of raw materials in 2017, up from 66,000 tonnes in 2016. In addition to the company's own quota for horse mackerel, the company also purchased a quota from a third party of 21,500 tonnes. As such, the company had a total volume of 43,200 tonnes of horse mackerel in 2017, a significant increase from 25,700 tonnes in 2016. The company fished the purchased quota using their own vessels in both 2017 and 2016.

The growth in volume has contributed to a significant improvement in utilisation of both the company's fleet and factories. In addition to horse mackerel, the company has also purchased raw materials from the coastal fleet. In 2017, the raw materials from this fleet were squid and anchoveta.

The company reported revenue of NOK 508 million in 2017 (2016: NOK 425 million), EBITDA of NOK 79 million (2016: NOK 31 million), and EBIT of NOK 46 million (2016: NOK -187 million). EBIT in 2016 includes write-down of non-current assets of NOK 149 million, mainly related to assets for production of canned goods that were not planned to be used in the near future.

There has been a marked decline in fishing for horse mackerel in Chile since 2008/2009. International fish stock management was introduced in 2012, along with the first total quota. Responsibility for the scheme is assigned to the South Pacific Regional Fisheries Management Organization (SPRFMO). The quotas established in subsequent years have seen only a minor increase, in order to safeguard the build-up of biomass. Thanks to SPRFMO's conservative management, it was able to report in the autumn of 2017 that the biomass had reached a sustainable level, allowing the organisation to recommend an increase of 17 % in the quotas for 2018. The Chilean authorities had the opportunity to sell up to 15 % of the total horse mackerel quota by auction. Based on the strong increase in quotas, the Chilean authorities decided in the autumn of 2017 that 15 % of the quotas were to be sold by auction in December 2017. FC has sustained its share of quotas.

BR. BIRKELAND AS/ BR. BIRKELAND FARMING AS (NORWAY)

Br. Birkeland AS owned three pelagic ring net vessels and two vessels for snow crab fishing at the end of 2017. Two of the pelagic vessels had a 650 basic tonne quota each for ring nets, and a 1.425 trawler quota for blue whiting, while the third vessel had a 471 basic tonne quota for ring nets.

An agreement was signed in December 2017 for the sale of Maron AS, including the company's vessel and its 409 basic tonne quota for ring nets. The transaction was completed in January 2018. Maron AS' structural quota of 62 basic tonnes was sold in-house in December 2017. After execution of the above-mentioned transactions, Br. Birkeland AS now owns two pelagic ring net vessels, each with a 681 basic tonne quota for ring nets and 1.425 trawler quota for blue whiting.

The companies involved in pelagic fisheries have experienced an increase in the quotas within Norwegian spring-spawning herring, mackerel and blue whiting in 2017 when compared with 2016. Increased quotas have however affected the prices for raw materials, and the company's prices realised for raw materials are down from 2016 to 2017. The vessels fishing for snow crab have had an extremely poor year with significant losses. Fisheries take place in the waters surrounding Spitsbergen, and ice in this area caused major problems for fisheries in the winter of 2017. Snow crab catches in 2017 amounted to approx. 564 tonnes, compared with 811 tonnes in 2016.

Br. Birkeland Farming AS owns seven licences for farming Atlantic salmon/trout in Hordaland. The fish farming segment harvested 6,543 tonnes gutted weight of Atlantic salmon in 2017 and realised good prices for the volume harvested. The company sells its entire harvest volume on the spot market. In 2016, the harvest volume was 8,093 tonnes gutted weight of Atlantic salmon.

Total revenue for the companies in 2017 was NOK 655 million (2016: NOK 790 million), with a total EBITDA of NOK 219 million (2016: NOK 345 million), and EBIT before fair value adjustment related to biological assets of NOK 124 million (2016: NOK 277 million).

PELAGIA AS (EUROPE)

Pelagia AS (Pelagia) is defined in AUSS's consolidated financial statements as a joint venture and is therefore reported according to the equity method.

The company's operations comprise receipt of raw materials for production of fishmeal and fish oil as well as production of frozen pelagic products for consumption. The company has production facilities in Norway, the UK and Ireland. In addition, the company owns 50 % of Hordafor AS, a company that purchases raw materials from the fish farming industry, whitefish industry and pelagic fisheries for production of protein concentrate and oil. In June 2017, the company signed an agreement for the acquisition of FMC's Epax Omega-3 business, and the transaction was completed in August 2017. The Epax Omega-3 business is a leading manufacturer of Omega-3 products based on marine ingredients. The products can be utilised for dietary supplements and in pharmaceutical products. The acquisition has expanded Pelagia's existing product range and is part of the company's strategy to increase value generation from pelagic raw materials.

In 2017, Pelagia – including its protein concentrate operations – received just under 1.4 million tonnes of raw materials. The corresponding receipt of raw materials in 2016 was approx. 1.2 million tonnes.

The company reported revenue of NOK 6,122 million in 2017 (2016: NOK 5,758 million), EBITDA of NOK 614 million (2016: NOK 628 million), and EBIT of NOK 485 million (2016: NOK 464 million).

SHAREHOLDERS

At year-end 2017, AUSS had 5,151 shareholders. The share price at 31 December 2017 was NOK 68.25 per share, down from NOK 83.75 per share at the end of 2016. The company's share capital at 31 December 2017 was NOK 101,358,687 divided among 202,717,374 shares, each with a nominal value of NOK 0.50. AUSS owned 893,300 treasury shares of the above figure.

In the period leading up to the annual general meeting in 2018, the Board of Directors is authorised to increase the share capital by issuing 20,271,737 shares. The Board of Directors is also authorised in the period leading up to the annual general meeting in 2018 to purchase up to 20,271,737 of AUSS's shares at a price ranging from NOK 20 to NOK 150. A proposal will be made to the company's annual general meeting in the spring of 2018 to renew the established mandates described above.

AUSS aims to maximise value generation for the benefit of shareholders by constantly striving to achieve good results. Over time, the target is to pay out between 20 % and 40 % of the Group's annual profit (excluding the fair value adjustment related to biological assets) as dividends.

The Board of Directors will recommend to the annual general meeting in 2018 a dividend payment of NOK 2.80 per share for financial year 2017, compared with NOK 2.50 per share in the previous year. If adopted by the annual general meeting, the total dividend will be NOK 567,608,647. Of this amount, NOK 2,501,240 is dividends for treasury shares. The Board of Directors adheres to the Norwegian Code of Practice for Corporate Governance. The Board of Directors is of the opinion that AUSS is appropriately organised and that its activities are carried out in compliance with relevant legislation and regulations and in accordance with the company's object and Articles of Association. Please refer to the separate chapter on Corporate Governance in the English annual report for more detailed information.

RISK MANAGEMENT AND INTERNAL CONTROL

It is neither possible, nor wholly desirable, to eliminate all the risks related to the Group's activities. The Board of Directors does, however, strive to work systematically to identify risk areas and monitor defined risks within the Group's companies. The Board views risk management as part of the long-term value generation for the company's shareholders, employees and the wider community. The Group's growth opportunities must always be viewed in the context of the Group's overall risk profile.

Identified risks are monitored on a regular basis to ensure that the Group's risk exposure is acceptable. The objective is to ensure that the Group, including each individual company that is part of the Group, is able to increase both expertise in and awareness of risk identification over time. This requires each company to implement effective routines for risk management, thereby helping ensure that the Group achieves its overall goals. The level of systematic risk identification and risk management varies within the Group's companies.

The Group's diversified company structure and product range, including its geographical spread, will normally limit risk in terms of specific product volatility and business cycles. The Group's internal control and risk management related to the financial reporting process are described in chapter 10, Corporate Governance, of the company's English annual report for 2017. For information on Corporate Governance, please refer to the English annual report for 2017, available on the company's website: www.auss.no.

EMPLOYEES

The total number of full-time equivalents for the Group in 2017 was 6,229, of whom 1,653 were in South America. The corresponding figures for 2016 were 4,710 full-time equivalents with 1,483 in South America.

Female employees are under-represented in the Group's fishing activities and over-represented within processing. Of a total of seven board members on the company's Board of Directors, three are women. The company thus fulfills the requirement for 40 % female representation among the shareholder-elected board members.

Sickness absence in 2017 was 5.71 % of working hours in the European part of the Group. The comparative figure for 2016 was 4.33 %. The Group takes active steps to try to reduce sickness absence where possible.

In Norway, the Group is affiliated to local company health services. Adverse events and near-accidents are registered on an ongoing basis in order to prevent future injuries. The focus on reporting and following up adverse events will help create a safer workplace. Nonetheless, occupational accidents occurred during the year resulting in personal injuries and absence from work. These included an adverse event during work at one of the Group's ensilage plants belonging to Lerøy Midt. The incident resulted in injury to two employees. This shows that we have to maintain a strong focus on routines/ compliance with routines, and measures to safeguard our employees. This work is a perpetual process moving us forward to our vision of zero injuries.

The Group seeks at all times to ensure equal opportunities and rights for all employees, and to prevent discrimination based on national origin, ethnicity, colour, language, religion or lifestyle choices. The Group also aims to be a workplace where there is no discrimination on grounds of disability.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group places great emphasis on managing and developing factors that can help increase expertise in and awareness of health, safety and the environment. Financial and technical resources are deployed to ensure that the Group's activities are conducted in accordance with guidelines established to promote the interests of the company and the environment. The planning and implementation of new technical concepts make vessels, offshore and land-based industry more efficient, easier to operate and more environmentally friendly, thus reducing the health and safety risk for employees.

The processing industry in Norway has implemented quality assurance systems in accordance with regulations issued by the Directorate of Fisheries. The Group's fishmeal and fish oil production in Norway requires a licence and is governed by the regulations of the Norwegian Environment Agency (former Norwegian Climate and Pollution Agency). All of the Group's Peruvian factories have ISO 14001 certification.

AUSS is committed to the sustainable management of fishery resources and actively monitors employee and management compliance with regulations and quota provisions, among other things to help ensure that resources are conserved for future generations.

Austral has achieved "Friend of the Sea" certification. This is awarded by an independent certification body with detailed knowledge of fishing and focuses on anchoveta. The certification is awarded to products that use anchoveta as a raw material and can only be awarded after a comprehensive certification process. The certification awarded to Austral covers fishmeal and fish oils, canned products and frozen goods based on Peruvian anchoveta. The certification confirms that the fish stocks are being harvested in accordance with criteria for sustainable fishing, and that the resources are not being overfished (www.friendofthesea.com).

The Group's Norwegian fisheries focusing on Norwegian spring-spawning herring and North Sea herring gained Marine Stewardship Council (MSC) certification on 30 April 2009. Norwegian Arctic cod, haddock and saithe achieved MSC certification in 2010. Fishing for shrimp gained MSC certification in 2012. The MSC certificate is proof that Norwegian fishing for these species is sustainable. Cod, haddock and saithe fishing gained a new five-year certificate in 2015. Mackerel in the North-East Atlantic gained MSC certification in 2016. The Norwegian fisheries for Norway pout, sand eel and ocean sprat gained MSC certification in January 2018. More than 90 % of Norwegian fisheries for wild fish are now certified as sustainable. The MSC is an independent, non-profit organisation that seeks to promote responsible fishing in order to ensure sustainable fish stocks. The MSC has developed an environmental standard for sustainable and well-controlled fishing. The standard is based on three main principles: sustainable fish stocks, minimal impact on the ecosystem of which the stocks are part, and effective management.

The Group's fish farming operations are closely linked to natural conditions in Norwegian and international waters. Based on a long-term and sustainable perspective, the Group seeks to protect and safeguard the environment in the areas utilised for fish farming. Environmental aspects are one element of the Group's quality policy and are an integral part of the internal control system in the Group's fish farming companies. This applies throughout the entire value chain from breeding to smolt, fish for consumers, harvesting, processing and distribution.

The Group's vessels are not considered to cause any pollution to the external environment over and above generally accepted and/or statutory levels. The Group's land-based facilities have purification systems linked to the production process, and operations are regulated by the requirements set for this type of activity. The Group focuses on reducing energy and water consumption, and the Board of Directors does not consider the Group's processing activities to cause any significant emissions or discharges to the external environment. The Group works continuously to minimise energy requirements per kilo of seafood produced in the Group's processing plants.

CORPORATE SOCIAL RESPONSIBILITY

For many years AUSS has worked actively to ensure that corporate social responsibility is exercised as part of daily operations. We therefore find it natural to include our account of this work in our annual report. In addition, this section of the annual report should be considered in light of the other parts of the English annual report.

The Board of Directors maintains a constant focus on corporate social responsibility and works to ensure that all the Group's employees, at all stages of production, are made aware of the need to exercise social responsibility in their daily work, and that the Group's corporate social responsibility is made apparent in the local communities in which it operates. For AUSS, corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles.

The subsidiaries Foodcorp in Chile and Austral in Peru are affiliated to the United Nations Global Compact Program and adhere to its ten universal principles. Austral also reports according to the Global Reporting Initiative (GRI). The subsidiary LSG has reported in accordance with GRI since 2013, and has prepared a separate Environmental Report that is available in full on the company's website: www.leroy.no.

AUSS has implemented a Code of Conduct setting out ethical guidelines for employee conduct.
All the operating segments report to the corporate management on a quarterly basis on factors such as health, safety and the environment, the Code of Conduct and whistleblowing. Any reported non-compliance and/or suspected non-compliance is followed up by the management.

Human rights, labour rights and social issues
AUSS is represented in a number of different locations around the world. The Board finds that our operations have a substantially positive impact in the communities where we operate. Our business operations generate local taxes, and provide jobs and social activities. In 2017, the Group has continued to actively support local and voluntary organisations in the communities in which our companies are established, with a special focus on activities aimed at children and young people. In Peru, for example, we have been involved in education and training, nutrition and health, and environmental activities.

AUSS has zero tolerance for violations of fundamental human rights and social dumping. The management actively monitors that all parts of our business, as a minimum, offer employees terms and conditions that meet local minimum requirements. We also actively encourage our business partners to do the same. AUSS refuses to work with third parties that violate the basic rights of workers.

As a leading producer of Atlantic salmon and trout, and whitefish and pelagic fish products, AUSS makes a positive contribution to public health, both locally and globally, by producing products that are rich in protein and Omega-3, both of which are important elements of a balanced diet for the world's population. Within Atlantic salmon/trout and whitefish, the Group has worked systematically on product development for many years with a view to making our products readily available to consumers and easy to prepare.

The external environment
For a detailed account of AUSS's environmental performance, please see the presentation in the annual report concerning the impacts of operations on the external environment and our work to mitigate any adverse effects.

Anti-corruption
The Code of Conduct, mentioned above, forbids any employee, directly or through intermediaries, to offer, pay, invite or receive benefits that contravene Norwegian or international law. Our Code of Conduct also requires an assessment of all the partners in Norway and overseas with which AUSS enters into agreements. All employees are required to report any breach of the Code of Conduct to their immediate superior. If the matter concerns a superior or the employee cannot contact a superior, the matter should be reported to the general manager or chair of the board of the relevant company. It is a priority for AUSS that whistle-blowing does not have negative consequences for the person who reports a suspected wrongdoing. The whistle-blower shall be protected to ensure that the matter is investigated thoroughly. Any incoming reports of corruption will be followed up by the company involved and/or the corporate management, which will initiate further investigations. Each incoming report is routinely submitted to the Board as part of the quarterly reporting on compliance. AUSS has zero tolerance for corruption and will continue to work actively vis-à-vis our employees and our partners to combat all forms of corruption. The Board expects the Code of Conduct's focus on combating corruption, combined with the ongoing monitoring of the respective operating segments, to have positive consequences in terms of preventing corruption.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU.

Group revenue was NOK 20,799 million in 2017, compared with NOK 18,912 million in 2016.
The growth in Group revenue is mainly attributed to an increased level of activity within whitefish, the increase in harvest volume from Farming, good market conditions for salmon and a positive development in the Group's downstream activities.

The Group's operating profit before depreciation and fair value adjustment related to biological assets in 2017 came to NOK 4,747 million compared with NOK 3,881 million in 2016.

Operating profit (EBIT) before fair value adjustment related to biological assets in 2017 amounted to NOK 3,827 million, against NOK 2,913 million in 2016. The figures in 2016 include write-downs of non-current assets in the business in Chile, totalling NOK 149 million. Net write-downs in 2016 amounted to NOK 123 million and were included in the operating profit figure before fair value adjustment related to biological assets of NOK 2,913 million. Operating profit after fair value adjustment related to biological assets in 2017 amounted to NOK 1,995 million, against NOK 4,462 million in 2016.

In 2017, profit from associates totalled NOK 499 million, compared with NOK 459 million in 2016. The largest associates are Pelagia Holding AS (owner of Pelagia AS) and Norskott Havbruk AS (owner of the Scottish fish-farming company Scottish Sea Farms Ltd.).

Net financial expenses in 2017 were NOK 293 million, against corresponding net financial expenses of NOK 239 million in 2016. The annual profit after tax in 2017 was NOK 1,831 million. The corresponding figure for 2016 was NOK 3,708 million.

Net cash flow from operating activities for the Group was NOK 4,220 million in 2017, compared with NOK 3,300 million in 2016. Tax payments totalled NOK 600 million in 2017, compared with NOK 249 million in 2016.

Net cash flow from investing activities was negative at NOK 1,556 million in 2017. Net cash flow from investing activities in 2016 was negative at NOK 3,850 million, reflecting Lerøy Seafood Group ASA's acquisition of Havfisk and Norway Seafoods, among other factors.

Net cash flow from financing activities for 2017 was negative at NOK 1,326 million. The total dividend payment made by the Group in 2017 was NOK 951 million. The parent company redeemed a bond loan of NOK 400 million in February 2017 and issued a new, unsecured bond loan of NOK 500 million in June 2017. The terms for the new bond loan are 3 months NIBOR plus a margin of 2.35 %. This bond loan is valid for six years and matures in June 2023. Cash flow from financing activities in 2016 was positive at NOK 1,827 million. In addition to payment of ordinary instalments, this figure also reflects the sale by AUSS of 2,750,000 shares in LSG, and the private placement of 5,000,000 new shares carried out by LSG in 2016. The Group also paid dividends of NOK 1,695 million in 2016.

The Group has bank deposits of NOK 5,075 million at the end of 2017, up from NOK 3,745 million at the end of 2016.

At year-end 2017, the consolidated balance sheet total was NOK 35,309 million, against NOK 35,001 million at the close of 2016. The Group is financially strong with equity at 31 December 2017 of NOK 19,172 million and an equity ratio of approx. 54 %. Equity at year-end 2016 was NOK 18,213 million, representing an equity ratio of 52 %.

At the end of 2017, the Group had net interest-bearing debt of NOK 4,138 million. The corresponding figure at the end of 2016 was NOK 5,493 million. The Group has good access to financing from banks. Moreover, Austevoll Seafood ASA has built up a high level of trust over the years as an issuer of bond loans. The company aims to be an attractive choice also for investors who prefer to invest in fixed-income funds.

KEY RISK FACTORS

The Group is exposed to risk associated with the value of investments in subsidiaries and associates in the event of price changes in the market for raw materials and finished goods, insofar as these changes bring about changes in the companies' competitiveness and earnings potential over time. Operational conditions and developments in the Group's input factor prices are also key parameters.

The Group's activities are essentially global and will always be impacted to varying degrees by developments in the global economy. Although this uncertainty may have a negative impact on the real economy in most markets, it is our opinion that AUSS's core business is founded on assets that are environmentally and economically sustainable in the long term within viable seafood industries.

The Norwegian seafood industry and the fish-processing industry in Norway and the EU have historically been exposed to the risk represented by the constant threat of long-term political trade barriers imposed by the European Commission. The political trade barriers currently blocking exports of Norwegian salmon and trout to Russia, and the complexity of trading with China provide an illustration of political risk in practice. This situation represents a short-term obstacle to the Group's marketing goals and value generation. However, the market for high-quality seafood is global and is experiencing strong growth. Over time, this growth has largely compensated for political trade barriers, providing grounds for an optimistic outlook and our belief that the Group is well positioned to continue its positive long-term development.

Changes in fishing patterns and quota regulations result in fluctuating catch volumes from quarter to quarter and from year to year, and subsequently in variable utilisation of the Group's production facilities. The seasonal fluctuations in catch volumes create similar fluctuations in the interim key figures. At the end of 2017, the Group had live fish worth around NOK 4.7 billion on its statement of financial position. Biological risk has been and will continue to be a substantial risk factor for Group operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

The approval granted by the Norwegian Ministry of Trade, Industry and Fisheries links the Group's ownership of Havfisk and LNWS to the ownership structure approved when the application was submitted, thereby requiring approval of any changes in ownership not covered by the exemptions granted by the Ministry. The nationality requirement in section 5 of the Act relating to the right to participate in fishing and catches (Participant Act) must also be met. Following the acquisition of Havfisk and LNWS, the Group has substantial exposure in relation to catches of wild fish according to Norwegian quotas. The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation.

Exposure to risk as a result of changes in interest rate levels is identified and assessed on an ongoing basis, as the majority of the Group's debt is at floating interest rates. The Group, represented by its subsidiaries, has fixed-rate agreements for parts of its interest-bearing debt. At the end of 2017, the Group had fixed-rate agreements for 19 % of its interest-bearing debt. The Group has always attached importance to long-term collaboration with financial partners. The Group has satisfactory financing in place, and we are of the opinion that the financial covenants are tailored to the Group's operations.

The Group is exposed to fluctuations in foreign exchange rates against the NOK, particularly in EUR, USD, Chilean Peso and Peruvian Soles. Measures to reduce this risk include forward contracts and multi-currency credit facilities. Furthermore, parts of the long-term debt are adjusted in relation to earnings in the same currency.

The Group seeks to reduce the risk of counterparties being unable to meet their financial obligations by taking out credit insurance for parts of the total receivables where possible and by using guarantees and Letters of Credit, which essentially secure fulfilment of customer commitments. Historically, the Group has had a low level of bad debts, but this may naturally vary from year to year. Credit risk varies over time and between the different operating segments. Credit risk is closely interlinked with developments in the global economy. The Board of Directors is of the opinion that credit risk has increased in recent years.

The Board of Directors of AUSS considers the liquidity in the Group to be satisfactory.

Going concern assumption

The Group, including the parent company, has a satisfactory economic and financial position, providing a good foundation for continued operations and further development of the company. The consolidated financial statements have been prepared on the assumption that the Group is a going concern.

Company financial statements for Austevoll Seafood ASA

Austevoll Seafood ASA is the holding company for the Group. At year-end 2017, the company had three employees, with sickness absence of 0 % for the year. In 2016, sickness absence was 4.08 %. The company's activities mainly involve owning shares in underlying companies. The company's management is actively involved in the operations of the Group companies and takes part in developing strategies, board work etc.

The parent company's financial statements have been prepared in accordance with simplified IFRS.

Revenue reported by the parent company was NOK 2.1 million in 2017, on par with revenue of NOK 2.1 million in 2016. Correspondingly, the parent company reported an operating loss before depreciation in 2017 of NOK 29.5 million compared with a loss of NOK 27.3 million in 2016.

Net financial items returned a positive result of NOK 588 million in 2017. The corresponding figure for 2016 was also positive at NOK 1,338 million. Financial income in 2017 is mainly dividends from subsidiaries and associates. In 2016, financial income also included a gain on the sale of 2,750,000 shares in LSG. Financial expenses mainly involve interest on external financing. Profit for the year amounted to NOK 558 million in 2017, with a comparison figure for 2016 of NOK 1,310 million.

Net cash flow from operating activities for the parent company amounted to NOK -53 million in 2017, on par with the figure of NOK -53 million in 2016. Net cash flow from investing activities in 2017 was positive and amounted to NOK 583 million. Net cash flow from investing activities in 2016 was NOK 1,570 million, strongly impacted by the sale of shares in LSG.

In 2017, the parent company reported a negative net cash flow from financing activities of NOK 502 million, comprising dividend payments of NOK 505 million and ordinary instalments on company debt. In February 2017, the company redeemed a bond loan of NOK 400 million. In June 2017, the company issued a new, unsecured bond loan of NOK 500 million. The new loan has a maturity of six years at terms of three months NIBOR plus a margin of 2.35 %. In 2016, the parent company reported a negative net cash flow from financing activities of NOK 1,513 million, mainly comprising dividend payments of NOK 1,419 million.

At the start of 2017, the parent company had cash and cash equivalents totalling NOK 1,130 million. At the end of the 2017, this figure was NOK 1,158 million.

The parent company has a balance sheet total of NOK 6,436 million. Equity is NOK 3,981 million, representing an equity ratio of 62 %.

The parent company's net interest-bearing external debt at year-end 2017 was NOK 625 million. In addition, the parent company has net interest-bearing receivables from subsidiaries of NOK 57 million, including net interest-bearing debt of NOK 568 million.

The parent company's financial statements show a profit of NOK 558 million. The Board of Directors proposes allocation of NOK 568 million to dividend payments (with NOK 2.5 million of this as dividends for treasury shares) and transferral of NOK 10 million from restricted earnings and other reserves.

The parent company has a satisfactory financial position, providing a good foundation for continued operations and further development of the company. The parent company's financial statements have been prepared on the assumption that the company is a going concern.

OUTLOOK

Atlantic salmon and trout, and whitefish

The subsidiary LSG and the Norwegian fish farming industry have experienced a positive development in biological production of salmon in 2017 and the first months of 2018. This has allowed for increased growth, resulting in an increase in harvest volume of salmon in Norway towards the end of 2017. After a long period without growth, it is not surprising that this growth in supply resulted in pressure on prices towards the end of the year. LSG has close links with the end market for seafood, including salmon, and can confirm that the demand trend remains very strong.

The Group has identified room for operational improvements in all three regions where the Group carries out fish farming. The Group's investments is expected to generate organic volume growth in all the regions, and substantial reductions in production costs in two of the regions. Current estimates for harvest volume in 2018, including the share of LSG's volume from associates, is 182,000 GWT. For many reasons, the harvest volume may vary, but any differences from estimates shall, under normal circumstances, not vary to any significant degree from the figures reported by the Group in recent years.

Developments within whitefish in 2017 have been positive, even though industrial development and processing of whitefish in Norway remain difficult. This situation is impacted by political framework conditions, but the Group has a clear ambition to increase competitiveness in and earnings from whitefish under the prevailing conditions by means of improved marketing and operational efficiency improvements. Work on industrial development of whitefish requires patience, a long-term perspective and considerable investments. Such investments are only possible if framework conditions are predictable, and the Group and its employees fervently hope to be able to carry out such work without any obstacles in the years to come.

The Norwegian quotas for cod and haddock have been reduced by 12.3 % and 12.6 % respectively for 2018 when compared with 2017. The quotas allocated to Havfisk's vessels were reduced by slightly more, partly due to a buffer quota that has not yet been allocated. The company expects to see a higher allocation of quotas in 2018 and is also well positioned for shrimp fishing. At the time of writing, the best estimate for the catch volume of whitefish and shrimp in 2018 is approximately 65,000 tonnes.

The Group's many years of building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and developing its brand will enable it to continue to generate value going forward. The Group will continue its work to deliver sustainable value generation by focusing on strategic business development and operational efficiency improvements. Based on our customers' demands, this work will ensure continuity of supply, quality and cost efficiency, and lead to increased profitability. The Group's significant, long-term investments within several parts of the value chain shall ensure global competitiveness.

Fishmeal and fish oil
Fishmeal prices were up in the last part of the fourth quarter 2017, due to the fact that the second fishing season in Peru was stopped only a few days after it opened on 23 November. Fisheries did not restart until January 2018. The price level has been sustained in the first quarter of 2018. There is a low inventory of fishmeal in South America, and the producers still have contracts from 2017 to fulfil using new production volumes from 2018. The price level for fishmeal in Europe in Q4 2017 remained stable but with an increase in the last part of the quarter due to the situation in Peru. The first half of the year is the low season in Europe for sales, a time during which producers normally build up inventory. The market is hesitant due to the very low fisheries volume in Peru in January 2018. The quota for the first season 2018 in Peru is set at 3.3 million tonnes and started 7 April. The quotas for the fish species used for production of fishmeal and oil in Europe are higher in 2018 than in 2017.

Consumer products (pelagic)
The Group's production of consumer products takes place in Europe and South America. In Europe, the season for herring and capelin is – as normal – from January to April and the season for North Sea herring from May onwards. The mackerel season normally starts in September and continues throughout the autumn. The remaining quotas for Norwegian spring-spawning herring are also caught during the same period. The first half of the year is the season for horse mackerel in South America. The ban on imports to Russia and import quotas and currency restrictions on sales to Nigeria have made marketing within the pelagic sector much more complex in recent years. The companies have worked hard to find alternative markets for the products traditionally exported to Russia and Nigeria – the main markets for these products. The market situation in Nigeria has improved in 2017, and this market is expected to accept high volumes of frozen fish again in 2018. We note that the Group's pelagic products are faring well in competition with alternative sources of protein.

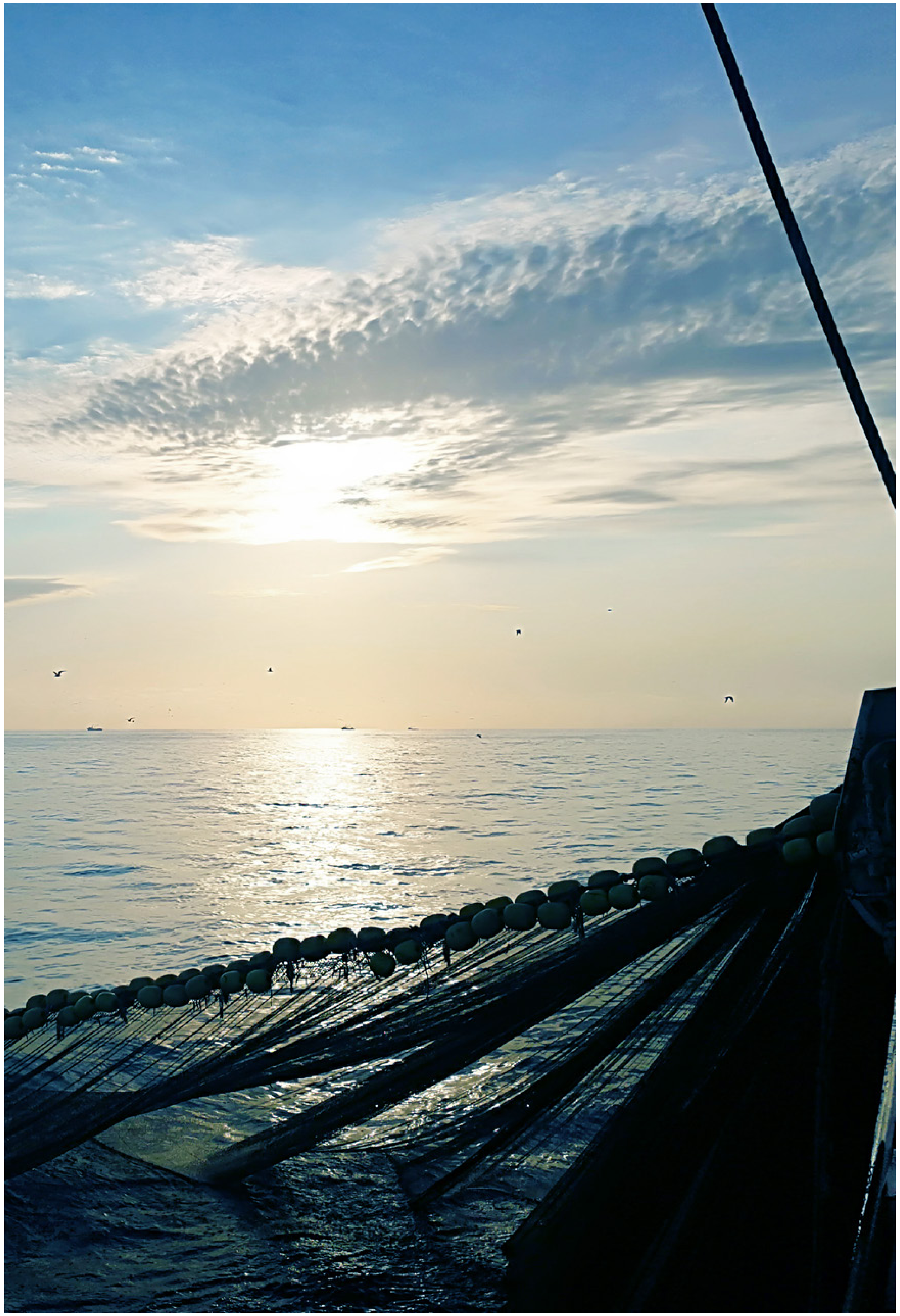
THE GROUP

The Group is financially sound, has shown positive development and is currently well positioned in several parts of the global seafood industry. The Group's strategy going forward is to continue to grow and further develop within its current operating segments. The Group has and shall continue to have the financial flexibility to support its strategy of further organic growth, carry out strategic acquisitions and sustain the company's dividend policy.

The Group's strong position within the global seafood industry gives grounds for a positive outlook for the Group's future development.

Storebø, 19 April 2018
Board of Directors of Austevoll Seafood ASA

Helge Singelstad *Chairman*	Helge Møgster *Board member*	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad *Board member*
Eirik Drønen Melingen *Board member*	Lill Maren Møgster *Board member*	Siren M. Grønhaug *Board member*	Arne Møgster *CEO & President*



Financial calendar 2018

Please note that the dates might be subject to changes.

08.05.2018	Report Q1 2018
24.05.2018	Annual General Meeting
22.08.2018	Report Q2 2018
08.11.2018	Report Q3 2018
26.02.2019	Preliminary annual results 2018

The Group Accounts

Income statement

Amounts in MNOK	Note	2017	2016
Income Statement			
Sales revenue	3, 25	20 797	18 905
Other gains and losses	3, 21	2	7
Rawmaterials and consumables used		-10 489	-10 523
Salaries and personell expenses	20	-2 905	-2 230
Other operating expenses	20, 23, 25	-2 657	-2 278
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	3	4 747	3 881
Depreciation	11	-874	-801
Amortisation of intangible assets	10	-46	-44
Impairments/reversal of impairments	10, 11	-1	-123
Operating profit before fair value adjustment of biological assets		3 827	2 913
Fair value of adjustment of biological assets	7	-1 832	1 549
Operating profit	3	1 995	4 462
Income from equity accounted investments	4	499	459
Financial income	19	193	72
Financial expenses	19	-486	-311
Profit before taxes		2 200	4 683
Income tax expense	3, 26	-369	-975
Net profit		1 831	3 708
Profit attributable to non-controlling interest	3	821	2 063
Profit attributable to shareholders of Austevoll Seafood ASA	5	1 009	1 645
Average no. of outstanding shares	5	201 824 074	201 409 613
Earnings per share from continued operation (NOK)	5	5,00	8,17
Suggested dividend per share (NOK)	5	2,80	2,50

Statement of comprehensive income

Amounts in MNOK	Note	2017	2016
Profit for the year		1 831	3 708
Other comprehensive income to be recycled to profit and loss			
Cash flow hedges	12	25	38
Currency translation differences		52	-127
Share of other comprehensive income of associated to be recycled		-3	-98
Tax effect on items to be recycled to profit and loss		7	3
Other comprehensive income not to be recycled to profit and loss			
Actuarial loss on post employment benefit obligations	20	1	4
Other comprehensive income net of tax		82	-179
Total comprehensive income for the year		1 913	3 529
Attributable to:			
Non-controlling interest		868	1 985
Shareholders of Austevoll Seafood ASA		1 045	1 544
Total comprehensive income for the year		1 913	3 529

Statement of financial position

Amounts in MNOK	Note	31.12.2017	31.12.2016
Assets			
Goodwill	2, 10	1 942	1 936
Deferred tax asset	26	86	75
Licences	2, 10	9 619	9 685
Brand/trademarks	10	50	50
Vessels	11	1 953	1 992
Other property, plant and equipment	11	5 610	4 699
Equity accounted investments and joint ventures	3, 4	2 074	1 710
Investments in other shares	12, 24	31	34
Non-current receivables	9	201	121
Total non-current assets		**21 566**	**20 303**
Inventories	2, 8	1 188	1 124
Biological assets	2, 7	4 689	6 755
Trade receivables	2, 9, 12, 25	2 071	2 340
Other current receivables	9, 12	719	734
Cash and cash equivalents	12, 14, 17	5 075	3 745
Total current assets		**13 743**	**14 699**
Total assets		**35 309**	**35 001**
Equity and liabilities			
Share capital	16	101	101
Own shares		-18	-18
Share premium		3 714	3 714
Retained earnings and other reserves		5 990	5 452
Non-controlling interests		9 385	8 965
Total equity		**19 172**	**18 213**
Deferred tax liabilities	26	3 432	3 986
Pension obligations and other obligations	12, 17, 20	110	146
Borrowings	12, 17, 23	7 332	7 065
Other long-term liabilities	17, 25	29	34
Total non-current liabilities		**10 903**	**11 231**
Borrowings	12, 17, 23	1 852	2 139
Trade payable	12, 25	1 457	1 500
Tax payable	26	882	560
Other current liabilities	7, 12, 18, 22	1 044	1 358
Total current liabilities		**5 235**	**5 557**
Total liabilities		**16 137**	**16 789**
Total equity and liabilities		**35 309**	**35 001**

Storebø, 19 April 2018
Board of Directors of Austevoll Seafood ASA

Helge Singelstad
Chairman

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman

Inga Lise Lien Moldestad
Board member

Eirik Drønen Melingen
Board member

Lill Maren Møgster
Board member

Siren M. Grønhaug
Board member

Arne Møgster
CEO & President

Statement of changes in equity

Amounts in MNOK	Note	Share capital	Own shares	Share premium	Currency translation differences	Cash-flow hedges	Retained earnings	Non-controlling interest	Total equity
Equity 01.01.16		**101**	**-35**	**3 714**	**1 116**	**-64**	**4 204**	**4 574**	**13 610**
Profit for the period		**0**	**0**	**0**	**0**	**0**	**1 645**	**2 063**	**3 708**
Other comprehensive income in the period		0	0	0	-127	38	-12	-78	-179
Total comprehensive income in the period		**0**	**0**	**0**	**-127**	**38**	**1 633**	**1 985**	**3 529**
Transactions with shareholders									
Dividends	5	0	17	0	0	0	-1 424	-351	-1 758
Transactions with non-controlling interest	27	0	0	0	0	0	157	1 728	1 885
Business combinations		0	0	0	0	0	-81	1 028	947
Total transactions with shareholders in the period		**0**	**17**	**0**	**0**	**0**	**-1 349**	**2 406**	**1 074**
Total change in equity in the period		**0**	**17**	**0**	**-127**	**38**	**284**	**4 391**	**4 603**
Equity 31.12.16		**101**	**-18**	**3 714**	**989**	**-26**	**4 488**	**8 965**	**18 213**
Profit for the period		**0**	**0**	**0**	**0**		**1 009**	**821**	**1 831**
Other comprehensive income in the period		0	0	0	52	25	-41	46	82
Total comprehensive income in the period		**0**	**0**	**0**	**52**	**25**	**968**	**868**	**1 913**
Transactions with shareholders									
Dividends	5	0	0	0	0	0	-507	-446	-953
Transactions with non-controlling interest	27	0	0	0	0	0	0	-1	-1
Total transactions with shareholders in the period		**0**	**0**	**0**	**0**	**0**	**-507**	**-447**	**-954**
Total change in equity in the period		**0**	**0**	**0**	**52**	**25**	**462**	**421**	**959**
Equity 31.12.17		**101**	**-18**	**3 714**	**1 041**	**-1**	**4 950**	**9 385**	**19 172**

Cash flow statement

Amounts in MNOK	Note	2017	2016
Profit before income taxes		2 200	4 683
Taxes paid for the period		-600	-249
Depreciation	10,11	919	845
Impairments	10,11	1	123
Loss+/Gain- on sale of property, plant and equipment	21	-8	-1
Unrealised exchange gains and losses		-29	-8
Share of (profit-/loss+)from associates	4	-499	-459
Interest expense	19	333	298
Interest income	19	-50	-46
Fair value adjustment on biological assets	7	1 832	-1 549
Change in inventories		168	-242
Change in accounts receivables and other receivables	9	285	-493
Change in accounts payables and other payables		-43	392
Change in net pension liabilities		-6	-5
Change in other accruals		-284	12
Currency translation differences working capital		0	0
Net cash flow from operating activities		**4 220**	**3 300**
Proceeds from sale of fixed assets		115	88
Proceeds from sale of shares and other equity instruments		18	22
Purchase of intangible and tangible fixed assets	10,11	-1 840	-1 142
Purchase of shares and equity investments in other companies/business combinations		-82	-3 419
Cash inflow from business combinations	6	1	288
Dividend received	4	264	279
Interest income		50	46
Movements in long term loans granted		-80	-9
Currency translation differences investing capital		-2	-2
Net cash flow from investing activities		**-1 556**	**-3 850**
Proceeds from issuance of long-term interest bearing debt	17	1 585	2 867
Repayment of long-term interest bearing debt	17	-1 246	-1 947
Movement in short-term interest bearing debt	17	-327	-177
Interest paid		-348	-314
Dividend paid	5	-505	-1 695
Transactions with non-controlling interests		-446	1 092
Acquisition of interest in a subsidiary from non-controlling interests		0	2 052
Currency translation differences from financing activities		-39	-50
Net cash flow from financing activities		**-1 326**	**1 827**
Net change in cash and cash equivalents		**1 339**	**1 277**
Cash and cash equivalents at 01.01.		**3 745**	**2 470**
Currency exchange gains of cash and cash equivalents		-9	-2
Cash and cash equivalents at 31.12.		**5 075**	**3 745**

See note 17 for further information about bank overdraft undrawn.

Due to the business combination, not all cash flows will be directly matched with the change in the balance sheet. In the cash flow analysis the acquisition balance is excluded from the calculation of cash flow/change. See Note 6 for information of which balance sheet items are affected by the business combination.

Notes to the accounts

NOTE 1 GENERAL

Austevoll Seafood ASA is a public limited company registered in Norway. The Company's main office is located on Storebø in the municipality of Austevoll, Norway. Laco AS is the company's major shareholder and ultimate parent (see note 16).

The Company is listed on the Oslo Stock Exchange.

The annual, statutory accounts, based upon International Financial Reporting Standards (IFRS) as adopted by EU, were approved by the Board of Directors at April 19, 2018.

In the following "Group" is used to describe information related to Austevoll Seafood ASA Group whilst "Company" is used for the parent company itself.

All amounts in the notes are in NOK million, if not specified differently.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverable amount of goodwill and licences
The Group tests annually whether goodwill and licences with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in note 28. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations unless otherwise stated. These calculations require the use of estimates and are further described in note 10.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The utilisation of recognised tax assets will depend on future positive tax earnings in various jurisdictions, and may not be offset between various tax regimes. Valuation of impairment requirement for tax assets is therefore based on estimates of future tax earnings in some of the tax regimes.

Inventory
Finished goods of fish are measured at the lowest of cost and net realisable value. Material fluctuations in sales prices do occur for such inventory, and might rapidly outdate the assessments made by the Group at a given date.

Trade receivable
Accounting for receivables requires use of judgmental estimates for quantification of provisions for bad debt. Provisions are being made when e.g. balances are falling due or material worsening in the customer's financial situation takes place, given that repayment of the balances are considered uncertain.

Value adjustment of biological assets
Biological assets comprise the stock of roe, fry, juvenile fish, cleaner fish and consumer products. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets.
Valuation is based on a number of different premises, many of which are non-observable. The premises can be categorised in four different groups: (1) Price, (2) Cost, (3) Volume and (4) Discount rate.
For fish ready for slaughter on the balance sheet date, uncertainty mainly involves realised prices and volume. For fish not ready for slaughter, the level of uncertainty is higher. In addition to uncertainty related to price and volume, there will also be uncertainty related to remaining production costs, remaining biological transformation and remaining mortality up to slaughter date for this fish.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

(1) Price
One important premise in the valuation of fish both ready for slaughter and not yet ready for slaughter is the projected market price. This is also the premise that historically shows the highest fluctuations. In order to estimate the projected price, the forward prices for superior Norwegian salmon weighing 3-6 kg gutted weight from Fish Pool are applied. In the Group's opinion, the use of observable prices makes price estimates more reliable and comparable. For fish ready for slaughter, the forward price for the following month is applied. For fish not ready for slaughter, the forward price for the month when the fish is expected to achieve slaughter weight is applied. If it is probable on the balance sheet date that the fish will be slaughtered before it reaches slaughter weight, for example due to biological challenges (that have emerged prior to the balance sheet date), an extra price adjustment is required. Such a price adjustment takes into account the fact that the market price per kilo for small fish is lower than for normal-size fish. The price is subsequently adjusted for exporter margins and clearing costs. This applies to fish both ready for slaughter and not ready for slaughter. Further adjustments are necessary for slaughtering costs (well boat, slaughtering and boxing), transport costs to Oslo and quality differences. Adjustments are also made for price differences between salmon and trout, and any other price premium such as for ASC-certified fish. The adjustments for exporter margin and clearing costs are observable items estimated by Fish Pool. The adjustment for slaughtering costs, transport costs and quality differences is based on the Group's historical costs per region and historical quality distribution, while the other adjustments are based on an assessment using historical data and the Group's view of future market developments.

(2) Cost
For fish not ready for slaughter, an adjustment is also required for the costs necessary to grow the fish to slaughter weight. Estimates related to future costs are based on the Group's prognoses per locality. There is some uncertainty regarding both future feed prices, other costs and biological development (growth, feed factor and mortality). If the estimated costs are higher than expected by a normal enterprise on the market, for example due to long-term agreements previously signed with subcontractors resulting in costs that deviate substantially from the market price, the cost estimates shall be adjusted to reflect the costs expected by a rational enterprise on the market.

(3) Volume
Projected slaughter volume is calculated on the basis of the estimated number of fish (individuals) on the balance sheet date minus estimated future mortality, multiplied by the estimated slaughter weight (4.8 kg live weight). There is some uncertainty involving both the number of fish in the sea on the balance sheet date, remaining mortality and estimated slaughter weight. The actual slaughter volume may therefore differ from the estimated slaughter volume either as a result of changes in biological developments or due to special events, such as mass mortality. The estimate for number of fish on the balance sheet date is based on the number of smolt released to sea. The number of smolt is adjusted to take into account uncertainties during counting and actual registered mortality related to release. The normal estimated slaughter weight is assessed to be the live weight of fish that results in a gutted weight of 4 kg, unless specific conditions exist on the balance sheet date to indicate that the fish have to be slaughtered before they reach this weight. If this is the case, the estimated slaughter weight is adjusted. Projected mortality during the period from the balance sheet date to the date when the fish reach slaughter weight is estimated to be 1 % of the number of incoming fish per month. In North Norway however, historical mortality figures are significantly lower than in other parts of the country. As a result, the percentage applied to estimated mortality in this region is 0.5 %.

(4) Discounts
Every time a fish is slaughtered and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality. The cash flow is allocated to the month when slaughter is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the sea on the balance sheet date. With the current size of the smolt released and the frequency of the smolt releases, this period of time may be up to 18 months. The estimated future cash flow is discounted monthly. The level of discount rate applied has a major impact on the estimate of fair value. The monthly discount rate at 31 December is estimated to be 6 % per month. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) Risk adjustment, (2) Licence lease and (3) Time value.

4.1. Risk adjustment
The risk adjustment shall reflect the price discount a hypothetical buyer would demand as compensation for the risk assumed by investing in live fish rather than a different investment. The longer it takes to reach slaughter

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

date, the higher the risk that something may occur to affect cash flow. Three significant factors could have an impact on cash flow. Volume could change, costs could change and prices could change. The one thing all three factors have in common is that the sample space is unsymmetrical.

4.2. Hypothetical licence lease

Salmon and trout farming is not a market with free competition and no barriers to entry. Due to limited access to licences for farming fish for consumers, such licences currently have a very high value. For a hypothetical buyer of live fish to take over and continue to farm the fish, he/she would need a licence, locality and other permits required for such production. At the time of writing, leasing of licences is not permitted. However, on a hypothetical market for the purchase and sale of live fish, it has to be assumed that this would be possible. In such a scenario, a hypothetical buyer would claim a significant discount in order to allocate a sufficient share of the returns to the buyer's own licences or to cover the lease costs for leased licences. It is difficult to create a model that would allow a hypothetical annual lease cost to be derived from prices for sold licences, as the curve in the model would be based on projections of future profit performance in the industry. Moreover, it is a complex process to derive a lease price per shorter unit of time and, in the last instance, per volume, when the licence limitations are measured at different levels (location, region and company).

4.3 Time value

Finally, a discount must be made for the time value of the tied-up capital linked to the share of the present value of the cash flow allocated to the biomass. It has to be assumed that a hypothetical buyer would claim compensation for the alternative cost of investing funds in live fish rather than some other type of investment. The production cycle for salmon in the sea currently takes up to 18 months. The cash flow will therefore extend over a similar period. Assuming a constant sales price throughout the period, the cash flow would decrease for each month, as costs are incurred to farm the fish to slaughter weight. The costs increase for every month the fish are in the sea. As such, the effect of deferred cash flow is lower than would be the case if the cash flow had been constant. This component is however deemed important due to the major values the stock of fish represents.

Sensitivity analysis for fair value of fish in sea

The Group considers that four components are key for valuation. These are:
(1) weighted average price,
(2) projected normal slaughter weight,
(3) monthly discount rate and
(4) estimated number of fish.

The tables below show a simulated sensitivity to changes in fair value of the biological assets in the event of changes in these parameters:

Sensitivity analysis for fair value of biological assets AUSS
Sensitivity analysis in relation to weighted average price and projected normal slaughter weight

Average price per kg (NOK)	Change in price per kg (NOK)	Projected slaughter weight per fish in kg gwe: 3,5	3,75	4,0	4,25	4,5
	Change in projected slaughter weight per kg gwe	**-0,50**	**-0,25**	**0**	**0,25**	**0,50**
43,5	-5,00	3 200	3 492	3 785	4 077	4 369
46,5	-2,00	3 556	3 868	4 181	4 493	4 806
47,5	-1,00	3 675	3 994	4 313	4 632	4 951
48,5	-	3 793	4 119	**4 445**	4 771	5 097
49,5	1,00	3 912	4 244	4 577	4 910	5 243
50,5	2,00	4 030	4 370	4 709	5 049	5 388
53,5	5,00	4 386	4 746	5 106	5 465	5 825

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and projected slaughter weight per kg gutted weight. For projected slaughter weight, the table shows changes in fair value when there is an increase in projected slaughter weight of 250 and 500 grams respectively, and for a corresponding reduction. The projected total cost is held constant, such that an increase in projected slaughter weight will bring about a reduction in cost per kg, while a reduction in projected slaughter weight will bring about an increase in cost per kg. For price, the change is per NOK gutted weight after adjustment for slaughtery and packaging services, transport to Oslo, quality, size and exporter margin.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Sensitivity analysis in relation to weighted average price and discount rate applied

Average price per kg (NOK)	Change in price per kg (NOK)	Monthly discount rate (%): 4,0 %	5,0 %	6,0 %	7,0 %	8,0 %
	Change in monthly discount rate (%)	**-2,0 %**	**-1,0 %**	**0,0 %**	**1,0 %**	**2,0 %**
43,5	-5,00	4 305	4 031	3 785	3 562	3 360
46,5	-2,00	4 766	4 458	4 181	3 931	3 704
47,5	-1,00	4 920	4 600	4 313	4 054	3 819
48,5	-	5 074	4 743	**4 445**	4 176	3 933
49,5	1,00	5 228	4 885	4 577	4 299	4 048
50,5	2,00	5 382	5 028	4 709	4 422	4 163
53,5	5,00	5 843	5 455	5 106	4 791	4 507

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and monthly discount rate. For the monthly discount rate, the table simulates an absolute change of +/-1 % and +/-2 % (100 and 200 points) respectively.

Sensitivity analysis in relation to weighted average price and number of fish in stock

Average price per kg (NOK)	Change in price per kg (NOK)	Number of fish in stock (million fish): 53,3	55,0	56,1	57,2	58,9
	Change in number of fish in stock	**-5 %**	**-2 %**	**0 %**	**2 %**	**5 %**
43,5	-5,00	3 512	3 676	3 785	3 894	4 057
46,5	-2,00	3 889	4 064	4 181	4 298	4 473
47,5	-1,00	4 014	4 193	4 313	4 432	4 612
48,5	-	4 140	4 323	**4 445**	4 567	4 750
49,5	1,00	4 265	4 452	4 577	4 702	4 889
50,5	2,00	4 391	4 582	4 709	4 837	5 028
53,5	5,00	4 506	4 970	5 106	5 241	5 444

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and estimated number of fish in stock on the balance sheet date. For the number of fish in stock, the table simulates a change of +/-2 % and +/-5 % in the number of fish per locality for all localities with fish in stock.

NOTE 3 SEGMENT INFORMATION

Operating segments
The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segment based on the information reviewed by the Board of Directors. The Board of Directors considers the business from a company perspective. Several of the larger companies controlled by AUSS are separately listed companies, and as such naturally reviewed on a consolidated basis.

Lerøy Seafood Group ASA
Lerøy Seafood Group ASA (LSG) is a Norwegian public company listed on the Oslo Stock Exchange. LSG group is involved in fish farming (salmon and trout), fishery of white fish and VAP of salmon, trout and white fish, and sale and distribution of different fish species and processed fish products.

Austral Group S.A.A - Peru
Austral Group S.A.A (Austral) is a Peruvian public company listed on the Peru Stock Exchange. Austral is engaged in the production of fishmeal, fish oil, canned fish and frozen fish. From its fishing vessels to the finished products produced in the four fishmeal/oil factories, two canning plants and one freezing plant, Austral is a truly integrated system.

Foodcorp Chile S.A - Chile
Foodcorp Chile S.A. (FC) is a Chilean private company within the pelagic sector. The company is located in Coronel and is a truly integrated system engaged in production of frozen fish, canned fish, fishmeal and fish oil. The company holds a fleet of three modern purse-seiner vessels.

Br. Birkeland AS/Birkeland Farming AS
The Norwegian Br. Birkeland AS group holds pelagic fishing licences which in 2017 were utilised by three modern purse-seiner fishing vessels, in addition the company owns two vessels with permit to fish snow crab. Included in the segment are Br. Birkeland Farming which holds seven salmon farming licences in the Western Region of Norway.

Pelagia AS
Pelagia AS is a private company within the pelagic sector. Pelagia AS is engaged in production of fish meal, fish oil, Omega-3 oil and frozen fish for direct human consumption. Pelagia AS has its production facilities in Norway, UK and Ireland. The company is jointly owned with Kvefi AS, and is accounted for as a joint venture.

Other/Elimination
Austevoll Seafood ASA (parent company), Austevoll Eiendom AS, Austevoll Laksepakkeri AS, AUSS Laks AS and AUSS Shared Service AS are not included in any of the operating segments. Unrealised gains on sales between the operating segments, which are eliminated in the consolidated financial statements, are also presented as other/elimination.

NOTE 3 SEGMENT INFORMATION (CONT.)

2017	LSG ASA	Austral Group	Food-corp Chile	Br. Birke-land *)	Pelagia AS 50 %	Other/ elim.	Group
External income	18 621	1 249	503	379	3 061	-3 015	20 797
Inter-segment income	3	0	0	278	0	-280	0
Other gains and losses	-4	2	5	-1	0	0	2
Total segment income	**18 620**	**1 250**	**508**	**655**	**3 061**	**-3 295**	**20 799**
Operating expenses	-14 320	-1 114	-430	-435	-2 754	3 001	-16 052
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	**4 300**	**137**	**79**	**220**	**307**	**-295**	**4 747**
Depreciation and amortisation	-583	-192	-31	-91	-89	67	-919
Impairment/reversal of impairments**)	0	4	-1	-4	24	-24	-1
Operating profit before fair value adjustment of biological assets	**3 717**	**-51**	**46**	**125**	**242**	**-252**	**3 827**
Fair value adjustment of biomass	-1 716	0	0	-116	0	0	-1 832
Operating profit	**2 000**	**-51**	**46**	**9**	**242**	**-252**	**1 995**
Income from equity accounted investments	303	0	0	3	20	174	499
Interest income	21	0	2	10	0	18	52
Interest expenses	-192	-35	-5	-31	-21	-52	-335
Net other financial	-39	27	0	4	-13	11	-11
Profit before tax	**2 093**	**-59**	**44**	**-5**	**228**	**-102**	**2 200**
Income tax expense	-344	-24	-8	10	-40	38	-369
Net profit	**1 749**	**-83**	**37**	**5**	**188**	**-64**	**1 831**
Profit attributable to non-controlling interest	828	-5	0	-1	-5	5	821
Profit attributable to Austevoll Seafood ASA shareholders	**922**	**-78**	**37**	**6**	**193**	**-69**	**1 009**
Dividend attribute to AUSS	**471**	**0**	**0**	**15**	**100**	**1**	**587**

*) Br. Birkeland include the groups Br. Birkeland AS and Birkeland Farming AS.
**) For information regarding impairments, see note 10 and 11.

NOTE 3 SEGMENT INFORMATION (CONT.)

2016	LSG ASA	Austral Group	Food-corp Chile	Br. Birke-land *)	Pelagia AS 50 %	Other/ elim.	Group
External income	17 027	1 026	425	397	2 879	-2 849	18 905
Inter-segment income	243	0	0	387	0	-629	0
Other gains and losses	0	-5	0	6	0	5	7
Total segment income	**17 270**	**1 020**	**426**	**790**	**2 879**	**-3 473**	**18 912**
Operating expenses	-13 915	-880	-394	-445	-2 565	3 169	-15 031
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	**3 355**	**140**	**31**	**345**	**314**	**-304**	**3 881**
Depreciation and amortisation	-512	-175	-69	-67	-82	60	-845
Impairment/reversal of impairments**)	0	26	-149	0	0	0	-123
Operating profit before fair value adjustment of biological assets	**2 843**	**-9**	**-187**	**277**	**232**	**-244**	**2 913**
Fair value adjustment of biomass	1 471	0	0	79	0	0	1 549
Operating profit	**4 314**	**-9**	**-187**	**356**	**232**	**-244**	**4 462**
Income from equity accounted investments	263	0	0	3	23	171	459
Interest income	19	1	1	7	0	18	46
Interest expenses	-151	-36	-5	-23	-20	-63	-298
Net other financial	1	4	0	10	1	-4	12
Profit before tax	**4 445**	**-40**	**-190**	**354**	**236**	**-123**	**4 682**
Income tax expense	-927	-5	44	-73	-42	28	-975
Net profit	**3 519**	**-45**	**-146**	**281**	**194**	**-95**	**3 708**
Profit attributable to non-controlling interest	1 925	-5	0	143	3	-3	2 063
Profit attributable to Austevoll Seafood ASA shareholders	**1 594**	**-40**	**-146**	**137**	**191**	**-91**	**1 645**
Dividend attribute to AUSS	**377**	**0**	**0**	**65**	**175**	**1**	**617**

*) Br. Birkeland include the groups Br. Birkeland AS and Birkeland Farming AS.
**) For information regarding impairments, see note 10 and 11.

NOTE 3 SEGMENT INFORMATION (CONT.)

	Total assets		Total investments in non-current assets	
Segment	**2017**	**2016**	**2017**	**2016**
LSG ASA	23 730	23 115	1 583	770
Pelagia AS	IA	IA	IA	IA
Br. Birkeland AS	2 232	2 339	81	172
Other	5 579	5 615	16	11
Total for Norway	**31 541**	**31 068**	**1 681**	**953**
Austral - Peru	2 935	3 273	132	166
Foodcorp - Chile	833	660	27	24
Total	**35 309**	**35 001**	**1 840**	**1 143**

	Associated companies and joint venture		Total liabilities	
Segment	**2017**	**2016**	**2017**	**2016**
LSG ASA	992	762	11 527	11 808
Pelagia AS	1 061	928	IA	IA
Br. Birkeland AS	14	13	1 002	1 167
Other	7	6	1 875	1 826
Total for Norway	**2 073**	**1 709**	**14 404**	**14 801**
Austral - Peru	1	1	1 437	1 663
Foodcorp - Chile	0	0	296	326
Total	**2 074**	**1 710**	**16 137**	**16 789**

Sales revenue by geographic areas	2017	2016
Norway	3 794	2 868
EU	10 832	10 529
Eastern Europe	611	686
Africa	164	120
North America	1 009	1 072
Pacific	3 976	3 205
South America	411	425
Total	**20 797**	**18 905**

Turnover is allocated based on the customer's home country/destination of sales shipment.

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES

The amounts recognised in the balance sheet are as follows:	2017	2016
Associates	1 013	782
Joint ventures	1 061	928
Total per 31.12.	**2 074**	**1 710**

Profit and loss recognised in the income statement are as follows:	2017	2016
Associates	306	266
Joint ventures	193	193
Total per 31.12.	**499**	**459**

Associated companies

Set out below are the associates of the Group as of December 31, 2017, which are considered material to the Group.

Name	Country of incorporation	% interest and voting rights held	Measurement method
2016 and 2017			
Norskott Havbruk AS	Norway	50,00 %	Equity
Seistar Holding AS	Norway	50,00 %	Equity
Seafood Danmark AS	Denmark	33,33 %	Equity

Set out below are the summarised financial information for the investments in associates considered material to the Group, and total amounts for associates considered to not be material.

Name	Seafood Danmark AS		Norskott Havbruk group *		Seistar Holding AS	
Year ended	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Summarised statement of comprehensive income						
Revenue	1 920	0	2 088	1 721	143	105
Pre-tax (loss)/profit	65	0	670	582	23	28
Post-tax (loss)/profit	49	0	541	478	23	27
Other comprehensive income	0	0	-6	-6	0	0
Summarised balance sheet						
Total current assets	361	0	1 360	1 130	124	82
Total current liabilities	-281	0	-292	-303	-46	-23
Non-current assets	330	0	983	876	366	368
Non-current liabilities	-117	0	-557	-479	-295	-295
Net assets	**292**	**0**	**1 494**	**1 225**	**149**	**131**
Carrying value in AUSS group	**93**	**0**	**747**	**643**	**95**	**86**

The information above reflects the amounts presented in the financial statements of the associates on 100 percent basis, adjusted for differences in accounting policies between the group and the associates.

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Reconciliation of summarised financial information.

Name	Seafood Danmark AS		Norskott Havbruk group *		Seistar Holding AS	
Year ended	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying value beginning of year	**0**	**0**	**643**	**606**	**86**	**76**
Acquisitions	77	0	0	0	0	0
Share of profit/(loss)	12	0	271	239	12	13
Exchange differences	4	0	28	-101	0	0
Dividends	0	0	-161	-101	-3	-3
Other changes in equity	0	0	-3	0	0	0
Carrying value end of year	**93**	**0**	**778**	**643**	**95**	**86**

*) Norskott Havbruk group operate their business through their subsidiary in Scotland. Exchange differences refer to translation of currency from GBP to NOK.

Name	Others		Total	
Year ended	**2017**	**2016**	**2017**	**2016**
Carrying value beginning of year	**53**	**32**	**782**	**714**
Acquisitions	0	21	77	21
Disposals	-16	-19	-16	-19
Share of profit/(loss)	11	14	306	266
Exchange differences	0	0	32	-101
Dividends	0	0	-164	-104
Other changes in equity	-2	5	-5	5
Carrying value end of year	**46**	**53**	**1 013**	**782**

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Investments in joint ventures	Location	Business	Voting share	Measurement method
Pelagia AS	Norway	Pelagic	50 %	Equity

Set out below are the 100 % summarised financial information for the investment in joint venture, which is accounted for using the equity method.

	Pelagia AS	
Assets	**2017**	**2016**
Cash and cash equivalents	318	39
Other curent assets	1 813	1 428
Total current assets	**2 131**	**1 466**
Financial liabilities (excluding trade payables)	825	-573
Other current liabilities (including trade payables)	-2 122	-377
Total current liabilities	**-1 297**	**-949**
Non-current assets	3 084	2 902
Non-current financial liabilities	-1 593	-1 310
Other non-current liabilities	-76	-143
Total liabilities	**1 414**	**1 448**
Minority interests	-128	-110
Net assets	**2 121**	**1 855**
Revenue	6 122	5 758
Depreciation and amortisation	-129	-164
Other expenses	-5 508	-5 130
Interest expense	-42	-40
Other financial items	13	48
Pre-tax profit	**456**	**472**
Income tax expense	-80	-84
Post-tax profit	**377**	**388**
Other comprehensive income	0	0
Total comprehensive income	**377**	**388**

	Pelagia AS	
Reconciliation of summarised financial information	**2017**	**2016**
Per 01.01.	**928**	**1 053**
Share of profit/(loss)	193	193
Currency exchange	41	-62
Dividends	-100	-175
Other changes in equity	-1	-81
Carrying value end of year	**1 061**	**928**

Notes to the accounts

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Investment in joint operations	Location	Business	Voting share	Nature of the relationship	Measurement method
Marfood S.A.	Chile	Fish oil/Fishmeal	46 %	1)	Proportional

1) The establishment of Marfood S.A. was to serve the purpose of joint operation of production and marketing/sale of fishmeal/oil products with Alimar S.A. The owners are providing their own production assets, to which unique ownership is retained. The co-operation with Marfood ended 31.12.2015. For the year 2018, Marfood will not have commercial operations, and the company will be liquidated.

Set out below are the summarised financial information for the investments in joint operations, which are accounted for using the proportional method.

	Marfood S.A.	
Assets	**2017**	**2016**
Cash and cash equivalents	5	4
Other current assets	1	12
Non-current assets	1	1
Total assets	**7**	**17**
Other current liabilities (including trade payables)	1	7
Total liabilities	**1**	**7**
Total equity	**6**	**10**
Total equity and liabilities	**7**	**17**
Revenue	3	126
Operating costs	-7	-113
Interest expense	0	-1
Pre-tax profit	**-4**	**12**
Income tax expense	0	-3
Post-tax profit	**-4**	**9**
Total comprehensive income	**-4**	**9**

NOTE 5 DIVIDENDS PER SHARE

Distributed dividend per share in 2017, based on profit figure for 2016 was NOK 2.50 per share. This amounted to a total of TNOK 506,793. Based on the profit figure for 2017, a dividend payment of NOK 2.80 per share is suggested for 2018. This will in total constitute TNOK 567,609. A final decision will be made by the ordinary shareholders' meeting on 24 May 2018.

Year	Profit after tax to AUSS shareholders	No. of shares 31.12.	Average no. of outstanding shares	Earnings per share	Suggested dividend
2017	1 009	202 717 374	201 824 074	5,00	568
2016	1 645	202 717 374	201 409 613	8,17	507
2015	722	202 717 374	200 995 151	3,59	1 419
2014	555	202 717 374	200 995 151	2,76	405
2013	699	202 717 374	200 995 151	3,48	324
2012	419	202 717 374	202 717 374	2,07	243
2011	369	202 717 374	202 717 374	1,82	203
2010	1 222	202 717 374	202 717 374	6,03	304
2009	723	202 717 374	188 917 000	3,83	243
2008	122	184 317 374	184 317 374	0,66	0
2007	499	184 317 374	183 302 000	2,72	55
2006	264	178 223 624	145 550 000	1,82	0
Total	**8 249**				**4 272**

Year	Proposed dividend per share	Dividend in % of net result (100%) ex. fair value of biological assets	Dividend paid in mill (from last year)	No. of shares	Distributed dividend per share
2017	2,80	18 %	505	202 717 374	2,50
2016	2,50	20 %	1 419	202 717 374	7,00
2015	7,00	129 %	405	202 717 374	2,00
2014	2,00	32 %	324	202 717 374	1,60
2013	1,60	32 %	243	202 717 374	1,20
2012	1,20	59 %	203	202 717 374	1,00
2011	1,00	21 %	304	202 717 374	1,50
2010	1,50	20 %	243	202 717 374	1,20
2009	1,20	26 %	0	202 717 374	0,00
2008	0,00	0 %	55	184 317 374	0,30
2007	0,30	12 %	0	184 317 374	0,00
2006	0,00	0 %	0	178 223 624	0,00
Total	**21,10**		**3 702**		**18,30**

AUSS aims to maximize value creation for the benefit of shareholders by constantly striving to achieve good results. Over time, the target is to pay out between 20 % and 40 % of the Group's net profit as dividends (excluding the value adjustment of biological assets).

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

NOTE 6 ACQUISITION OF SHARES/BUSINESS COMBINATIONS

Transactions in 2017
There have not been any significant business combinations or redemptions of non-controlling ownership interests in 2017. The purchase price of the acquired company, Skårvågfisk AS, was NOK 4.4 million. Goodwill of NOK 2.6 million was identified in this connection. The total impact on equity of redemption of non-controlling ownership interests in 2017 was NOK -1.5 million.

Final purchase price allocation for the acquisitions of Havfisk ASA and Norway Seafoods Group AS in 2016
The final purchase price allocation for the acquisitions of Havfisk ASA and Norway Seafoods Group AS in 2016 is unchanged from the preliminary purchase price allocation. The political process linked to trawler licences and associated obligations, which was ongoing at the balance sheet date 2016 and which gave rise to uncertainty as to the level of the quotas, has now been concluded without any changes in the framework conditions.

Fair value adjustments	Balance before BC	Eliminations	Fair value adjustments	Fair value balance
Deferred tax assets	7	0	59	66
Licences	757	-4	2 942	3 696
Fixed assets	1 272	0	-180	1 092
Financial assets	265	-205	0	60
Inventory	256	0	-2	253
Short term receivables	306	0	0	305
Cash in bank	288	0	0	288
Identified value	**3 151**	**-210**	**2 818**	**5 760**
Equity	1 046	20	2 107	3 172
Deferred tax	194	7	683	884
Other non-current liabilities	1 309	-214	0	1 095
Current liabilities	602	-22	28	609
Total equity and liabilities	**3 151**	**-210**	**2 818**	**5 760**

In the table above, intercompany balances between Havfisk ASA group and Norway Seafoods AS group are eliminated. Differences in net book value related to intercompany balances, rights and liabilities, derived from earlier impairment losses before acquisition date, are eliminated against equity in the purchase price allocation.
Lerøy Seafood Group perceives the two acquired enterprises plus their subsidiaries to be so closely integrated with each other that they must be considered as one in relation to the business combination. Havfisk's licences come with certain commitments. One condition for the use of the licences is that Havfisk fulfils certain commitments related to the onshore plants in North Norway operated by Norway Seafoods Group. These commitments cover supply, operations and processing. These commitments are described in the note on intangible assets.

NOTE 7 BIOLOGICAL ASSETS

The group recognises and measures biological assets (fish in sea) at fair value. For salmon and trout, including parent fish, a present value model is applied to estimate fair value. For roe, fry, smolt and cleaner fish, historical cost provides the best estimate of fair value.

The fair value of fish in the sea is estimated as a function of the estimated biomass at the time of harvest, multiplied by the estimated sales price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. Please refer to note 28 accounting policies for more detailed information.

Fair value adjustment recognised in the period related to biological assets comprises: (1) change in fair value adjustment of biological assets, (2) change in fair value (provision) of loss-making contracts and (3) change in unrealised gain/loss of financial sale and purchase contracts (derivatives) for fish in Fish Pool.

The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfill the contract. This implies that the Group may experience loss-making (onerous) contracts according to IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost for the products. In such a scenario, a provision is made for the estimated negative value. The provision is classified in the financial statements as other short-term debt. The Group also enters into Fish Pool contracts to hedge prices. The number of such contracts is limited. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

Carrying amount of biological assets	2017	2016
Fish in sea at historic cost*	3 654	3 610
Fry, brood, smolt and cleaning fish to cost*	244	283
Total biological assets before fair value adjustment	3 898	3 893
Fair value adjustments	791	2 861
Total biological assets	**4 689**	**6 754**
Fish in sea to fair value	4 445	6 471
Fry, brood, smolt and cleaning fish to fair value	244	283
Total biological assets	**4 689**	**6 754**

* Historical cost minus expensed mortality

Carrying amount of loss-making contracts		
Fair value of loss-making contracts on the balance sheet at 31.12.	**5**	**284**

Recognised fair value adjustment related to biological assets		
Change in fair value adjustment of biological assets (fish in sea)	-2 070	1 808
Change in onerous of contracts	279	-284
Change in fair value of Fish Pool contracts	-42	25
Fair value adjustments related to biological assets	**-1 832**	**1 549**

Notes to the accounts

NOTE 7 BIOLOGICAL ASSETS (CONT.)

Reconciliation of changes in net book value	Roe, fry, smolt and cleaner fish*	Fish in sea (salmon and trout)*	Fair value adjustment	Total value on biological assets
Biological assets as of 31.12.2015	244	3 278	1 052	4 574
Changes in 2016				
Increase from biological transformation (released and net growth)	636	5 460	0	6 096
Reduction due to sale and own consumption (smolt and cleaner fish)	-597	0	0	-597
Reduction due to harvest (salmon and trout)	0	-4 936	0	-4 936
Reduction due to incident-based mortality	0	-187	0	-187
Reduction due to accidental release	0	-5	0	-5
Net change in fair value (fish in sea)	0	0	1 809	1 809
Biological assets as of 31.12.2016	**283**	**3 610**	**2 861**	**6 754**
Changes in 2017				
Increase from biological transformation (released and net growth)	684	5 877	0	6 562
Reduction due to sale and own consumption (smolt and cleaner fish)	-723	0	0	-723
Reduction due to harvest (salmon and trout)	0	-5 548	0	-5 548
Reduction due to incident-based mortality	0	-286	0	-286
Net change in fair value (fish in sea)	0	0	-2 070	-2 070
Biological assets as of 31.12.2017	**244**	**3 653**	**792**	**4 689**

* Value of the balance before fair value adjustment (historical cost reduced with charged mortality).

Reconciliation of volume (LWT) for stock of fish in sea	2017	2016
Life weigt (LWT) on fish in sea per 01.01. (tonnes)	114 101	114 026
Changes through the year		
Increase from biological transformation (released and net growth)	208 476	195 687
Reduction due to harvesting	-195 603	-189 175
Reduction due to incident based mortality	-9 415	-6 241
Reduction due to accidental release	0	-196
Live weight of fish in sea at 31.12 (tonnes)	**117 560**	**114 101**

NOTE 7 BIOLOGICAL ASSETS (CONT.)

The table below shows the total volume of fish in sea, living weight measured in tonnes, distributed by weight:

Volume (LWT) - Overview of fish in sea as of 31.12.	2017	2016
Fish in sea, 0 - 1 kg	12 171	12 662
Fish in sea, 1 - 2 kg	13 581	14 812
Fish in sea, 2 - 3 kg	14 425	20 261
Fish in sea, 3 - 4 kg	45 596	23 329
Fish in sea, above 4 kg	31 787	43 036
Fish in sea, total salmon and trout	**117 560**	**114 101**

Distribution according to readiness for slaughter or not readiness for slaughter, by salmon and trout	2017	2016
Fish ready for slaughter (fish with live weight > 4.8 kg)	**17 331**	**15 786**
- Salmon	16 064	15 786
- Trout	1 267	0
Fish not ready for slaughter (fish with live weight < 4.8 kg)	**100 229**	**98 315**
- Salmon	85 457	84 546
- Trout	14 772	13 769
Total volume fish in sea (LWT)	**117 560**	**114 101**
- Salmon	101 521	100 332
- Trout	16 039	13 769
Number of individuals		
Total number of all groups (in 1,000)	56 116	55 534

NOTE 7 BIOLOGICAL ASSETS (CONT.)

2016 - Estimated forwardprice through expected slaughter period	Forward price*	Exporter fee	Clearing cost	Net forward price
1. quarter 2017	73,52	-0,75	-0,185	72,58
2. quarter 2017	72,05	-0,75	-0,185	71,12
3. quarter 2017	64,83	-0,75	-0,185	63,90
4. quarter 2017	64,80	-0,75	-0,185	63,87
1. quarter 2018	64,10	-0,75	-0,185	63,17
2. quarter 2018	63,90	-0,75	-0,185	62,97

2017 - Estimated forwardprice trough expected slaughter period	Forward price*	Exporter fee	Clearing cost	Net forward price
1. quarter 2018	52,92	-0,75	-0,185	51,99
2. quarter 2018	52,12	-0,75	-0,185	51,19
3. quarter 2018	52,12	-0,75	-0,185	51,19
4. quarter 2018	54,07	-0,75	-0,185	53,14
1. quarter 2019	56,87	-0,75	-0,185	55,94
2. quarter 2019	54,87	-0,75	-0,185	53,94

* Quarterly forward price based on monthly forward prices sourced from Fish Pool 29 December 2017.

Adjustments are also made for:	2017	2016
Price-premium (+) for ASC salmon	0,00	0,00
Price premium (+/-) for trout	0,00	0,00
Reduction for quality differences	-0,25	-0,25
Reduction for size differences	-0,40	-0,40

Deductions are also made for well boat services, slaughtering and packaging (primary processing), and transport to Oslo from the locality being measured.
Based on the above parameters, an estimated net price is calculated for each locality, and is then included in the cash flow calculation in relation to the assessment of fair value.

In connection with the sensitivity analysis conducted in the note on significant accounting estimates and assessments, an estimated average net price is applied to all sizes. This is calculated by dividing the total estimated net sales revenue per locality by the total estimated volume (measured as slaughter weight), based on projected slaughter weight.

	2017	2016
Calculated average net-prices, all sizes (NOK/kg)	**48,51**	**61,87**
Other parameters		
Projected mortality in relation to number of individuals per month in North Norway	0,50 %	0,50 %
Projected mortality in relation to number of individuals per month in other regions	1,00 %	1,00 %
Projected slaughter weight (live weight)	4,8 kg	4,8 kg
Discount rate (monthly)	6 %	6 %

NOTE 7 BIOLOGICAL ASSETS (CONT.)

Accidental release in 2017
For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. In 2017, the Group reported three small cases of accidental release.
In June 2017, a crack in a tank led to 1,200 trout smolt being accidentally released from a young fish facility in Sjøtroll Havbruk; 1,064 of the fish were recovered. In July, 15 fish were accidentally released from Lerøy Midt in connection with a loading operation. In September, four fish were accidentally released from Lerøy Midt in connection with delousing. The accident was insignificant in terms of weight and value.
All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident.

Incident-based mortality
From and including 2016, the Group defines mortality as abnormal when more than 1.5 % of the total number of fish die in the space of one month. For more detailed information, see the note on biological assets.

Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2017, incident-based mortality has been caused by sea lice treatment and also a serious outbrake of gill disease in Lerøy Sjøtroll.

Fish health, including minimising mortality, is the cornerstone of the Group's strategy. There has been a positive trend in the number of delousing treatments and in related mortality in 2017.

NOTE 8 INVENTORIES

	2017	2016
Raw materials	480	412
Work in progress	17	33
Finished goods	715	696
Impairments, including obsoleteness	-23	-17
Total	**1 188**	**1 124**
Obsoleteness of inventories expensed during the year	11	17

Notes to the accounts

NOTE 9 TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	2 115	2 371
Less: provision for impairment of trade receivables	-44	-31
Trade receivables - net	**2 071**	**2 340**
Other current receivables		
Prepayments	121	87
Receivables related parties	0	0
Loans to related parties	0	0
Loans to third parties	16	38
Public fees and taxes receivable	337	335
Currency forward contracts/Effects of fair value hedging	32	57
Insurance to recover	34	10
Short-term loans	97	92
Balance on sale of equipment	5	36
Other current receivables	77	80
Total other current receivables	**719**	**734**
Total current	**2 790**	**3 074**
Non-current receivables		
Loans to related parties	47	29
Loans to third parties	39	21
Other non-current receivables	115	71
Total non-current receivables	**201**	**121**
The ageing of the trade receivables, past due but not impaired:		
0 to 3 months	420	448
3 to 6 months	14	9
Over 6 months	8	30
Total	**442**	**486**
The ageing of the trade receivables, past due and impaired:		
0 to 3 months	4	2
3 to 6 months	2	0
Over 6 months	20	18
Total	**26**	**21**

The Group's trade receivables of MNOK 2,071 are partly covered by credit insurance and other types of security. Trade receivables per 31.12. were nominally MNOK 2,115 while provisions for bad debts were amounted to MNOK 44.

Trade receivables, past due but not impaired was MNOK 442 per 31.12. A major part of the trade receivables, past due but not impaired are related to the subsidiary Lerøy Seafood Group ASA (LSG) with MNOK 423 of the amount overdue. Per end of February 2018 more than 95,5 % of the customer receivables related to LSG are paid.

NOTE 9 TRADE AND OTHER RECEIVABLES (CONT.)

The carrying amounts of the trade and other current receivables are denominated in the following currencies:	2017	2016
USD	331	533
GBP	63	59
EUR	778	944
NOK	1 180	1 168
CLP	40	21
PEN	111	80
SEK	192	167
Other	96	103
Total	**2 791**	**3 074**

Movements on the provision for impairment of trade receivables are as follows:	2017	2016
Per 01.01.	-31	-32
This years change in provisions	-14	5
Currency translation differences	1	0
Unused amounts reversed	0	-4
Per 31.12.	**-45**	**-31**

NOTE 10 INTANGIBLE ASSETS

2016	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Per 01.01.						
Acquisition cost	2 085	3 960	1 054	1 225	50	8 375
Accumulated amortisation	0	-55	-86	-15	0	-155
Accumulated impairment	-132	-18	0	-30	0	-181
Carrying amount at 01.01.	**1 953**	**3 887**	**969**	**1 180**	**50**	**8 039**
Balance sheet value at 01.01.	1 953	3 887	969	1 180	50	8 039
Currency translation differences	-17	0	0	-3	0	-19
Effect of business combination	0	0	3 695	0	0	3 696
Intangible assets acquired	0	1	0	0	0	1
Amortisation		-14	-14	-17	0	-44
Carrying amount at 31.12.	**1 936**	**3 874**	**4 650**	**1 162**	**50**	**11 672**
Per 31.12.						
Acquisition cost	2 069	3 986	4 749	1 207	50	12 062
Accumulated amortisation	0	-93	-100	-16	0	-209
Accumulated impairment	-132	-18	0	-30	0	-180
Carrying amount at 31.12.	**1 936**	**3 875**	**4 650**	**1 161**	**50**	**11 672**
– of which assets with indefinite lives	1 936	3 845	4 096	1 161	50	11 088
– of which assets with definite lives	0	30	554	0	0	584
– remaining years for assets with definite useful lives (years)		10-12 years	11-16 years			

NOTE 10 INTANGIBLE ASSETS (CONT.)

2017	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Balance sheet value at 01.01.	1 936	3 875	4 650	1 161	50	11 672
Currency translation differences	2	0	0	-41	0	-39
Intangible assets acquired	0	20	0	0	0	20
Amortisation		-1	-41	-3	0	-46
Impairment	4	0	0	0	0	4
Carrying amount at 31.12.	**1 942**	**3 895**	**4 608**	**1 117**	**50**	**11 611**
Per 31.12.						0
Acquisition cost	2 070	4 033	4 749	1 168	50	12 070
Accumulated amortisation	0	-120	-141	-21	0	-282
Accumulated impairment	-128	-18	0	-29	0	-176
Carrying amount at 31.12.	**1 942**	**3 895**	**4 608**	**1 117**	**50**	**11 611**
– of which assets with indefinite lives	1 942	3 852	4 096	1 117	50	11 057
– of which assets with definite lives	0	42	512	0	0	555
– remaining years for assets with definite useful lives (years)		10-12 years	10-15 years			

Included in licences fishfarming above is a privilege for utilisation of waterfalls with definite useful lives.

Cash-generating units (CGU)
Every corporate subsidiary in the AUSS Group is classified as one group of CGUs in order to allow for the distribution of goodwill for impairment testing. Goodwill and intangible assets with an indefinite useful life are not amortised, but shall be tested for impairment at least once a year – or when there are indications of impairment – and written down if their value can no longer be justified. Useful life is utilised as a main rule when establishing recoverable amount. Useful life is estimated as the present value of future cash flows. The present value is compared with the book value per CGU or group of CGUs. The present value estimate is based on the budget for the next year and the estimated profit/loss over the next four years. A terminal value is estimated for the period following the next five years. The Gordon growth model is applied to estimate terminal value.

Goodwill and intangible assets with indefinite useful life (which is not depreciated) is distributed on the different groups as follows:

Booked value intangible assets per CGU	Goodwill	Licences	Brand/ Trademarks	Total
Lerøy Seafood Group ASA	1 411	7 383	50	8 844
Br. Birkeland AS	258	1 121	0	1 379
Austral Group S.A.A	273	785	0	1 058
Foodcorp Chile S.A	0	330	0	330
Total	**1 942**	**9 619**	**50**	**11 611**

NOTE 10 INTANGIBLE ASSETS (CONT.)

Lerøy Seafood Group ASA (LSG)
LSG is a fully-integrated seafood company and comprises the entire value chain, from roe, fry, smolt, farming of Atlantic salmon and trout, catching white fish and processing to sales and distribution. LSG has following fish farming licences; 26 licences in the North of Norway, 57 in Central Norway and 63 in West Norway. The following rates are applied for tests of possible impairment: discount rate (WACC) before tax of 7.5 %, WACC after tax of 5.8 %, nominal rate of growth of 3.0 % and estimated inflation of 2.0 %. LSG's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2017 and 2016. The management's calculations are robust in the face of reasonable changes in conditions in the future, and a change of all essentials elements with 10–15 % will not cause requirement of write-down. Historically until 2012, the Group has experienced a significant production growth per license in Norway. Since 2012 and until today it has been approximately no growth. As a consequence of new green farming licences together with research and development licences, it is raised probability for growth the next years. The model is based on an assumption of zero growth in volume which is a very conservative projection in the longer term. It is probable that such a low growth rate would result in a margin expansion, a condition which is barely covered by the model.

The licences in this segment are owned by the sub-group, Havfisk AS. The licences are governed by an obligation to supply products to the regions where the licences are located, i.e. Finnmark and Nordland. This implies that buyers in those regions have priority over other buyers of fish. The details of the supply obligation are stipulated in the licence terms for the individual licence unit. This may be a region but could also be a specific buyer. The principle for pricing is the average price realised for the species of fish in question over the past two weeks, taking into account condition, size and quality. Havfisk is also subject to a so-called "industrial obligation" in Stamsund, Melbu, Hammerfest, Båtsfjord, Honningsvåg and Kjøllefjord. This implies that the licence is linked to operation of the facilities in the respective locations. Havfisk has however leased out the facilities in these locations. The lessee is Lerøy Norway Seafoods AS (group). The lessee is responsible for sustaining operations. If the lessee terminates operations, the licence terms oblige Havfisk to sustain operations in the specified locations.
At the end of the financial year, the Havfisk group owned 29.6 cod and haddock trawling licences, 31.9 saithe trawling licences, 8 shrimp trawling licences and 3 greater silver licences in Norway. These licences are owned via the subsidiaries Nordland Havfiske AS, Finnmark Havfiske AS and Hammerfest Industrifiske AS.

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2017, each vessel was permitted up to four licence units. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". In 2017, one cod licence entitled the holder to fish for 1,480 tonnes of cod, 564 tonnes of haddock and 388 tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2016, this is an decrease of -1 % for cod, +2 % for haddock and +6 % for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

In order to improve profitability for fisheries and reduce the number of vessels in operation, the fisheries authorities have implemented schemes allowing for companies to merge several quota units per vessel in return for the permanent removal of vessels that have handed over their quotas from the registry of fisheries. Each vessel has one cod trawling permit, a so-called basic quota. Vessels can also have structural quotas for cod trawling. In total, one vessel cannot have more than four quotas per fish species. The structural quotas have a limited duration according to the scheme in place when the quota was structured. In principle, there are two schemes for structural quotas, comprising 20 and 25 years' duration. The new scheme for structural quotas was introduced in 2007. Structural quotas allocated before 2007 have a duration of 25 years starting in 2008, while quotas allocated after 2008 have a duration of 20 years.

The main purpose of the structure schemes is to reduce the number of vessels participating in individual fisheries, thereby facilitating improved profitability for the remaining vessels – i.e. improving efficiency within a regulated framework. Moreover, the schemes are intended to adapt fleet capacity to the basic resources. At the end of the duration of 20 and 25 years respectively, the structural quotas are no longer valid and the total quotas will be

NOTE 10 INTANGIBLE ASSETS (CONT.)

distributed among all parties in the regulation group in question, as basic quotas. Basic quotas do not have any time limits.

Havfisk AS – and Lerøy Norway Seafoods AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act). The Participant Act stipulates inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of Lerøy Seafood Group ASA's acquisition of the majority shareholding in Havfisk AS was granted on the basis of Lerøy Seafood Group ASA's ownership on the date of the approval. The approval also states that no new applications are required for future changes in ownership of Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA provided that Lerøy Seafood Group ASA continues to own minimum 60 % of the shares in Havfisk AS and that Austevoll Seafood ASA continues to own minimum 50 % of the shares in Lerøy Seafood Group ASA. However, the approval does not allow for changes in ownership that result in Laco AS directly owning less than 55.55 % of the shares in Austevoll Seafood ASA. Any significant changes in ownership in Laco AS also require approval. The approval also requires continuation of the prevailing terms related to permits for the vessels and structural quotas, in addition to compliance with the nationality requirement in section 5 of the Participant Act. Pursuant to the nationality requirement in section 5 of the Participant Act, operating permits can only be granted to parties that are Norwegian citizens or have status that equals Norwegian citizenship. According to the second paragraph letra a) of the provision, limited companies, public limited companies and other companies with limited liability have equal status to Norwegian citizens when the company's head office and Board of Directors are located in Norway, when the majority of the Board members, including the Chairman of the Board, are Norwegian citizens resident in Norway and who have lived in Norway for the last two years, and when Norwegian citizens own shares or stocks corresponding to minimum 6/10 of the company's capital and have voting rights in the company with minimum 6/10 of the votes. Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA are obliged to submit an overview twice a year detailing the company's shareholders, including specification of the shares held by foreign shareholders. Ultimately, a breach of the above-mentioned licence provisions could result in Havfisk AS losing its licence rights.

An impairment test has been performed for the assets with an unlimited useful life (basic quotas) The most significant premises in the test are estimated future volume of catches per species, estimated future prices per species and required rate of return. The required rate of return applied before tax is 7.5 %.

Br. Birkeland AS/Br. Birkeland Farming AS (BRBI)
BRBI had by end of 2017 five fishing vessels, three of which are pelagic ring net/trawlers. Two of the pelagic vessels each had a 681 basic ton ring net licence and a 1.425 trawling licence.The third vessel had 409 basic ton ring net licence. Two vessels fishes for snow crab and have an onboard factory where the product is processed to completion. Included in the numbers for BRBI are Br. Birkeland Farming group which owns seven licences for farming Atlantic salmon and trout in West Norway. For licences related to pelagic fishing, the last known turnover figure has been applied for impairment tests, and this indicates a sound margin in relation to book values. Br. Birkeland AS sold in January 2018 their daughter company Maron AS, which owned one pelagic ring net vessel with 409 basic ton ring net licence.

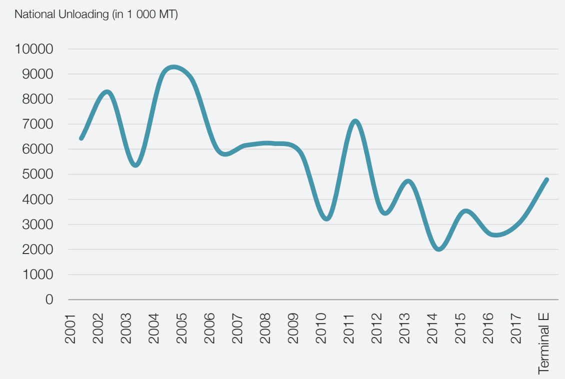
The following rates are applied for tests of possible impairment for farming licences: discount rate (WACC) before tax of 10,2 %, WACC after tax of 7,9 %, nominal rate of growth of 3.0 % and estimated inflation of 2.0 %. BRBI's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2017 and 2016. The management's calculations regarding farming licences are robust in the face of reasonable changes in conditions in the future.

Austral Group S.A.A (Austral)
Austral is a fully-integrated fishing company involved in catches, processing and sales. Austral has fishing rights for anchoveta and horse mackerel/mackerel in Peru. The company has a total anchoveta quota that represents 6.87 % of the total quota for Central/North Peru, and just less than 4 % of the quota in South Peru. Austral's product range comprises fishmeal and fish oil, in addition to canned and frozen products directly for the consumer market. Austral's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and quota sizes from year to year. There are two main seasons for anchoveta – the first from April to July and the second from November to January.

NOTE 10 INTANGIBLE ASSETS (CONT.)

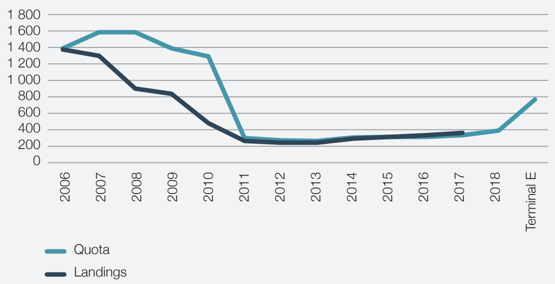
Resource management is carried out by Instituto del Mar de Peru (IMARPE). Prior to each fishing season, IMARPE carries out a measurement of biomass and recommends quota sizes on the basis of their finds. Cash flows after tax and an equivalent discount rate (WACC) after tax of 7.1 %, nominal rate of growth of 2.0 % and estimated inflation of 2.0 % are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2017-2026 report. The model makes use of current cost levels, adapted to take into account growth. The model also estimates a total anchoveta quota in the terminal element in Central/ North Peru of 4.5 million tonnes and 0.3 million tonnes in South Peru – totaling 4.8 million tonnes. This figure is at the lower end of the average in the total quota over the past 15 years (ref. graph). Austral's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2017 and 2016. With the implemented WACC and best estimate for the terminal element, the tests show that this value is also intact in the face of reasonable changes in price attainment for fishmeal and -oil. The critical price in the terminal element for fishmeal is USD 1,465. For comparison, the average price of fishmeal FOB Peru was USD 1,408 in 2017 and USD 1,571 in 2016 (source: SUNAT).

Anchovy (Engraulis ringens) unloading



Foodcorp Chile S.A (FC)
FC is a fully-integrated fishing company involved in catches, processing and sales. FC has fishing rights for horse mackerel, mackerel, squid, sardines and anchoveta in Chile. In 2017 the company had 9.1 % of the quota for horse mackerel that applies to the fleet group in South Chile to which the company's vessels belong. FC supplies frozen products and canned products for consumers, and fishmeal and fish oil. FC's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and, as a result, quota sizes from year to year. The stock of horse mackerel in the southern Pacific has been subject to significant harvesting over the past decade, and a common fish stock management scheme was not implemented until 2011. Fish stock management is now provided by the South Pacific Regional Fisheries Management Organisation (SPRFMO). Their work involves measurements and estimates of stock sizes that in turn provide the basis for specification of total quotas from year to year. Total quotas (TAC) were set for the first time in 2012, and at extremely low levels historically. In order to ensure the development of biomass, quotas in the following years have only had a slight increase.The conservative management meant that SPRFMO, in the autumn of 2017, could report that the biomass had reached a sustainable level and could therefore recommend a growth of 17 % in the quota for 2018. Cash flows after tax and an equivalent discount rate (WACC) after tax of 8.1 %, nominal rate of growth of 2.0 % and estimated inflation of 2.0 % are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2017–2026 report. The model makes use of current cost levels, adapted to take into account growth. The figure for volume of raw materials applied in the model is based on SPRFMO's models, which project a build-up to a spawning stock biomass of 7.5 million tonnes in 2018. After that, a gradual increase has been added . The critical total quota for Chile on horse mackerel in the terminal element is estimated at 768,000 tonnes. This volume is historical low (look at figures below). FC's impairment tests did not produce grounds for write-down of intangible assets with an indefinite useful life in 2017.

Horsemackerel quotas and catches Chile (figures in 1,000 metric tonnes)



NOTE 11 TANGIBLE FIXED ASSETS

2016	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Per 01.01.						
Acquisition cost	283	236	2 223	6 514	2 764	12 020
Accumulated depreciation	0	-1	-673	-3 906	-1 764	-6 343
Accumulated impairment	-16	0	-32	-48	-51	-146
Carrying amount at 01.01.	**267**	**237**	**1 518**	**2 560**	**949**	**5 531**
Balance sheet value at 01.01.	267	237	1 518	2 560	949	5 531
Currency translation differences	-3	-1	10	-36	-25	-56
Reclassification	0	-270	31	145	105	11
Acquisitions through business combinations	4	0	22	51	1 015	1 092
Tangible fixed assets acquired	18	153	140	643	187	1 142
Tangible fixed assets sold/scrapped	-2	-2	-9	-73	-185	-272
Depreciation	0	0	-138	-512	-151	-801
Disposals acc. depreciation	0	0	0	47	133	180
Reclassifications acc. depreciation	0	0	-11	0	0	-11
Impairment	0	0	-82	-27	-37	-146
Reversal of impairments	-7	0	1	28	2	23
Reversal of impairments by scrapping/ sale of fixed assets	0	0	0	0	0	0
Carrying amount at 31.12.	**277**	**115**	**1 481**	**2 825**	**1 992**	**6 691**
Per 31.12.						
Acquisition cost	300	116	2 361	7 233	3 858	13 869
Accumulated depreciation	0	-1	-767	-4 371	-1 780	-6 918
Accumulated impairment	-23	0	-113	-37	-85	-258
Carrying amount at 31.12.	**277**	**115**	**1 481**	**2 825**	**1 992**	**6 691**
Carrying amount of finance lease included above	**0**	**0**	**41**	**730**	**244**	**1 015**
Depreciation on finance lease included above	**0**	**0**	**4**	**125**	**13**	**143**

Notes to the accounts

NOTE 11 TANGIBLE FIXED ASSETS (CONT.)

2017	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Balance sheet value at 01.01.	277	115	1 481	2 825	1 992	6 691
Currency translation differences	-1	-2	24	-33	-25	-37
Reclassification	0	-134	8	39	86	0
Acquisitions through business combinations	0	0	0	2	0	2
Tangible fixed assets acquired	57	159	842	641	120	1 820
Tangible fixed assets sold/scrapped	0	-10	-28	-143	9	-172
Depreciation	0	0	-84	-521	-269	-874
Disposals acc. depreciation	0	0	8	76	38	122
Impairment *	0	0	0	0	-5	-5
Reversal of impairments	0	0	1	2	1	4
Reversal of impairment by scrapping/sale of fixed assets	0	0	0	7	6	12
Carrying amount at 31.12.	**333**	**129**	**2 252**	**2 895**	**1 953**	**7 563**
Per 31.12.						
Acquisition cost	355	130	3 173	7 740	4 015	15 413
Accumulated depreciation	0	-1	-855	-4 816	-2 011	-7 681
Accumulated impairment	-22	0	-66	-28	-51	-167
Carrying amount at 31.12.	**333**	**129**	**2 252**	**2 895**	**1 953**	**7 563**
Carrying amount of finance lease included above	**0**	**0**	**34**	**907**	**219**	**1 160**
Depreciation on finance lease included above	**0**	**0**	**3**	**153**	**17**	**174**

* Impairment is related to one fishing vessel in Norway which was sold in January 2018.

NOTE 12 FINANCIAL INSTRUMENTS

Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group' focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses to some degree derivative financial instruments to reduce certain risk exposures.

Market risk
(i) Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR, CLP and PEN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising, entities in the Group use forward contracts in addition to withdrawals and deposits on multicurrency accounts.

Changes in exchange rates that affects accounts receivable, other receivables, and liabilities nominated in other currencies than the entities functional currency will have a direct effect on the Groups income statement as per year end.

At 31 December 2017, if NOK had weakened/strengthened by 10 % against the USD with all other variables held constant, before-tax profit for the year would have been MNOK 59 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of USD denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

At 31 December 2017, if NOK had weakened/strengthened by 10 % against the EUR with all other variables held constant, before-tax profit for the year would have been MNOK 30 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of EUR denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

Corresponding changes in exchange rates at year end of other currencies are not considered to have any material effect on the post-tax profit for the Group.

(ii) Price risk
Through the subsidiary Lerøy Seafood Group ASA, the group has a substantial exposure to the price risk of the fluctuating marked prices on salmon and trout. To reduce this risk, LSG aims to have a certain part of the sales on fixed price contracts.

The Group is also exposed to changes in the prices of other products sold, mainly fishmeal, fish oil and human consumption products. Local management reviews before selling whether price levels are consistent with the target profitability. The group is also exposed to changes in prices of pelagic raw material purchase. Price risk identified here is not hedged by any derivative financial instruments.

(iii) Interest rate risk
The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group search to reduce interest rate risk by using interest rate swaps (floating-to-fixed) for part of the borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

As at 31.12.2017, the Group has a total unrealised loss of MNOK 75 (after tax) attached to interest rate swaps.

If the interest rate level had been 0.5 % higher (lower) throughout the year, all other variables held constant, profit before income taxes would have decreased (increased) by MNOK 5 in 2017 and MNOK 19 in 2016 through the impact of floating rate borrowings and deposits. The sensitivity analysis is based on the level of net interest bearing debt (NIBD) by year end 2017 and 2016, allowed for entered interest rate swaps.

Amounts in MNOK	Increase/reduction in basis points	2017	2016
Impact on profit before tax	+/- 50	-/+ 5	-/+ 19

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

Credit risk
The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Normally the Group sells only based upon letter of credit or payments in advance for new customers. Credit insurances are being used when this is deemed appropriate. For customers with a reliable track record in the Group, sales within certain agreed-upon levels are done without any security.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping. The amounts disclosed in the table are the undiscounted cash flows, i.e. interest included.

31 December 2017	Less than 1 year	1–2 years	3–5 years	Over 5 years
Borrowings (excl. finance liabilities)	2 105	1 007	3 406	2 758
Financial lease liabilities	291	266	335	330
Trade and other payables (excl. Statutory liabilities)	2 198	1	1	25

31 December 2016	Less than 1 year	1–2 years	3–5 years	Over 5 years
Borrowings (excl. finance liabilities)	1 347	1 273	1 725	4 078
Financial lease liabilities	271	242	363	267
Trade and other payables (excl. Statutory liabilities)	2 220	0	1	24

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For further information on the dividend policy, see note 5.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest bearing debt divided by capital employed. Net interest bearing debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less interest bearing assets and cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
Total borrowings (note 17)	9 213	9 238
Less: cash and cash equivalents	5 075	3 745
Less: other interest bearing assets	0	0
Net interest bearing debt	4 138	5 493
Total equity	19 172	18 213
Capital employed	**23 309**	**23 706**
Gearing ratio	**18 %**	**23 %**

Fair value estimation
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. None of the shares categorized as available for sale are traded in active markets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by the use of valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are also used in certain cases. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the accounts

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

FINANCIAL INSTRUMENTS BY CATEGORY

31.12.2017 Assets as per balance sheet	Loans and receivables	Derivatives used for hedging	Available for sale	Total
Investments in other shares	0	0	6	6
Trade and other receivables excl. prepayments*	2 637	32	0	2 670
Cash and cash equivalents	5 075	0	0	5 075
Total assets	**7 712**	**32**	**6**	**7 751**

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

31.12.2017 Liabilities as per balance sheet	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings excl. finance lease liabilities*	0	0	8 077	8 077
Finance lease liabilities*	0	0	1 135	1 135
Derivate financial instruments	0	97	0	97
Trade and other payable excl. statutory liabilities*	0	10	2 183	2 194
Total	**0**	**108**	**11 396**	**11 504**

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments. Forward currency exchange contracts are presented as other short term liabilities in the balance sheet.

31.12.2016 Assets as per balance sheet	Loans and receivables	Derivatives used for hedging	Available for sale	Total
Investments in other shares	0	0	8	8
Trade and other receivables excl. prepayments*	2 931	57	0	2 988
Cash and cash equivalents	3 745	0	0	3 745
Total assets	**6 676**	**57**	**8**	**6 741**

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

31.12.2016 Liabilities as per balance sheet	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings excl. finance lease liabilities*	0	0	8 229	8 229
Finance lease liabilities*	0	0	1 009	1 009
Derivate financial instruments	0	127	0	127
Trade and other payable excl. statutory liabilities*	0	0	2 263	2 263
Total	**0**	**127**	**11 501**	**11 629**

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments. Forward currency exchange contracts are presented as other short term liabilities in the balance sheet.

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

FINANCIAL INSTRUMENTS BY VALUATION METHOD

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
– Investment in shares	0	0	31
Total assets	**0**	**0**	**31**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
– Fair value hedging	0	10	0
– Cash flow hedging	0	97	0
Total liabilities	**0**	**108**	**0**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
– Investment in shares	0	0	34
Total assets	**0**	**0**	**34**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
– Fair value hedging	0	0	0
– Cash flow hedging	0	127	0
Total liabilities	**0**	**127**	**0**

There were no transfers between level 1 and 2 during the year.

Notes to the accounts

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

(a) Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

(b) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Other long term receivables, trade receivables and other short term receivables are measured at level 3.

Currency forward contracts
The table below shows the Group's currency forward contracts as of 31.12.2017. The contracts are for purchase (-)/sale (+) against NOK.

Currency	Currency amount	Exchange rate at maturity	Amount in NOK	Exchange rate 31.12.2017	Fair value NOK
EUR	84	9,759	815	9,851	-8
USD	31	8,264	260	8,241	1
GBP	12	10,692	125	11,101	-5
SEK	339	99,856	338	99,920	0
JPY	5 929	0,074	436	0,073	2
AUD	5	6,306	33	6,422	-1
CHF	1	8,294	5	8,436	0
DKK	12	131,291	16	132,310	0
Total					**-10**

	2017	2016
Recognised assets (-liability) due to fair value hedging	-10	26

NOTE 12 FINANCIAL INSTRUMENTS (CONT.)

The Group applies in some particular cases fair value hedging for the currency exchange risk related to binding not booked sales agreements/delivery contracts (hedging object). The currency risk related to the contracts is hedged by using currency forward contracts and a multi-currency overdraft facility (hedging instrument). The cumulative change in fair value for the delivery contracts attributable to changes in currency exchange rates is recognised as an asset or a liability, with a corresponding gain or loss recognised in profit or loss, together with the gain or loss on the hedging instrument. Cumulative change in fair value for the delivery contracts are presented as other receivables in the balance sheet. See also note 9.

Interest swap contracts
Contracts with expiration later than one year:
- Contract from 2011: MNOK 500, Start date on time of contract, Duration 10 year, Closing date 16.11.2021, Interest 3.55 %, LSG ASA
- Contract from 2012: MNOK 500, Start date on time of contract, Duration 10 year, Closing date 16.01.2022, Interest 3.29 %, LSG ASA
- Contract from 2016: MNOK 323.5, Start date: 05.10.2018, Duration 2.5 year, Closing date 06.04.2021, Interest 1.01 %, Havfisk AS (new in connection with business combination)
- Contract from 2016: MNOK 323.5, Start date: 05.10.2018, Duration 2.5 year, Closing date 06.04.2021, Interest 1.02 %, Havfisk AS (new in connection with business combination)

Contracts with expiration within one year:
- Contract from 2008: MNOK 130, Start date on time of contract, duration 10 year, Closing date 22.10.2018, Interest 4.65 %, Br. Birkeland AS.
- Contract from 2013: MNOK 601.8, Start date on time of contract. Duration 2 year, Closing date 05.10.2018, Interest 3.33 %, Havfisk AS (new in connection with business combination)

The fair value of the swap agreements have been estimated using market inputs per 31 December. As at 31 December 2017, a total unrealised loss of MNOK 75 was included in equity.

Interest swap contracts	Nominal value	Interest rate/ average rate	Liabilities recognised	Corresponding deferred tax	Effect on equity
Fair value at 31 December 2016	2 429	2,95 %	127	31	-97
Fair value adjustment 31 December 2017	3 130	3,09 %	-30	-8	22
31.12.2017			**97**	**22**	**-75**

Fair value of the interest swap contracts (gross liability) is recognised as "other long term liabilities". The effective part of the fair value adjustment is recognised in other comprehensive income (cash flow hedge). The deferred tax effect is also recognised in other comprehensive income, and is thus not part of current tax income in profit and loss.

NOTE 13 GUARANTEE OBLIGATIONS

	2017	2016
Letters of guarantees held by subsidiary	112	110
Letters of guarantees held by the associates	0	2
Total	**112**	**112**

NOTE 14 RESTRICTED BANK DEPOSITS

	2017	2016
Restricted deposits related to employee tax deduction	65	75
Other restricted deposits	35	39
Total	**100**	**114**

NOTE 15 EVENTS AFTER REPORTING PERIOD

In December 2017, an agreement was signed for the sale of Br. Birkeland AS' subsidiary, Maron AS. The transaction was completed in January 2018. At that point in time, Maron AS owned one ring net vessel with a 409 basic tonne quota for ring nets. The consolidated figures for Q1 2018 will therefore include a gain on the disposal of intangible assets and non-current assets.

On 5 February 2018 Lerøy Seafood Group ASA signed an agreement regarding the acquisition of 100 % of the shares in Laks & Vildtcentralen AS. The acquisition required approval from Norwegian Competition Authorities. The transaction was completed in the second half of March 2018, after the such approval was granted. The consolidation takes place from end of March 2018.

Laks- og Vildtcentralen AS operates a specialist wholesale business providing meat and – mainly – fish products to institutional households in the Oslo area. Lerøy Seafood Group has worked with the company for many years, and the acquisition will significantly strengthen the Group's geographical breadth as a wholesaler to the institutional households market in Norway. The company has around 50 employees.

The board have no knowledge of other events after reporting period and until the date of publication of the annual accounts who have essential significance, or comprised by the disclosure requirement of IAS 10.

NOTE 16 SHARE CAPITAL AND SHAREHOLDERS

Share capital:
As of December 31, 2017, the Company has 202,717,374 shares at nominal value of NOK 0.50 per share.

Date of registration	Type of change	Nominal value per share (NOK)	Total share capital	No. of ordinary shares
01.01.2008/31.09.2009	Capital increase	0,50	101 358 687	202 717 374
2010 - 2017	No changes			
31.12.2017		**0,50**	**101 358 687**	**202 717 374**

The shareholders in Austevoll Seafood ASA were as of 31.12.	2017 Number of shares	2017 Share holding	2016 Number of shares	2016 Share holding
Laco AS	112 605 876	55,55 %	112 605 876	55,55 %
State Street Bank and Trust Company a/c Client Fund Number: OM80	5 724 829	2,82 %	6 543 636	3,23 %
State Street Bank and Trust Company a/c Client Omnibus F, Ref: OM06	3 838 198	1,89 %	4 838 666	2,39 %
Pareto Aksje Norge	2 164 373	1,07 %	2 990 456	1,48 %
Danske Invest Norske Instit. II.	2 034 329	1,00 %	1 674 929	0,83 %
Folketrygdfondet	1 938 691	0,96 %	1 938 691	0,96 %
OM Holding AS	1 911 850	0,94 %	1 881 850	0,93 %
Mitsui and Co., Ltd.	1 782 236	0,88 %	1 782 236	0,88 %
State Street Bank and Trust Company a/c West Non-Treaty Account	1 386 329	0,68 %	1 029 486	0,51 %
Six Sis AG	1 372 100	0,68 %	0	0,00 %
State Street Bank and Trust Company S/A SSB Client OMNI E, Fund OM06	1 314 864	0,65 %	0	0,00 %
J.P. Morgan Bank Luxembourg S.A. JPML SA RE CLT Assets LUX Res Lend	1 310 044	0,65 %	0	0,00 %
JPMorgan Chase Bank, N.A., London a/c Vanguard BBH Lending Account	1 230 818	0,61 %	848 759	0,42 %
JPMorgan Chase Bank, N.A., London S/A Escrow Account	1 210 100	0,60 %	0	0,00 %
Danske Invest Norske Aksjer Inst	1 081 824	0,53 %	0	0,00 %
Arctic Funds PLC	1 038 089	0,51 %	0	0,00 %
MP Pensjon PK	1 007 294	0,50 %	0	0,00 %
Citibank, N.A.	994 791	0,49 %	1 072 580	0,53 %
The Bank of New York Mellom SA/NV	941 975	0,46 %	1 068 932	0,53 %
JPMorgan Chase Bank, N.A., London JPMCB RE HB Swed Funds Lend AC	925 108	0,46 %	0	0,00 %
Austevoll Seafood ASA	893 300	0,44 %	893 300	0,44 %
The Northern Trust Company USL Non-Treaty Account	0	0,00 %	1 155 645	0,57 %
Morgan Stanley and Co. Intl Plc BNY Mellon SA/NV	0	0,00 %	1 102 000	0,54 %
Morgan Stanley & Co. International MS & Co Intl Plc Msip IPB CL	0	0,00 %	1 087 463	0,54 %
Pactum AS	0	0,00 %	1 000 000	0,49 %
The Northern Trust Company, Non-Treaty Account	0	0,00 %	986 390	0,49 %
Pareto AS	0	0,00 %	921 000	0,45 %
JPMorgan Chase Bank, N.A. Nordea Re:Non-Treaty Account	0	0,00 %	829 598	0,41 %
Total number owned by top 20	**146 707 018**	**72,37 %**	**146 251 493**	**72,15 %**
Total number owned by other shareholders	56 010 356	27,63 %	56 465 881	27,85 %
Total number of shares	**202 717 374**	**100,00 %**	**202 717 374**	**100,00 %**

NOTE 16 SHARE CAPITAL AND SHAREHOLDERS (CONT.)

SHARES CONTROLLED BY BOARD MEMBERS AND MANAGEMENT:

Directors' ownership of shares:
Helge Singelstad owns 50,000 shares in the company.
Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in the company.
Helge Møgster owns shares indirectly through Laco AS.
Inga Lise L. Moldestad owns, through Ingasset AS, 40,000 shares in the company.
Lill Maren Møgster owns shares indirectly through Laco AS.
Eirik Drønen Melingen owns shares indirectly through Laco AS.

Managements' ownership of shares:
Arne Møgster owns shares indirectly through Laco AS.
Britt Kathrine Drivenes owns, through Lerkehaug AS, 50,367 shares in the company.

NOTE 17 INTEREST BEARING DEBT

Non-current	2017	2016
Bank borrowings	5 455	5 286
Bond loan	1 007	1 007
Other loans	29	34
Leasing liabilities	870	772
Total non-current	**7 361**	**7 099**
Current		
Bank overdrafts	450	788
Bond loans	500	400
Bank borrowings	639	713
Leasing liabilities	264	238
Total current	**1 852**	**2 139**
Total non-current and current	**9 213**	**9 238**
Net interest-bearing debt		
Cash and cash equivalents	5 075	3 745
Other interest-bearing assets - non current	0	0
Net interest-bearing debt	**4 138**	**5 493**

Repayment profile interest bearing debt	2018 *	2019	2020	2021	2022	Sub-sequent	Total *
Bank borrowings*	639	795	762	1 860	738	1 300	6 093
Bank overdraft	450	0	0	0	0	0	450
Bond loan	500	0	0	500	0	507	1 507
Leasing liabilities	264	246	199	115	86	226	1 135
Other non-current liabilities	0	1	1	1	1	26	29
Total	**1 851**	**1 042**	**962**	**2 475**	**825**	**2 056**	**9 213**

* Repayments of non-current liabilities which mature in 2018 are classified as current liabilities in the balance sheet.

NOTE 17 INTEREST BEARING DEBT (CONT.)

Liabilities secured by mortgage	2017	2016
Current liabilities	1 105	1 507
Non-current liabilities	6 355	6 093
Liabilities to credit institutions incl. leasing liab.	**7 460**	**7 600**

Assets provided as security		
Non-current assets	6 314	5 616
Licences	265	272
Inventory	756	573
Biological assets	4 643	6 590
Shares	968	835
Trade receivables	727	1 031
Total assets provided as security	**13 673**	**14 917**

AUSS has pledged as security the shares in Br. Birkeland AS (BRBI) and 8,066,500 shares in Pelagia AS for the bank loans of AUSS of MNOK 284. Assets owned by LSG and BRBI are also placed as security directly to their separate and individual loans, and are included in the figures presented above.

The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:	2017	2016
6 months or less	6 600	5 850
6 - 12 months	24	148
1-5 years	1 885	2 425
Over 5 years	0	815
Total	**8 509**	**9 238**

The carrying amounts and fair value of the non-current liabilities are as follows:	Carrying amount 2017	Carrying amount 2016	Fair value 2017	Fair value 2016
Bank borrowings	5 455	5 286	5 552	5 414
Bond loan	1 007	1 007	1 022	1 028
Leasing liabilities	870	772	870	772
Other non-current liabilities	29	34	29	34
Total	**7 361**	**7 099**	**7 474**	**7 247**

Based on contractual terms the fair value of non-current borrowings (excl. bond loan) are estimated to be equal to book value as of 31 December 2017, adjusted for fair value of interest swap contracts.

The bond loans are listed on Oslo Stock Exchange, and fair value is calculated using the last traded rates in 2017 for the bonds. The carrying amounts of short-term borrowings approximate their fair value. There is a repayment of bond loan with MNOK 500 in October 2018.

NOTE 17 INTEREST BEARING DEBT (CONT.)

The carrying amounts of the group's borrowings are denominated in the following currencies:	2017	2016
NOK	7 563	7 556
USD	1 080	1 236
GBP	0	0
EUR	453	350
Other currencies	117	96
Total	**9 213**	**9 238**

Financial "covenants"

There are several financial covenant requirements for the companies in the Group. The Group has not been in breach of any covenants during the financial year 2017, and is not in breach as of December 31, 2017.

Bank overdrafts	2017	2016
Bank overdrafts	297	883
Bank overdrafts undrawn	2 659	1 532
Bank overdrafts limit	**2 956**	**2 415**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2017	2016
Cash and cash equivalents	5 075	3 745
Liquid investments	0	0
Current liabilities	-1 852	-2 139
Non-current liabilities	-7 361	-7 099
Net debt	**- 4 138**	**- 5 493**
Cash and liquid investments	5 075	3 746
Gross debt - fixed interest rates	-3 133	-1 782
Gross debt - variable interest rates	-6 080	-7 456
Net debt	**- 4 138**	**- 5 493**

NOTE 17 INTEREST BEARING DEBT (CONT.)

	Other assets	Liabilities from financing activities				
	Cash/bank overdraft	Finance leases due within one year	Finance leases due after one year	Current liabilities	Non-current liabilities	Total
Net debt as at 01.01.2016	2 470	-177	-854	-1 779	-4 498	-4 838
Cash flows	1 277	-61	82	-116	-1 829	-647
Foreign exchange adjustments	-2	0	0	0	0	-2
Other non-cash movements	0	0	0	-6	0	- 6
Net debt as at 31.12.2016	**3 745**	**-238**	**-772**	**-1 901**	**-6 327**	**-5 493**
Cash flows	1 339	-26	-114	314	-188	1 325
Foreign exchange adjustments	-9	0	14	0	25	30
Other non-cash movements	0	0	0	0	0	0
Net debt as at 31.12.2017	**5 075**	**-264**	**-872**	**-1 587**	**-6 490**	**-4 138**

NOTE 18 CONTINGENCIES AND PROVISIONS

Cormar
The Group has recognised a provision related to the acquisition of Cormar in 2007. The Group will have reimbursement rights for some of the liabilities, if the liabilities materialises. A provision of MNOK 20.1 has been recorded for this contingent liability, ref note 22.

Austral Group S.A.A
The subsidiary Austral Group S.A.A (Peru) has certain court actions pending resolution for a total of MNOK 153 as of December 31, 2017 mainly related to its business activities. It is considered unlikely that the prosecutor will succeed with the claims in full. Based on specific assessments of each case, a provision of MNOK 37 relating to these suits, which is considered to be the best estimate.

NOTE 19 FINANCIAL INCOME AND EXPENSES

	2017	2016
Interest income	50	46
Net currency gains (unrealised and realised)	135	23
Other financial income	8	3
Total financial income	**193**	**72**
Interest expenses	333	298
Net currency losses (unrealised and realised)	126	0
Other financial expenses	27	13
Total financial expenses	**486**	**311**
Net financial cost	**-293**	**-239**

NOTE 20 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2017	2016
Salary and holiday pay	2 305	1 746
Hired personnel	122	93
Other remunerations	90	53
National insurance contribution	203	179
Pension costs (incl. national insurance contribution)	86	77
Remuneration to the members of the board	1	1
Other personnel costs	97	82
Total payroll expences	**2 905**	**2 230**
Average man-labour year	6 229	4 710

All companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP).

The schemes are in the main established as defined contribution pension schemes, with external life insurance companies.

Some few of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The new AFP scheme which came into effect on 1 January 2011, is to be considered as a defined contribution scheme until reliable and sufficient information has been provided so that the Group can book its proportionate share of the pension cost, pension liability and pension funds in the scheme. However, a provision has been carried to cover the estimated payments related to undercoverage in the former AFP scheme.

Moreover, a limited part of the Group companies have defined benefit schemes with life insurance companies, with pension funds placed in a portfolio of investments by insurance companies. The insurance company administers all transactions related to the pension scheme. Estimated return on pension funds is based on marked prices on balance sheet date and projected development during the period in which the pension scheme is valid. The calculation of pension liabilities is based on assumptions in line with the recommendations of Norsk Regnskapsstiftelse (NRS) per 31.12.2017. Change in the benefit obligations as a result of actuarial gains and losses are booked as comprehensive income.

Pension costs	**2017**	**2016**
Pension costs related to defined contribution plan	70	58
Sosial security on defined contribution plan	10	9
Total pension costs related to defined contribution plan	**80**	**67**
Net pension cost related to defined benefit plan	-1	4
Total pension costs	**79**	**71**

Pension obligations and other obligations	**2017**	**2016**
Pension and pension commitments	9	13
Fair value of interest swapcontracts (ref. note 12)	97	127
Other obligations	4	6
Total	**110**	**146**

NOTE 20 PAYROLL, FEES, NO. OF EMPLOYEES ETC. (CONT.)

Guidelines for remuneration to executive management
The main principles of the remuneration policy to executive management are based on the policy that the members of executive management shall have a competitive pay program, with respect to salary, bonuses, pensions and other remuneration. Austevoll Seafood ASA shall offer a total remuneration to its executive management that is on level with comparable companies. However, the Company's need for well qualified personnel should always be considered.

For further information see own paragraph in the annual report regarding the board's statement about salary and other remuneration to executive management.

Salary and other remuneration to CEO and other group executives and members of the parent Company's Board are reported in amounts TNOK and were:

Amounts in NOK 1,000 2017 – Remuneration to the company's officers	CEO	CFO	Chairman of the board*	Other members of the board	Total
Salary	3 543	2 632	0	0	6 175
Bonus payment based on results for the year 2016	2 000	800	0	0	2 800
Pension scheme payments	71	64	0	0	135
Other remunerations	214	208	0	0	422
Director's fee/Other remunerations	0	0	2 945	1 225	4 170
Total	**5 829**	**3 704**	**2 945**	**1 225**	**13 702**

Amounts in NOK 1,000 2016 – Remuneration to the company's officers					
Salary	3 547	2 636	0	0	6 184
Bonus payment based on results for the year 2015	1 500	500	0	0	2 000
Pension scheme payments	69	208	0	0	278
Other remunerations	196	207	0	0	404
Director's fee/Other remunerations	0	0	2 620	1 151	3 771
Total	**5 313**	**3 552**	**2 620**	**1 151**	**12 636**

* The annual Directors' Fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity Laco AS, with which company the Chairman is employed. The total amount paid in 2017 and 2016 includes board remuneration of TNOK 300.

The Group management takes part in the Groups collective pension schemes.

No loans or securities have been issued in 2017 or 2016 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67 year, and the CEO takes part in the defined contribution scheme.

Options
There are as of December 31 2017, no on-going option program in the Group.

Specification of auditor's fee	2017	2016
Audit fee	11	9
Audit from other auditors	3	2
Other services from other auditors	0	1
Tax advice	1	0
Tax advice from other auditors	1	0
Other services	5	2
Total	**20**	**15**

NOTE 21 OTHER GAINS AND LOSSES

	2017	2016
Gains and losses on sale of property, plant and equipment	8	1
Other gains and losses	-6	6
Total other gains and losses	**2**	**7**

NOTE 22 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2017	2016
Salary and other personell expenses	297	330
Public taxes payable	275	311
Short term liabilities purchases fixed assets	0	31
Accrued expenses	315	224
Currency forward contracts/ Effect of fair value hedging	10	0
Provisions from acquisition Cormar (cf note 18)	20	21
Provisions for pending litigation Austral (cf note 18)	37	32
Provisions trade receivables	0	64
Unrealised loss on Fish pool contracts	22	284
Other short-term liabilities	67	61
Total other current liabilities	**1 044**	**1 358**

NOTE 23 LEASE CONTRACTS - GROUP COMPANY AS LESSEE

Overview of future minimum operating leases	Within 1 year	1–5 years	Subsequent	Total
Minimum lease amount, operating leasing contracts maturing:	61	132	48	241
Present value of future minimum lease (discount rate 5 %)	56	122	46	224

Overview of future minimum financial leases				
Minimum lease amount, financial leasing contracts maturing:	277	689	239	1 206
Interest	23	42	18	83
Repayment	273	657	222	1 152

Leased assets booked as finance lease is specified in note 11, whilst maturities and balances of financial leases are specified in note 17.

NOTE 24 INVESTMENTS IN OTHER SHARES

2017 Company	Business location	Ownership/ voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16,70 %	22	26
Bulandet Eiendom AS	Bulandet, Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	5	5
Other shares		minor	2	2
Total non-current			**30**	**34**

2016 Company	Business location	Ownership/ voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16,70 %	22	26
Bulandet Eiendom AS	Bulandet,Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	5	5
Other shares		minor	2	2
Total non-current			**30**	**34**

Reconciliation of the carrying amount of investments in other shares	2017	2016
Beginning of year	34	33
Business combinations	0	2
Acquired/sold	-3	-1
Net gains/losses	0	0
End of year	**31**	**34**
Less: non-current portion	-31	-34
Current portion	**0**	**0**

There were no impairment provisions on investments in other shares in 2017 and 2016.

Investments in other shares are denominated in the following currencies	2017	2016
NOK	31	34
Total	**31**	**34**

Notes to the accounts

NOTE 25 RELATED PARTIES

The Group is controlled by Laco AS which owns 55.55 % of the company's shares. The remaining 44.45 % of the shares are widely held. The ultimate parent of the Group is Laco AS.

The majority of transactions with related parties are carried out through;

– Lerøy Seafood Group ASA (LSG) sale and purchase of goods to/from LSG associated companies.

In addition, the Group had some minor transactions with related parties such as the associated companies Pelagia AS and Marin IT AS (ownership directly by parent Company).

The following transactions were carried out with related parties:

a) Sales of goods and services	2017	2016
Sales of goods:		
– associates	126	99
Sales of services		
– associates	0	0
– the ultimate parent and its subsidiaries	63	46
– close family members of the ultimate controlling party	0	0
Total	**189**	**145**

Group companies have sold services as slaughtering, packaging and storage of salmon, and goods as filleted salmon to associated companies. The Group has also sold administrative services to associated companies.

b) Purchase of goods and services	2017	2016
Purchase of goods:		
– associates	530	192
Purchase of services		
– associates	0	0
– close family members of the ultimate controlling party	0	0
– the ultimate parent and its subsidiaries	128	110
Total	**659**	**303**

All goods and services are bought based on the market price and terms that would be available for third parties.

The Group has bought fish and fish products from associated companies. The Group has bought administrative services such as IT, reception, catering, accounting and secretary- and financial from associated companies.

NOTE 25 RELATED PARTIES (CONT.)

c) Year-end balances arising from sales/purchase of goods/services	2017	2016
Receivables from related parties:		
– the ultimate parent and its subsidiaries	5	24
– associates	49	29
– close family members of the ultimate controlling party	0	0
Payable to related parties		
– the ultimate parent and its subsidiaries	15	6
– associates	46	14

The receivables from related parties arise mainly from sale transactions and are due one month after date of sale. The receivables are unsecured in nature and bear no interest.

The payable to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payable bear no interest.

d) Loans to related parties	2017	2016
Total loans to related parties:		
– associates	30	16
– minority interests/other	0	0
Interest income	0	0

Notes to the accounts

NOTE 26 TAX

	2017	2016
Specification of the tax expense:		
Tax payable	910	599
Change in deferred tax liabilities and assets	-572	381
Adjustment previous year	31	-5
Taxes	**369**	**975**
Tax reconciliation		
Profit before tax	2 200	4 683
Tax calculated with the nominal tax rates *	529	1 173
Change in tax rate**	-107	-136
Income from associated companies	-117	-36
Tax-free gain on sale of shares	-2	-4
Other differences	56	-34
Change in deferred tax asset not recognised	10	12
Taxes	**369**	**975**
Weighted average tax rate	**16,79 %**	**20,82 %**

* Nominal tax rates for the Group varies between 20 % and 30 %.
** Tax rate is reduced from 24 % to 23 % in Norway from 1 January 2018. For the Norwegian companies in the Group, deferred tax asset and deferred tax liability is calculated with the reduced tax rate as of 31 December 2017.

The gross movement on the deferred income tax account is as follows:	2017	2016
Opening balance 01.01.	3 911	2 655
Booked to income in the period	-494	509
Booked as OCI in the period	6	3
Currency translation differences	29	62
Effect of business combinations	0	818
Change in tax rate	-107	-136
Balance sheet value (net) 31.12.	**3 346**	**3 911**
Balance sheet value of deferred tax assets	-86	-75
Balance sheet value of deferred tax liabilities	3 432	3 986
Balance sheet value (net) 31.12.	**3 346**	**3 911**

NOTE 26 TAX (CONT.)

The movement in deferred income tax assets and liabilities during the year is as follows:

Change in deferred tax liabilities/assets	Non current assets	Curent assets	Biological assets	Lia-bilities	Pensions	Loss carried forwards	Other	Total
Opening balance 01.01.16	1 692	42	1 127	-8	0	-73	-125	2 655
Booked to income in 2016	-141	-12	493	-8	0	94	-52	374
Booked as OCI in the period	0	0	0	0	0	0	4	3
Currency translation differences	62	0	0	0	0	0	0	62
Effect of business combinations	812	9	-1	0	0	-59	56	818
31.12.16	**2 424**	**39**	**1 620**	**-16**	**-0**	**-37**	**-117**	**3 911**
Booked to income in the period	-49	-5	-531	-3	1	-24	12	-601
Booked as OCI in the period	0	0	0	0	0	0	6	6
Currency translation differences	25	0	0	1	0	0	2	29
31.12.17	**2 400**	**34**	**1 088**	**-18**	**1**	**-61**	**-96**	**3 346**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Specification of temporary differences not included in deferred taxes	2017	2016
Non-current assets	962	985
Current assets	-1	0
Loss carried forwards	-630	-615
Liabilities	0	-1
Other	117	117
Total temporary differences not included in deferred tax	**449**	**487**
Including net deferred tax(+)/tax benefit(-) which is not capitalized	103	117

Notes to the accounts

NOTE 27 GROUP COMPANIES

The consolidated financial statements include Austevoll Seafood ASA and the following subsidiaries:

Company	Comments of change	Country	Parent company	Owner-ship %
Lerøy Seafood Group ASA		**Norway**	**Austevoll Seafood ASA**	**52,69 %**
Aker Seafoods AS		Norway	Havfisk AS	100,00 %
Bulandet Fiskeindustri AS	2)	Norway	Lerøy Seafood AS	79,06 %
Eurosalmon SAS		France	SAS Lerøy Seafood France	100,00 %
Finnmark Havfiske AS		Norway	Havfisk Båtsfjord AS	13,34 %
Finnmark Havfiske AS		Norway	Havfisk Finnmark AS	78,45 %
Finnmark Havfiske AS		Norway	Havfisk Nordkyn AS	5,84 %
Fishcut SAS		France	SAS Lerøy Seafood France	100,00 %
Hallvard Lerøy USA Inc		USA	Lerøy Seafood AS	100,00 %
Hammerfest Industrifiske AS		Norway	Havfisk Finnmark AS	60,00 %
Havfisk AS		Norway	Lerøy Seafood Group ASA	100,00 %
Havfisk Båtsfjord AS		Norway	Havfisk Finnmark AS	100,00 %
Havfisk Finnmark AS		Norway	Havfisk AS	100,00 %
Havfisk Management AS		Norway	Havfisk Finnmark AS	100,00 %
Havfisk Melbu AS		Norway	Havfisk AS	100,00 %
Havfisk Nordkyn AS		Norway	Havfisk Finnmark AS	100,00 %
Havfisk Stamsund AS		Norway	Havfisk AS	100,00 %
Lerøy Laksefjord AS		Norway	Lerøy Aurora AS	100,00 %
Leroy Processing Spain S.L.		Spain	Lerøy Seafood Group ASA	100,00 %
Lerøy & Strudshavn AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Aakvik Rogn og Stamfisk AS	7)	Norway	Lerøy Midt AS	0,00 %
Lerøy Alfheim AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Alt i Fisk AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Aurora AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Culinar B.V.		Holland	Rodè Retail B.V.	100,00 %
Lerøy Delico AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Finland OY		Finland	Lerøy Seafood Group ASA	100,00 %
Lerøy Fossen AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Germany GmbH		Germany	Rodè Beheer B.V.	50,00 %
Lerøy Germany GmbH		Germany	Lerøy Seafood AS	50,00 %
Lerøy Midt AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Nord AS		Norway	Lerøy Seafood Group ASA	51,00 %
Lerøy Nordhav AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Norway Seafoods AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Portugal Lda		Portugal	Lerøy Seafood Group ASA	100,00 %
Lerøy Quality Group AS		Norway	Lerøy Seafood AS	100,00 %

Notes to the accounts

NOTE 27 GROUP COMPANIES (CONT.)

Company	Comments of change	Country	Parent company	Owner-ship %
Lerøy Seafood AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Seafood France SAS		France	Lerøy Seafood AS	100,00 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Delico AS	17,50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Alfheim AS	23,75 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Trondheim AS	7,50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Nord AS	2,50 %
Lerøy Sjøtroll Kjærelva AS	3)	Norway	Sjøtroll Havbruk AS	50,00 %
Lerøy Sjøtroll Kjærelva AS	3)	Norway	Lerøy Vest AS	50,00 %
Lerøy Smögen Seafood AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Stockholm AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Sverige AB		Sweden	Lerøy Seafood Group ASA	100,00 %
Lerøy Trondheim AS		Norway	Lerøy Seafood Group ASA	100,00 %
Leröy Turkey Su Ürünleri San. Ve Tic A.S.		Turkey	Lerøy Seafood Group ASA	100,00 %
Lerøy Vest AS		Norway	Lerøy Seafood Group ASA	100,00 %
Melbu Fryselager AS		Norway	Lerøy Norway Seafoods AS	67,10 %
Nordland Havfiske AS		Norway	Havfisk Melbu AS	47,07 %
Nordland Havfiske AS		Norway	Havfisk Stamsund AS	52,93 %
Norsk Oppdrettservice AS		Norway	Lerøy Seafood Group ASA	51,00 %
Norway Seafoods Group AS	7)	Norway	Lerøy Seafood Group ASA	0,00 %
Norway Seafoods Boulogne S.A.S	7)	France	Norway Seafoods S.A.S.	0,00 %
Norway Seafoods S.A.S.		France	Lerøy Norway Seafoods AS	100,00 %
A/S Norway Seafoods	5)	Denmark	Lerøy Norway Seafoods AS	0,00 %
Preline Fishfarming System AS		Norway	Lerøy Seafood Group ASA	96,00 %
Rodè Beheer B.V.		Holland	Lerøy Seafood Group ASA	100,00 %
Rodè Retail B.V.		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vastgoed B.V.		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vis B.V		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vis International AS		Norway	Rodè Beheer B.V.	100,00 %
Royal Frozen Seafood B.V.		Holland	Rodè Beheer B.V.	100,00 %
Senja Akvakultur Senter AS		Norway	Lerøy Aurora AS	100,00 %
Sirevaag AS		Norway	Lerøy Delico AS	100,00 %
Sjømathuset AS		Norway	Lerøy Seafood Group ASA	100,00 %
Sjøtroll Havbruk AS		Norway	Lerøy Seafood Group ASA	50,71 %
Sørvær Kystfiskeinvest AS		Norway	Lerøy Norway Seafoods AS	51,00 %

Notes to the accounts

NOTE 27 GROUP COMPANIES (CONT.)

Company	Comments of change	Country	Parent company	Owner-ship %
AUSS Shared Service AS		Norway	Austevoll Seafood ASA	100,00 %
Austevoll Laksepakkeri AS		Norway	Austevoll Seafood ASA	100,00 %
AUSS Laks AS		Norway	Austevoll Laksepakkeri AS	100,00 %
Aumur AS	8)	Norway	Austevoll Seafood ASA	0,00 %
Murman Fishing Company Ltd.	9)	Cyprus	Aumur AS	0,00 %
Austevoll Eiendom AS		Norway	Austevoll Seafood ASA	100,00 %
Austevoll Pacific AS		Norway	Austevoll Seafood ASA	100,00 %
Gateport Overseas Inc.*		Panama	Austevoll Pacific AS	100,00 %
Andean Oportunities Funds Ltd.*		Caymen Island	Gateport Overseas Inc.	100,00 %
Dordogne Holdings Ltd.*		Panama	Gateport Overseas Inc.	66,67 %
Dordogne Holdings Ltd.*		Panama	Andean Oportunities Funds Ltd.	33,33 %
Austral Group S.A.A		Peru	Dordogne Holdings Ltd.	89,35 %
Alumrock Overseas S.A		Peru	Austral Group S.A.A	98,27 %
A-Fish AS		Norway	Austevoll Seafood ASA	100,00 %
Aconcagua Ltd	7)	Jersey	A-Fish AS	0,00 %
Consortium Enterprises (Jersey) Ltd.	7)	Jersey	Aconcagua Ltd	0,00 %
Beechwood Ltd.**)		Panama	A-Fish AS	100,00 %
Foodcorp Chile S.A		Chile	A-Fish AS	73,61 %
Foodcorp Chile S.A		Chile	Austevoll Seafood ASA	26,39 %
Foodcorp Peru S.A		Peru	Foodcorp Chile S.A	99,99 %
Br. Birkeland AS		Norway	Austevoll Seafood ASA	51,69 %
Bjånesøy Eiendom AS		Norway	Br. Birkeland AS	100,00 %
Birkeland Fiskebåtrederi Holding AS		Norway	Br. Birkeland AS	85,70 %
Br. Birkeland Fiskebåtrederi AS		Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Opilio AS		Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Talbor AS		Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Maron AS		Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Br. Birkeland Farming AS	3)	Norway	Austevoll Seafood ASA	51,69 %
Kobbevik og Furuholmen Oppdrett AS		Norway	Br. Birkeland Farming AS	100,00 %

Comments on changes:
1) Business combination
2) Redemption of non-controlling interests
3) Foundation of a new company
4) Intragroup purchase/sale of company/shareholding
5) Sale of shares to external non-controlling interests
6) Private placement (with change in shareholding)
7) Parent – subsidiary business combination
8) Merger between associated company
9) The company is dissolved

* The company are Norwegian object of taxation
** Dormant company to be wind up

NOTE 27 GROUP COMPANIES (CONT.)

2017
The group has bought 2.72 % of the shares in Bulandet Fiskeindustri from minority.

2016
Sale of shares in subsidiaries
AUSS has sold 2,750,000 shares in Lerøy Seafood Group ASA (LSG), price per share was NOK 355, total MNOK 976. Following this transaction, AUSS owns 31,394,281 number of shares in LSG.

31st of August 2016 LSG became the majority owner of Havfisk ASA and Norway Seafood Group AS, and the consolidation was implemented from 1st of September. The acquisition is described in note 6. In fourth quarter LSG became 100 % owner of both companies, and the effect of the acquisition from non-controlling interests are part of the table below.

The effect of changes in the ownership interests mentioned above on the equity attributable to owners of the Group is summarized as follows:

Amounts in MNOK	2017	2016
Carrying amount of non-controlling interests acquired	77	1 233
Consideration paid to non-controlling interests	-77	-1 233
Excess of consideration paid recognised in parent's equity	**0**	**0**

Transactions with non-controlling interests in EQ statement	2017	2016
Sale of 2,750,000 shares in Lerøy Seafood Group ASA	0	969
Share issue in Lerøy Seafood Group ASA	0	2 052
Sale of own shares (Lerøy Seafood Group ASA)	0	122
Transactions with non-controlling interests	-1	-1 230
Purchase of own shares Br. Birkeland AS	0	-28
Total	**-1**	**1 885**

Business combinations in EQ statement	2017	2016
Effect of initial consolidation Havfisk/Norway Seafoods, see note 6	0	1 028
Transactions with non-controlling interests in assosiated companies	0	-81
Total	**0**	**947**

	2017	2016
Havfisk/Norway Seafoods	0	-1 030
Rode Beheer B.V.	0	-197
Other	0	-3
Total	**0**	**-1 230**

NOTE 28 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION
The consolidated financial statements of Austevoll Seafood Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by:

- Biological assets, onerous contracts related to biological assets are estimated at fair value through profit and loss in accordance with IAS 41. Reference is made to further description in this note.
- Fish Pool contacts, financial assets and financial liabilities (including derivative instruments) are estimated at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

(a) New and amended standards adopted by the Group in 2017
The company has implemented the following new or amended IFRS standards or IFRIC interpretations with effect from 1 January 2017:

- Recognition of deferred tax on unrealised losses –change in IAS 12.
- Note initiative (Change in IAS 7): New note requirements for debt arising from financing activities. Reference is made to note 17 for further details.

Implementation of these amendments had no significant impact on the financial statements for the current year or former periods. Neither are they expected to have any significant impact on subsequent periods.

(b) New standards, amendments and interpretations related to existing standards which have not come into effect and where the Group has not chosen early adoption
Several new standards and amendments to standards and interpretations have been published, but are not mandatory for the financial year ending 31 December 2017. The new standards are explained below in addition to the Group's assessment of how these standards will affect the financial statements when implemented.

IFRS 9 FINANCIAL INSTRUMENTS
What is new?
In July 2015, the IASB published the final version of IFRS 9 Financial Instruments as a replacement of IAS 39.

IFRS 9 comprises classification, measurement and impairment of financial assets and liabilities, new regulations for hedge accounting and a new loss impairment model for financial assets.

The standard stipulates three categories for classification of financial instruments:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVPL)

How does this new standard affect the Group?
The Group has carried out a review of its financial assets and liabilities in connection with the implementation of the new standard as of 1 January 2018. Below is a summary of identified consequences at the time of writing.

The Group has entered into forward contracts, interest rate swap agreements etc. for hedge accounting. Hedge accounting is applied in the 2017 financial statements to those instruments that qualify for hedge accounting in accordance with the prevailing regulations in IAS 39. Below is an explanation of accounting methods applied for the Group's financial instruments in situations where the requirements for hedge accounting are met.

- The fair value of interest rate swap agreements is carried at fair value on the date of the statement of financial position. The part of the change in value that qualifies for hedging – i.e. the effective part of the change in value – is recorded through other comprehensive income (FVOCI). The hedging object is loans at a floating interest rate, while the Group receives floating interest and pays fixed interest via interest rate swap agreements. This hedging is therefore classified as cash flow hedging.
- A significant share of the Group's revenue is generated in different currencies from the functional currency. The Group minimises currency risk by ensuring that

NOTE 28 ACCOUNTING POLICIES (CONT.)

delivery contracts, net currency deposits and net receivables in different currencies than functional currency are hedged via currency futures. This is classified as fair value hedging, where the hedging object primarily comprises binding delivery contracts, net currency deposits and net receivables. Moreover, the Group enters into currency futures on a weekly basis to hedge projected sales on the spot market. This is classified as cash flow hedging, where future sales income related to sales on the spot market (in a different currency than functional currency) are the hedging object. Currency futures are carried at fair value on the date of the statement of financial position, irrespective of whether they qualify for hedge accounting or not. The related assets/liabilities that are subject to fair value hedging are also carried at fair value on the date of the statement of financial position. The change in value of currency futures related to cash flow hedging is recorded through other comprehensive income (FVOCI). The change in value of currency futures related to fair value hedging is recorded through profit or loss (FVPL). Correspondingly, changes in fair value of the related assets/liabilities that are subject to the change in value are also recorded through profit or loss (FVPL).
- The Group also enters into financial purchase and sales contracts for salmon (Fish Pool contracts). These contracts are carried at fair value on the date of the statement of financial position. The change in value of the contracts is recognised on the accounting line for fair value adjustments related to biological assets.
- Via the subsidiary (corporate subsidiary) Havfisk AS, the Group has recognised purchase contracts for bunkers (bunker derivatives). The part of the change in value for the derivatives that qualifies for hedging – i.e. the effective part of the change in value – is recorded through other comprehensive income (FVOCI).

The implementation of IFRS 9 implies extended requirements on disclosure in the notes, including an amendment to how the notes are presented. In the Group's assessment, the new standard – when implemented – will not imply any significant amendment to the income statement and statement of financial position but will require more information on financial instruments in the notes.

When will the new standard be implemented?
Application of the standard is obligatory for the financial year starting on 1 January 2018 or later, and the new standard will replace the prevailing IAS 39 Financial Instruments. Earlier application is permitted.

The Group implements the new standard on 1 January 2018. The Group intends to implement the modified, retrospective method, so that any impact caused by implementation of IFRS 9 will be recorded through equity on 1 January 2018. This implies that the comparative figures will not be revised when the new standard is implemented.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS
What is new?
The IASB has published a new standard for accounting of revenue. The new standard replaces the current IAS 11 Construction Contracts and IAS 18 Revenue.

The IASB has cooperated with the American Financial Accounting Standards Board (FASB, US GAAP) to compile the new standard. The purpose of this cooperation was to create a standard for accounting of revenue that provides comparable top lines for enterprises that report according to both IFRS and US GAAP.

According to the current regulations, the timing for recognition of revenue is based on the transfer of risk and rewards. IFRS 15 does not make use of these definitions, but defines the timing for recognition of revenue as the point(s) in time when control of the goods or service is transferred from the seller to the buyer. This implies that the timing of revenue may be different according to the new standard when compared with the current regulations.

Both full retrospective and modified retrospective implementation of the standard are permitted.

How does this new standard affect the Group?
The Group's revenue is principally generated from the following areas:
- Production of Atlantic salmon and trout for consumers,
- Fishing for pelagic species and whitefish (cod, haddock, saithe etc.) for consumers (food) and animal feed, and
- Fishing for species that are suitable for production of fishmeal and fish oil.

A preliminary assessment has been performed of how the new standard will affect the financial statements. The assessment was based on application of the so-called five-step model. A summary of these assessments is provided below.

1. *Identify contracts with customers:*
One fundamental premise in the new standard is the existence of a legally binding agreement (contract) between two or more parties. The contract does not need to be in writing, but must meet specially defined legal criteria. All the Group's deliveries to customers are made in accordance with contracts, and the flow of revenue is consequently governed by the new standard.

2. *Identify separate performance obligations in the contracts:*
The standard requires the identification of separable performance obligations in the contracts, which are to be recorded separately. In order to identify a performance obligation as separate, the customer must be able to make use of the goods or service irrespective of other goods or services in the contract. The management and Board are of the assessment that the major share of the contracts entered into with customers do not contain performances that are separable. It is however possible that the performance obligations in the contracts may be met at different points in time, by means of part deliveries. Nonetheless, the Group is of the assessment that this does not imply a change to the current method of recognising revenue.

3. *Determine the transaction price:*
The transaction price is presented in the contracts and, in most instances, is a function of volume and price (e.g. price per kg). Variable elements may appear in the contracts, e.g. discount and refunds. In most cases, the discounts will be a known factor when control is transferred to the customer, and only require a minor degree of assessment in the accounts. Refunds also occur, e.g. as a result of a quality nonconformance. The Group currently makes provisions for refunds based on historical data and specific information related to the respective deliveries. The Group mainly supplies goods, where refunds as a rule will be notified quickly after the customer has taken over control of the goods. It is the Group's assessment, therefore, that the new standard does not imply any significant changes in relation to the accounting of variable elements.

4. *Allocate the transaction price to separate performance obligations:*
Allocation of the transaction price between separate performance obligations is not deemed relevant, cf. item 2 above.

5. *Recognise revenue as the entity satisfies a performance obligation:*
It is the Group's assessment that revenue shall be recognised at the point in time of delivery.

As presented above, it is also the Group's assessment that the new standard will only imply minor changes to accounting in the income statement and balance sheet. The standard does however make a number of new requirements on the notes, and it is assumed that more detailed information will have to be disclosed on the Group's cash inflows when the standard is implemented.

When will the new standard be implemented?
Application of the standard is obligatory for the financial year starting on 1 January 2018 or later, and the standard will replace the prevailing IAS 11 Construction Contracts and IAS 18 Revenue. Earlier application is permitted.

The Group has decided to implement the standard on 1 January 2018. The Group intends to implement the modified, retrospective method, so that any impact caused by implementation of IFRS 15 will be recorded through equity on 1 January 2018. This implies that the comparative figures will not be revised when the new standard is implemented.

IFRS 16 LEASES
What is new?
IFRS 16 will require carrying of practically all lease agreements, as the difference between operational and financial leasing has been eliminated. According to the new standard, the asset (right of use) and the obligation to pay lease are recognised in the financial statements. Exemptions are made for short-term leases and leasing agreements with a low value.

Accounting for the lessor will in essence remain the same.

How does this new standard affect the Group?
The new standard will affect the accounting of lease objects, which according to current regulations are recorded as operational leases. It is thought that the new standard will have a lesser impact on lease agreements currently accounted as financial leases.

The Group has carried out a general review of its agreements, which according to the prevailing regulations are accounted for as operational leases. These mainly comprise office buildings. In note 23, the annual lease amounts for operational leases are presented, in addition to their current value. The Group has not carried out a specific assessment of the extent to which these obligations will result in the recognition of assets and liabilities on the balance sheet, and how this will affect the Group's results and classification in the statement of cash flows.

NOTE 28 ACCOUNTING POLICIES (CONT.)

A number of the obligations may also be covered by the exemptions for short-term leases and leases with low value.

The Group has currently not quantified the accounting effects of the new standard.

When will the new standard be implemented?
Obligatory application of the new standard is for the financial year starting on 1 January 2019 or later. Earlier application is permitted.

The Group has decided not to implement the standard until 1 January 2019. At the time of writing, the Group intends to implement the simplified transition method, implying for example that the comparative figures do not require amendment.

There are no other standards or interpretations that have not come into effect and that are expected to have a material impact on the consolidated financial statements.

CONSOLIDATION
Subsidiaries
Subsidiaries are all entities over which the Group has control. Control is defined as when the parent company has ownership interests that directly or indirectly convey more than half of the voting rights in a company, unless it can clearly be demonstrated that ownership does not grant control.

Control can also be based on agreements with other shareholders, irrespective of whether ownership exists as mentioned above.

Control also exists when the parent company has ownership interests that convey half or less of the voting rights in a company, but where the parent company also has:

- more than half of the voting rights via agreements with other shareholders,
- the right to appoint or remove the majority of the board members, or
- the majority of votes on the Board of Directors.

Control may also exist when a company owns a large minority interest with voting rights and no other owner or group of owners has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method is applied to acquisition of businesses. Identifiable assets, debt and contingent liabilities are recognised at fair value on the date of acquisition.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The contingent consideration is measured at fair value on the date of acquisition. Subsequent changes in fair value of the contingent consideration are recognised, unless this is an equity instrument. Contingent considerations classified as equity are not remeasured, and subsequent settlements are charged to equity.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests in subsidiaries that do not result in loss of control are treated as equity transactions. In the event of further acquisitions, the difference between the consideration and the shares' proportional share of the carrying amount of net assets in the subsidiary is charged to shareholders' equity in the parent company. Gain or loss on the sale to non-controlling interests is correspondingly charged to equity.

Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates
Associates are all entities over which the Group has

significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statement only to the extent of unrelated investor's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Joint arrangements
The Group has applied IFRS 11 to all joint arrangements with restatement of comparatives. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The investments in Pelagia AS and JV Cormar should be considered as joint ventures. Joint ventures are accounted for using the equity method, whereas the joint operation is accounted for by proportional consolidation.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

SEGMENT REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the parent company's functional and presentation currency.

NOTE 28 ACCOUNTING POLICIES (CONT.)

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;
ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii. all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

REVENUE RECOGNITION
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the goods and when the risks and rewards related to the goods have been transferred to the customer.

Dividend income
Dividend income is recognised when the right to receive payment is established.

CURRENT AND DEFERRED INCOME TAX
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

The management continuously assesses the statements made in the tax return in situations where prevailing tax legislation is subject to interpretation. Based on the management's assessment, provisions are made for expected tax payments when deemed necessary.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTE 28 ACCOUNTING POLICIES (CONT.)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated on temporary differences from investments in subsidiaries, associated companies and jointly controlled operations, with the exception of situations where the Group has control over the timing of the reversal of the temporary differences and it is probable that these differences will not be reversed in the foreseeable future. The Group is not normally able to gain control over the reversal of temporary differences for associated companies. This would only be the case if an agreement had been signed enabling the Group to control reversal of temporary differences.

Deferred tax is recognised for temporary differences related to the actual investment in subsidiaries, associated companies and jointly controlled operations when it is no longer probable that the difference will not be reversed at a later date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

GOODWILL
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

LICENCES/QUOTAS
Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum. Reference is made to the Note on intangible assets for information on impairment tests. All licenses are distributed to the Group companies by the Government, and as such the licenses are at all-time subject to each countries fishing and fish farming quota regulations.

Licence scheme in Norway
The licence scheme for production of salmon and trout in Norway has been implemented by the Storting (the Norwegian Parliament) and adopted in the Norwegian Act relating to aquaculture (Aquaculture Act). The Ministry of Trade, Industry and Fisheries is responsible for allocation of aquaculture permits (licences). All activities involving aquaculture require a licence. It is prohibited to farm salmon/trout without a licence from the authorities, cf. section 4 of the Aquaculture Act. All licences are governed by the same regulations (current Aquaculture Act with provisions) irrespective of when the licence was allocated.

The aquaculture permit entitles the Group to produce salmon and trout in delimited geographic areas (localities), according to the prevailing limitations established at any given time regarding the scope of the permit. The Ministry may prescribe detailed provisions relating to the content of the aquaculture licences by administrative decision or regulations.

The Aquaculture Act is administered centrally by the Ministry of Trade, Industry and Fisheries, and the Directorate of Fisheries is the supervisory authority. Regionally, there are a number of sector authorities

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES (CONT.)

that together represent a complete administrative and supervisory authority within the area governed by the Aquaculture Act. The individual county is the regional administrative body, and the Directorate of Fisheries is the appellate body for issues involving localities and licences.

Principal terms for different types of licences
Since January 2005, the limitations on production established for aquaculture licences for salmon and trout have been governed according to a scheme known as Maximum Allowable Biomass (MAB). This specifies the maximum biomass in the sea that a licence holder can have at any given time.

The following regulations regarding production limitations apply to the different types of licences held by the Group:

Farming licences are limited in number, i.e. the enterprises are only granted new licences or more production volume subsequent to politically adopted allocation rounds. The maximum allowable biomass (MAB) has previously been 780 tonnes of salmon or trout per licence. The maximum allowable biomass (MAB) for the counties of Troms and Finnmark (North Norway) has previously been 945 tonnes of salmon or trout per licence. Following the political decision taken in 2017 that it should be possible to allocate percentage growth per licence based on various conditions, a fixed maximum allowable biomass per licence is no longer specified. North Norway has been allocated percentage growth conditional on a low level of lice. Enterprises in this region that satisfy the specified conditions can purchase increased volume capacity. The Group utilised this option in 2017, buying a 2 % increase in volume for a total of eight licences: six in Finnmark and two in Troms. There are also some licences that, for historical reasons, have a different MAB limit than 780 tonnes. LSG with its subsidiaries has a sufficient number of locations (location MAB) in the different regions to achieve a satisfactory exploitation of the Group's total MAB. All commercial licences are currently operational.

Green farming licences are licences that were awarded in 2015 via a dedicated licensing round. Special conditions were attached to these licences, mainly concerning environmental improvement measures. The licences were awarded via open auctions or competitively, based on environmentally focused technology and operating concepts.

Demonstration licences are licences defined as for special purposes. Demonstration licences are granted to enterprises in order to spread knowledge of the aquaculture industry. Such licences are often operated in cooperation with a non-commercial entity.

Teaching licences are another kind of special-purpose licence and are allocated to disseminate knowledge of the fish farming industry. The licences are linked to specific educational institutions and are thus regulated by the county.

Research and development licences are licences awarded in connection with research and development projects in the industry, where dedicated licences are required to carry out the R&D activity.

Slaughter cage licences are allocated for the use of sea cages for live fish ready for slaughter. These licences are attached to a specific location, which is the Group's slaughtering plant for salmon and trout.

Brood stock licences are also licences defined as for special purposes. Brood stock licences are granted for the production of salmon roe utilised to produce juvenile fish.

Juvenile fish licences are licences to produce juvenile salmon and trout in fresh water that in total authorise the licence holder to produce a specific number of juvenile salmon and trout. There are certain limitations on the size of juvenile fish produced according to the individual licence. If the licence holder does not have an exemption from the regulations in force, the largest permitted average weight is 250 grams on an individual level. Licences are granted on the basis of a discharge permit for a certain number of fish/biomass with a maximum allowable feed consumption per year. In situations where the water source is owned by a third party, an agreement is also required governing the right to utilise the water source.

Duration and renewal
Section 5, second paragraph of the Aquaculture Act reads: "The Ministry may prescribe detailed provisions relating to the content of the aquaculture licences, including the scope, time limitations, etc., by administrative decision or regulations."

In the legislative background to the Aquaculture Act, White Paper no. 61 2004-2005, the following statement can be found on page 59: "It will remain the case that licences are normally allocated without any specific time limitation. Implementation of such limitations should be reserved for those issues where a time limitation, based on the specific situation, provides for a more complete fulfilment of the Act than if the licence were to be allocated without a time limitation."

The duration of licences is also specified by the Aquaculture Act, which in its most recent revision underlined ownership of licences by allowing the licences to be mortgaged to the benefit of the lender.

There are no time limitations specified in the Group's terms for grow out and juvenile licences, and they are therefore deemed to be time-indefinite production rights according to the prevailing regulations. This also applies for green farming licences.

As the licences are not bound by a time-limited period, there is no need to apply for their renewal. The licences are deemed to be valid pursuant to the Aquaculture Act, unless they are revoked in accordance with the Act. Section 9 of the Aquaculture Act describes the grounds for revocation of a licence. Section 9 states that licences may be revoked due to gross contravention of the provisions of the Act. We can confirm that no operative licences for salmon and trout have been revoked in Norway.

Research and development licences are time-limited, and in principle are valid for the duration of the project. They are often linked to the lifecycle of the salmon, i.e. three years. Applications may be made to renew R&D licences operated in close collaboration with research environments for a further three-year period after the end of the project.

The parent fish licences are granted for 15 years at a time, and applications have to be submitted for their renewal – provided that the licence holder is still involved in production of brood stock for salmon or trout.
Parent fish production is an integral part of the Group's value chain (parent fish production takes place before production of roe and juvenile fish in the value chain), and is therefore closely linked to the breeding system for salmon and trout. The Group's applications for renewal of parent fish licences have always been approved, in line with the prevailing practice in the industry.

The licences for slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licences provided that they are attached to an approved slaughtering plant and only utilised to keep fish ready for slaughter in immediate proximity to the slaughtering plant.

The Group's demonstration licences are granted with a duration of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act.

With one exception, the Group's teaching licences have been allocated for 10 years. Applications can be submitted for renewal of teaching licences provided that the terms for the licence are met pursuant to the Aquaculture Act. The Group has also taken over one teaching licence pursuant to an open-ended agreement with an educational institution.

Regulations relating to right of use: transfer, lease, moving etc.
All licences can be transferred pursuant to section 19 of the Aquaculture Act, and can be mortgaged pursuant to section 20 of the Act. An aquaculture register is kept of all aquaculture licences where transfers and mortgaging are registered. The leasing of aquaculture licences or licence capacity is not permitted. Grow-out licences and parent fish licences can be linked to different locations, but there are certain limitations on moving of licences between the regions defined by the Directorate of Fisheries. In practice, this means that licences cannot be moved between defined regions, which typically follow county borders. Juvenile fish licences are attached to one locality – the locality for which the licence applies.

Costs related to licences
Payment has been required for new licences granted during more recent allocation rounds. The amount of the payment depends on the allocation criteria, including for example a fixed price versus the auction principle. Given that there is no requirement to apply for renewal of licences, then there are no costs involved in licence renewal.

The costs of maintaining aquaculture licences in Norway are insignificant. There are no annual fees or other types of duties linked to the actual licence. However, there are certain fees to be paid for inspection and control of the licences. Fees also have to be paid to establish new localities and/ or to extend/amend localities. As a main rule, an amount of NOK 12,000 is paid per licence covered by an application for amendment at locality level, cf. section 2 of the Regulation relating to fees and duties for aquaculture activities. All fees and costs are immediately recognised as an operating expense.

NOTE 28 ACCOUNTING POLICIES (CONT.)

Assessment of economic life
According to past and present legislation and the general interpretation and practice in the industry, Norwegian fish farming licences are not a time-limited right, and licences should therefore not be subject to amortisation. Where time-limited R&D licences, demonstration licences and educational licences are concerned, these are awarded free of charge so amortisation is normally not relevant. However, in cases where related acquiring or renewing costs are capitalized, they will be subjected to depreciation over the economic life.

Grow-out licences and juvenile fish licences
The following factors played a key role in the assessment of whether licences have an indefinite useful life, with reference to the description of the licence types above:
1. No time limitation on the licences
2. Extremely low expenditure involved in maintaining the licences
3. High threshold for revocation of licences; this has never happened in Norway

It has also been noted that the licences are registered in the public aquaculture register as being without time limitation.

On this basis, the economic life is assessed to be indefinite for the grow-out licences and juvenile fish licences, in accordance with IAS 38.90.

Parent fish licences
As mentioned above, these licences are granted for 15 years at a time, and applications can be submitted for renewal. In 2007, the duration of parent fish licences was amended from 10 years to 15 years (amendment to regulation dated 14 August 2007 no. 986). In the consultation document dated 7 June 2007, the Ministry stated the following regarding time limitation for parent fish licences in item 3.3: *"The recommendation implies that the licences shall be time-limited for a period (...) with clearly defined predictability for extension of new periods. Time-limited licences may however result in less predictability for the entities than licences without time limitations. Predictability is key as breeding and parent fish production is a time-consuming and resource-intensive activity, but this is provided for by (...) a fixed-term period with clearly defined predictability for extension."*

IAS 38.94 states that if the contractual or legal rights are assigned for a limited period of time that can be renewed, the useful life of the intangible asset should include the renewal period(s) only if there is documented evidence to support that the cost of the renewal for the entity is not significant. IAS 38.96 provides guidelines describing factors that can be included in this assessment. The following factors have been central to the Group's assessment of indefinite useful life for the parent fish licences:
a. the entity's licences have always been renewed. Renewal does not require third-party consent, but is based on factors that are under the control of the entity, i.e. the terms of the licence are met and an application for renewal has been submitted before the expiry of the 15-year period. The main condition for renewal is that parent fish production is carried out in connection with a breeding system. Parent fish production will continue to be an integral part of the Group's value chain, and as such this requirement will be met.
b. the entity can document fulfilment of the licence conditions,
c. the cost to the entity for renewal is not significant, when compared with the future economic benefits expected to flow to the entity from renewal.

Demonstration licences
The Group's demonstration licences are allocated for a period of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act. As with parent fish licences, this type of licence is defined as being for special purposes. Both parent fish and demonstration licences are a type of activity without any clear time limitation. In principle, the same factors as for parent fish licences will apply to demonstration licences.

Teaching licences
With one exception, the Group's teaching licences have been allocated for 10 years. Applications can be submitted for renewal of teaching licences provided that the terms for the licence are met pursuant to the Aquaculture Act. The Group has also taken over one teaching licence pursuant to an open-ended agreement with an educational institution. Since the agreement has a limited undefined useful life, its duration has been estimated at one year.

The licence scheme for fishing rights in Norway
The licence scheme for fishing rights in Norway has been implemented by the Storting (the Norwegian Parliament) and adopted in the Norwegian Act relating to the right to participate in fishing and catches (Participation Act) dated 26 March 1999, no. 15. The Ministry of Trade, Industry and Fisheries is responsible for allocation of the right to participate in Norwegian fisheries.

Section 2 of the Participation Act describes the scope of the Act;
"The Act governs entitlement to take part in commercial fishing and catches and other harvesting of wild live marine resources by utilising ships that are Norwegian pursuant to the provisions in sections 1 and 4 of the Norwegian Maritime Code and ships that are owned by a foreign national who is resident in Norway, when the overall length of the ship is less than 15 metres. However, ships that are Norwegian pursuant to section 1 third paragraph of the Norwegian Maritime Code are not governed by the Act, unless the ship is owned by a person resident in Norway and the overall length of the ship is less than 15 metres. This Act defines ships that are governed by the first and second paragraphs as Norwegian ships. The Act does not however cover harvesting of anadromous salmon fish as defined in the Act dated 15 May 1992 no. 47 relating to Salmonids and Fresh-Water Fish etc. section 5 letra a. The Ministry is entitled to issue regulations stipulating that all or parts of the Act shall not apply to harvesting of one or more species that are not fish, crustaceous animals, molluscs or sea mammals."

The main conditions for entitlement to fishing rights pursuant to the Participation Act are as follows
Section 4 of the Participation Act places the following requirements on commercial permits:
- A ship cannot be utilised for commercial fishing or catches unless it has been allocated a commercial permit by the Ministry of Trade, Industry and Fisheries.
- A commercial permit only entitles the holder to carry out fishing or catches in accordance with the provisions that apply at any given time in or pursuant to the Act relating to the management of wild living marine resources or the Participation Act.
- The Participation Act lists the following main conditions for allocation of commercial permits in §§ 5-8:
  – Nationality requirement
  – Residential requirement
  – Activity requirement
  – Requirement for a basis for operations
  – Requirement on ships

Change of vessel or transfer of shares, shareholdings etc.
If the permit holder replaces one vessel with another, a new application is required for a new professional permit so that the fishing rights are transferred to the new vessel. Such transfer is normally granted provided that the requirements specified in the Participation Act are fulfilled.

Shares or holdings in a company or merger that directly or indirectly owns vessels registered by mark must not be transferred to a different owner without the advance permission by the Ministry for a change of ownership composition.

The King may issue a resolution to lay down regulations regarding a duty to notify changes in ownership. When such a duty is in force, the prohibition against transfer does not apply until a permit has been issued. The regulations governing duty of notification may however contain a prohibition against transfer until a certain deadline has been reached after the notification has been sent.

Lapse of commercial permit for Participation Act § 10
A commercial permit is annulled when the owner loses the right of ownership to a ship, whether by compulsory sale, condemnation, shipwreck etc.

A commercial permit shall be retracted pursuant to section 11 first paragraph of the Participation Act when the vessel owner:
a. no longer fulfils the requirements in section 5 of the Participation Act,
b. has not been involved in commercial fishing or catches for at least three of the past five years on or with a Norwegian ship, and has no association with the fishing industry (Activity requirement).

A commercial permit may be retracted pursuant to section 11 second paragraph of the Participation Act when:
a. the ship has not been utilised for commercial fishing or catches for a specific period of time stipulated by the Ministry in a Regulation or in the commercial permit,
b. the ship or ship owner no longer fulfils the conditions specified in or pursuant to the Participation Act,
c. there are significant amendments to the conditions upon which the permit is based,
d. the ship owner has, against better judgement, provided incorrect information or has concealed information of significance for the resolution to grant such a permit,
e. the ship owner or other party involved in operating the ship is guilty of a serious or repetitive breach of the provisions laid down in or pursuant to the Participation Act or other fisheries legislation, or

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES (CONT.)

f. the entitlement to retract the permit exists pursuant to general regulations within administrative legislation.

If such incidents are of a less serious nature, the Ministry may decide to retract the commercial permit for a specific period of time. The King may impose supplementary regulations on the retraction of permits.

Special permits pursuant to sections 12 of the Participation Act
In order to participate in most types of fisheries, a permit or participation entitlement is required, if the party involved does not intend to participate in an open group, cf. section 12 of the Participation Act relating to the requirement for a special permit. The licence scheme currently comprises vessels with cargo hold volume of 500 m^3 or more, or vessels in what is commonly known as the marine fishing fleet. These licences have no predetermined time limit. Although licences do not have a predetermined time limit, section 18 of the Participation Act stipulates that they shall be retracted or are annulled if the commercial permit for the vessel is annulled or retracted. Sections 10 and 11 of the Participation Act apply correspondingly to special permits.

The Group's vessels have special permits (licences) within pelagic fisheries and whitefish.

Fisheries permits within pelagic fisheries
The fishing permits (licenses) are valued at cost less any accumulated depreciation and impairment losses. There are no predetermined time limitations specified in the Group's conditions for licences that apply to basic quotas within pelagic fishery, and they are therefore deemed to be time-indefinite rights according to the prevailing regulations.

As the fishing rights are not bound by a time-limited period, there is no need to apply for their renewal. The fishing rights are deemed to be valid pursuant to the Participation Act, unless they are annulled or retracted in accordance with the Act.

The Group also holds fishing rights within pelagic fishery that have a time limit – so-called structural quotas – and these are amortised over the lifetime of the individual structural quota.

Fisheries permit within whitefish
The fisheries licences within whitefish comprise basic quotas with no time limit and structural quotas with a time limit of 20 and 25 years respectively. The structural quotas have a definite useful life and are amortised over the length of the structural period. The basic quotas have an indefinite useful life and are not amortised, but are tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with predetermined time limits after expiry of the allocation period will be redistributed among the "cod trawler" group of vessels, thereby becoming part of the vessels' basic quota. This implies that if a vessel has structures that are in accordance with the average for the group of vessels, a vessel will be able to maintain practically the same catch volume once the period for the structural quotas has expired. More detailed information on licences/fishing rights is provided in the note on intangible assets.

Licence scheme for fishing rights in Peru
The fishing license is granted by the Production Ministry (Ministerio de la Producción) for the extraction of hydrobiological resources, subject to Fishing Regulations as stipulated by General Law of Fisheries (Decreto Ley N° 25977) and the Regulations for the General Law of Fisheries (Decreto Supremo N° 012-2001-PE).

The Article 44 of the General Law of Fisheries (Decreto Ley N° 25977) says:
"Article 44:
Concessions, authorizations and licenses mean specific rights that the Production Ministry grants for an established term for the development of fisheries activities, pursuant to the provisions of this Law and under the conditions determined by its Regulations"

Also, the Article 33 of the Regulation for the General Law of Fisheries (Decreto Supremo N° 012-2001-PE) and its modifications establish:
"Article 33: Term of Fishing Licenses
33.1 In accordance with Article 44 of the Fisheries Law, the determinate term of fishing licenses for large-scale fishing vessels with national flag, applies since the time that such rights are granted until its expiration in accordance with this regulation.

33.2 To keep in force the term and content of the fishing licenses, the fishing vessel owners must prove to the General Directorate of Fish Harvesting and Fish Processing, not to have increased storage capacity authorized in the fishing license and accredit the vessel operation; also will be required to have made fish harvesting activity in the previous year and paid the corresponding fishing rights."

It means that fishing license only expires in case the legal owner breach the requirements established in the mentioned article 33 of the Regulation for the General Law of Fisheries, otherwise, the fishing license keep in force unlimited.

The Supreme Decree N° 017-2017 (Regulations of control and sanction of fisheries and aquaculture activities) establish the limitations that fleet must fulfil during its operations.

Following, we list the main restrictions that the industry have:
- Catch or process hydrobiological resources without license or percentage assigned, operation license or without assignation of maximum limit of catch per vessel. (Cod. 5)
- Catch restricted to authorized fishing seasons as announced by the Production Ministry (Cod. 7)
- Catch, process or sell hydrobiological resources with smaller sizes as established (anchoveta 12 cm, mackerel 29 cm, jack mackerel 31 cm) (Cod. 11)
- Catch hydrobiological resources in larger volumes to the hold capacity authorized in the fishing license (Cod. 29)
- Execute more than one fishing trip in a term of 24 hours (Cod. 31)
- Catch exceeding the season assigned quota (Cod. 33)
- Exceed the maximum limit of catch per vessel (Cod. 32)
- By catch is limited to 5 %

The indeterminate life of fishing license is also subject to lack of severe penalties (maximum four allowed in one year). The main severe penalties are:
- Block the labour of the inspectors.
- Catch or process hydrobiological resources without license or percentage assigned, operation license or without assignation of maximum limit of catch per vessel.
- Catch resources out of the authorized fishing seasons as announced by the Production Ministry or in unauthorized zones.
- Exceed the maximum limit of catch per vessel.
- Not to have the satellite tracking system or have it in inoperative state.

Licence scheme for fishing rights in Chile
Fishing and aquaculture activities are ruled by the "General Fishing and Aquaculture Act Nº 18.892 of 1989" ("Ley General de Pesca y Acuicultura" or LGPA), which has received several modifications during its life, being the latest in Law Nº 20.657 of February 9th, 2013. This modification made important amendments to the fishing system in Chile, with the main objective of ensuring the sustainability of fish resources, introducing a ecosystemic view of the marine environment and by improving the fish management, such as adding transferability to the existing individual quota system for industrial fleet and creating a mandatory scientifically supported quota management system.

The management of fisheries is performed by the Undersecretary of Fisheries ("Subsecretaria de Pesca"), a vice-ministry office that reports to the Minister of Economics.

The control of fishing activities of all kind (industrial, artisanal and sport) is under the National Fishing Service ("Servicio Nacional de Pesca" or Sernapesca), who in some cases, can delegate to private independent companies its services, as it does with the fish offloading control.

Until the introduction of 2013 fishing law modifications, fishing licenses were linked to a fishing vessel and couldn't be divided or independently transferred. These types of fishing license ("Permiso de Pesca") still exist for those species out of the list of tradable fishing licenses ("Licencia Transable de Pesca" or LTP), such as giant squid and mackerel, as well as for the artisanal shipowners.

However, main commercial species caught by the industrial fleet moved under the LTP system, which was granted using the same individual quota set by the previous modification established by the fishing law Nª 19.713 of 2001 (due for modification after 12 years in 2013), which was based on 50/50 allocation of historical catches between the years 1997 to 2000 and by vessel hold capacity. This new license system grants industrial shipowner a "LTP-A" fishing license type, which is automatically renewed every 20 years, provided that owner has had a good behaviour in environmental and labour regulations.

NOTE 28 ACCOUNTING POLICIES (CONT.)

These LTPs are divided by fish species and macro-regions (grouped according to the geographical administrative area division of the country - regions). The Fishing Act of 2013 also establishes that 15 % of the LTPs will be auctioned when the fisheries reaches 90 % of the Maximum Sustainable Yield ("MSY"or "RMS" in Spanish) or after 3 years after the Law came into full effect, in 5 % annual allocations. The new quotas will be deducted from the LTP-A, creating a "LTP-B" license valid for 20 years for each of the auctioned lots. After this period, a new auction process is required.

The LTPs are transferable, permanently or temporarily and are also subject to be used as guarantees to financial institutions, something impossible with previous regulation.

Fishing permits for the non-LTP species remain link to a physical fishing vessel are permanent. Fishing licenses for the LTP-A are granted for 20 years with automatic renewal for same period of time, provided that the license holder has complied with labour and environmental regulations, therefore are considered a permanent license system. LTP-B is a 20-year non-renewable fishing license.

Fishing rights can be lost or reduced (partial loss), if a Company:

- Catches in excess over 10 % of its quota during 2 years in a row.
- Doesn't perform fishing activities during 2 years or 12 consecutive months, unless is a case of force majeure, which must be approved by Undersecretary of Fisheries.
- If during a 5-year period, offloading of the 3 highest years are below 70 % of the industry average. In this case, is a partial loss, applying a quota reduction equivalent to the difference between this average and the company actual landings.
- Repeatedly not submitting the statistical information required by law.
- Not paying fishing or specific fishing taxes. Gives a 30 day grace period after due dates.
- If court sentences company for spillage of chemical or other harmful substances into water portions.
- If sentenced repeatedly of illegal or unauthorized modifications, alterations or changes to fishing vessels.
- If Company has been sentenced 3 or more times within a 2-year period of infractions to anti-union labor law related only to workers on board vessels. This is a partial loss, equivalent to 10 % of the main specie that the vessel was operating at infraction time.

BRAND/TRADEMARKS

Brands acquired, separately, or as part of a business combination are capitalised as a brand if it meets the definition of an intangible asset and the recognition criteria are satisfied. Brand acquired as part of a business combination are valued at fair value based on valuation done by external valuation experts. Brands assessed to have an indefinite useful life are not amortized but reviewed for impairment not less than annually frequently if events or changes in circumstances indicate that the carrying amount may have decreased.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the cost will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Buildings comprise mainly of factories and offices. Depreciation on other assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives as follows:

Detail	Sector	Depreciation-period
Vehicles	Wild catch and salmon	3–10 years
Furniture and other equipment	Wild catch and Salmon	3–25 years
Buildings	Wild catch and salmon	12–50 years
Fishing vessels and fishing equipment	Wild catch	8–30 years
Machinery and other equipment - Fishmeal	Wild catch	10–50 years
Machinery and other equipment - Consumption	Wild catch	7–30 years
Other production equipment	Wild catch	3–30 years
Feeding vessels - Fish Farming	Salmon	10–15 years
Vessels - Fish farming	Salmon	10–15 years
Utilities (components) on vessels	Salmon	5–10 years
Other production equipment (on sea) - Fish farming	Salmon	5–15 years
Production equipment (on land) - Fish farming	Salmon	5–15 years
Components related to production equipment on land	Salmon	10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as other gains and losses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading (see section 'Derivative financial instruments and hedging activities'). Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (note 9).

(c) Available-for-sale financial assets

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation

NOTE 28 ACCOUNTING POLICIES (CONT.)

differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other financial income. Dividends on available-for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

BIOLOGICAL ASSETS, LOSS-MAKING CONTRACTS AND MORTALITY EXPENSES

The Group's biological assets comprise live fish, mainly salmon and trout, at all stages of the life cycle. The fish are divided into two main groups, depending on the stage of the life cycle. At the earliest stage of the life cycle, the fish are classified in group (1) roe, fry and juvenile fish. During this stage, the fish are kept on shore. When the fish are large enough for release to sea, they are classified in group (2) consumer products. The group for consumer products also comprises the subgroup for parent fish, utilised to produce roe. As this subgroup is immaterial, it is dealt with in the same way as other consumer products ready for slaughter.

The stock of fish, in addition to salmon and trout, also comprises cleaner fish. This species of fish is utilised during production of salmon and trout as a means of eliminating salmon lice. Despite the significant volume of cleaner fish produced by the Group, both the volume and value of this species are relatively low and are immaterial for the consolidated financial statements. In order to simplify

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES (CONT.)

accounting, this species is therefore grouped with roe, fry and juvenile fish.

Biological assets are governed by IAS 41 Agriculture. The main rule is that biological assets shall be measured at fair value minus sales costs, unless fair value cannot be reliably measured. Measurement of fair value is regulated by IFRS 13. 'Fair value' refers to the price that would have been achieved on sale of the asset in an orderly transaction between market participants at the measurement date under the prevailing market conditions.

For *roe, fry and juvenile fish, in addition to cleaner fish,* historical cost is deemed a reasonable approach to fair value, as there is little biological transformation (IAS 41.24). This assessment must be seen in light of the fact that smolt are currently released to sea at a stage when their weight is still relatively low. At the same time, this group comprises a limited share of the Group's biological assets measured in terms of both volume and value. If changes emerge in the future implying that the smolt produced are significantly larger when released to sea, a new assessment will be required.

For *consumer products*, the fair value is calculated by applying a present value model at level three in the fair value hierarchy in IFRS 13. For more detailed information on the fair value hierarchy, please refer to the note on financial instruments. In line with IFRS 13, the highest and best use of the biological assets is applied for the valuation. In accordance with the principle for highest and best use, the Group considers that the fish have optimal slaughter weight when they have a live weight corresponding to 4 kg gutted weight. This corresponds to a live weight of 4.8 kg. Fish with a live weight of 4.8 kg or more are classified as ready for slaughter (mature fish), while fish that have still not achieved this weight are classified as not ready for slaughter (immature fish). For fish ready for slaughter, the highest and best use is defined as slaughtering and selling the fish as quickly as possible in the month following the balance sheet date. For fish not yet ready for slaughter, the highest and best use is in principle defined as growing the fish to slaughter weight, then slaughtering and selling the fish. The slaughter date applied in the valuation may however be brought forward if required by situations at a specific locality. Such situations may involve biological challenges (disease, salmon lice infestation etc.).

The cash flow-based present value model, is independent of historical and company-specific factors. On a hypothetical market with perfect competition, a hypothetical buyer of live fish would be willing to pay as a maximum the present value of the estimated future profit from the sale of the fish when it is ready for slaughter. The estimated future profit, taking into account all price adjustments and payable fees until completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for slaughter, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money. Please refer to the note on significant accounting estimates and assessments for more detailed information on discounts, and sensitivity analysis.

Estimated biomass (volume) is based on the actual number of individuals in the sea on the balance sheet date, adjusted to cover projected mortality up to slaughter date and multiplied by the estimated slaughter weight per individual at the time of slaughter. The measurement unit is the individual fish. However, for practical reasons, these estimates are carried out per locality. The live weight of fish in the sea is translated to gutted weight in order to arrive at the same measurement unit as for pricing.

Pricing is based on the Fish Pool forward prices. The reason for this is that there are no effective markets for the sale of live fish. Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian salmon, size 3-6 kg gutted weight. Updated forward prices are published daily for slaughtered salmon on Fish Pool. The volume on Fish Pool is however limited. This market is therefore assessed to be insufficiently active and effective. Despite this, the Group is of the opinion that the observable forward prices must be seen as the best approach to a hypothetical price for the sale of salmon. The volume of trout sales in Norway is significantly lower, and there are no corresponding observable market prices. Historically, however, trout prices have been closely correlated to salmon prices. The forward prices for salmon are therefore applied as a starting point for estimates of the fair value of trout. The forward price for the month in which the fish is expected to be slaughtered is applied in order to estimate cash flow. The price stipulated by Fish Pool is adjusted

NOTE 28 ACCOUNTING POLICIES (CONT.)

to take into account export costs and clearing costs, and represents the reference price. This price is then adjusted to account for estimated slaughtering cost (well boat, slaughter and boxing) and transport to Oslo. Adjustments are also made for any estimated differences in size and quality. The adjustments to the reference price are made per locality. Joint regional parameters are applied, unless factors specific to an individual locality require otherwise.

Changes to estimated fair value for biological assets, according to IAS 41, are recorded through profit or loss and presented on the line for fair value adjustments related to biological assets. The accounting line for fair value adjustments related to biological assets in the income statement comprises three elements; (1) change in fair value adjustment of stock of fish in sea, (2) change in fair value of onerous contracts and (3) change in fair value of unrealised gain/loss related to financial purchase and sale contracts for fish in Fish Pool.

Onerous contracts are contracts where the expenses of fulfilling the contracts are higher than the economic yield the company expects to gain by fulfilling the contracts. The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfil the contract. As a result, physical delivery contracts where the contractual price is lower than the price on which fair value estimation of the biological assets was based will be defined as onerous contracts according to IAS 37, even if the contractual price is higher than the production costs for the products. At the end of the period, the management will evaluate whether contracts are onerous contracts by estimating the value of the commitment per contract. This evaluation is based on a number of premises and estimates. The estimate includes all contracts involving the sale of salmon and trout, where the fish have been produced by the Group. For contracts where the product to be delivered has a higher degree of processing than gutted fish, the contractual price is converted to a price per kilo gutted weight based on estimated yield for the different product types and normal processing costs in accordance with the Group's calculations. All contractual prices are translated to Norwegian kroner. For contracts that contain different product types, a weighted price is estimated. The weighted price per contract is then compared with an estimated benchmark price per month. This price corresponds to the price applied as a starting point for valuation of the biological assets, and is based on forward prices from Fish Pool, adjusted for export margin and transport from fish farm to Oslo. A provision is recognised on the balance sheet. The provision is classified as other short-term debt.

Fish Pool contracts are not utilised to any significant extent by the Group as a price-hedging instrument, as the sale of such contracts with Fish Pool remains limited and volumes are low. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

As the financial statements also present production costs for the stock of live fish, the reporting of mortality is of significance. Costs related to abnormal mortality are immediately recognised through profit or loss and presented on the line for changes in inventory, while normal waste is classified as part of production costs. Fair value of biological assets is not affected by the principle for reporting mortality costs. The extent to which mortality is normal or abnormal requires assessment. The Group makes use of a common indicator and threshold for all farming units. If in one month mortality at a locality exceeds 1.5 % of the incoming number of fish at the locality, this is classified as an indication of abnormal mortality. A more detailed assessment is then carried out to establish whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish. Please refer to the note on biological assets for a more detailed description of mortality costs and incidents that have caused abnormal mortality.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at fair value on the transaction date, and will usually correspond to the nominal value of the receivable. On subsequent measurement, accounts receivable are valued at nominal value minus provisions for loss. Provisions for loss are recognised when there are objective indications that the Group will not receive settlement in accordance with the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective

NOTE 28 ACCOUNTING POLICIES (CONT.)

interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

EMPLOYEE BENEFITS

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The schemes are either a defined benefit plan or a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting period date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

LEASES

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES (CONT.)

classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term obligations. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset, but the expiry dates of the leases are considered when determining useful life.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

PROVISIONS
Provisions (for e.g. environmental improvements, restructuring and legal claims) are recognised when:

- a legal or self-imposed liability exists as a result of previous events;
- it is more likely than not that the liability will be settled in the form of a transfer of economic resources;
- the size of the liability can be estimated with a sufficient level of reliability.

Provisions for restructuring costs comprise termination fees for lease contracts and severance pay for employees. No provisions are made for future operating losses.

If several liabilities of the same character exist, the probability of settlement being made is determined for the liabilities as a group. Provisions for the group of liabilities are recognised even if the probability of settlement related to the individual liabilities in the group may be low.

Provisions are measured as the current value of expected payments required to clear the liability. A discount rate is applied before tax that reflects the current market situation and the specific risk for the liability. Any increase in a liability caused by a change in time value is recognised as a financial expense.

DIVIDEND DISTRIBUTION
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements when the dividends are approved by the Company's shareholders.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Derivative financial instruments are registered in the balance sheet at fair value at the time of contract and are subsequently adjusted to current fair values. Registration of associated gains/losses depends on whether the derivative is regarded as a hedging instrument, and if so, what type of hedging. The Group classifies derivatives as either a) hedges of fair value of recognised assets or liabilities of a firm commitment (fair value hedge); or b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on the ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair values of derivative instruments used for hedging are disclosed in Note 12. Fair value of a hedging derivative is classified as fixed assets or long-term liability if the hedging object matures in more than 12 months, and as current assets or short-term liabilities if the hedging object matures in less than 12 months.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

CONTINGENT ASSETS AND LIABILITIES
Contingent liabilities are defined as

i. possible obligations resulting from past events whose existence depends on future events
ii. obligations that are not recognised because it is not probable that they will lead to an outflow of resources
iii. obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

CASH FLOW STATEMENT
The Group's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow is reported on the basis of the indirect method. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents. Cash flows resulting from the disposal of operations are presented under investing activities.

EVENTS AFTER THE REPORTING PERIOD
New information after the reporting period concerning the Group's financial position at the reporting date is considered in the financial statements. An event after the reporting period that does not affect the Group's financial position on the reporting date, but will affect the Group's financial position in the future is reported where material.

EARNINGS PER SHARE
Earnings per share is calculated by the profit attributable to equity holders of the company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Parent Company Accounts

Statement of comprehensive income

Amounts in NOK 1 000	Note	2017	2016
Sales revenue	3,18	2 116	2 133
Total income		**2 116**	**2 133**
Salaries and personnel expenses	4,15	-16 446	-16 151
Other operating expenses	4,18	-15 140	-13 315
Operating expences		**-31 586**	**-29 466**
Depreciation	6	-21	-86
Operating profit		**-29 491**	**-27 419**
Financial income	5	657 471	1 419 686
Financial expenses	5	-69 834	-81 821
Profit before taxes		**558 146**	**1 310 446**
Income tax expense	14	0	0
Net profit for the year		**558 146**	**1 310 446**
Actuarial change on post employment benefit obligation	15	0	-96
Total comprehensive income in the period		**558 146**	**1 310 350**
Average no. of outstanding shares		201 824 074	201 409 613
Earnings per share from continued operation (NOK)		2,77	6,50
Suggested dividend per share (NOK)		2,80	2,50

Statement of financial position

Amounts in NOK 1 000	Note	31.12.2017	31.12.2016
Assets			
Fixed assets	6	22	43
Shares in subsidiaries	7	3 744 023	3 744 023
Shares in associates and joint ventures	8	811 427	811 427
Shares in other companies	9	25 736	25 750
Long term receivables on Group companies	10,18	57 622	72 795
Total non-current assets		**4 638 830**	**4 654 038**
Trade receivable	11,16,18	2 144	408
Short term receivable on Group companies	16,18	636 830	527 740
Other current receivables	10	280	1 076
Cash and cash equivalents	13,16	1 158 094	1 130 058
Total current assets		**1 797 349**	**1 659 282**
Total assets		**6 436 178**	**6 313 320**
Equity and liabilities			
Share capital	16 CFS*	101 359	101 359
Own shares		-447	-447
Share premium		3 147 600	3 147 600
Retained earnings and other reserves		732 233	739 463
Total equity		**3 980 745**	**3 987 975**
Pension obligations	15	0	777
Borrowings	16	1 241 996	1 154 327
Total non-current liabilities		**1 241 996**	**1 155 104**
Borrowings	16	626 337	645 413
Trade payable	18	4 943	2 559
Accrued salary expense and public tax payable		4 861	2 365
Other current liabilities to Group companies	18	0	77
Dividends	19	567 609	506 793
Other current liabilities	17,18	9 687	13 034
Total current liabilities		**1 213 437**	**1 170 241**
Total liabilities		**2 455 433**	**2 325 345**
Total equity and liabilities		**6 436 178**	**6 313 320**

*If note reference contains the characters CFS it refers to notes in the consolidated statement.

Storebø, 19 April 2018
Board of Directors of Austevoll Seafood ASA

Helge Singelstad *Chairman*	Helge Møgster *Board member*	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad *Board member*
Eirik Drønen Melingen *Board member*	Lill Maren Møgster *Board member*	Siren M. Grønhaug *Board member*	Arne Møgster *CEO & President*

PARENT COMPANY

Statement of changes in equity

Amounts in NOK 1 000	Note	Share capital	Own shares	Share premium	Retained earnings	Total equity
Equity 01.01.16		**101 359**	**0**	**3 147 600**	**0**	**3 248 959**
Profit for the year		**0**	**0**	**0**	**1 310 446**	**1 310 446**
Other comprehensive income for the period		**0**	**0**	**0**	**-96**	**-96**
Total recognised income		**0**	**0**	**0**	**1 310 350**	**1 310 350**
Dividends	**19**	0	0	0	-506 793	-506 793
Group contribution		0	-447	0	-64 094	-64 541
Total equity to/from shareholders		**0**	**-447**	**0**	**-570 887**	**-571 334**
Total change of equity		**0**	**-447**	**0**	**739 463**	**739 016**
Equity 31.12.16		**101 359**	**-447**	**3 147 600**	**739 463**	**3 987 975**
Profit for the year		**0**	**0**	**0**	**558 146**	**558 146**
Total recognised income		**0**	**0**	**0**	**558 146**	**558 146**
Dividends	**19**	0	0	0	-567 609	-567 609
Reversed dividends payable on treasury shares		0	0	0	2 233	2 233
Total equity to/from shareholders		**0**	**0**	**0**	**-565 375**	**-565 375**
Total changes in equity		**0**	**0**	**0**	**-7 229**	**-7 229**
Equity 31.12.17		**101 359**	**-447**	**3 147 600**	**732 233**	**3 980 745**

Cash flow statement

Amounts in NOK 1000	Note	2017	2016
Profit before income taxes		558 146	1 310 446
Depreciation and amortisation	6	21	86
Dividends and Group contributions	5	-639 307	-673 734
Gain sold shares	5	0	-725 119
Change in accounts receivable and other receivables		-33 447	-4 105
Change in accounts payable and other payables		2 571	-19 854
Change in other accruals		11 389	-70
Net interest		47 976	59 368
Net cash flow from operating activities		**-52 651**	**-52 982**
Sale/(purchase) of shares and equity investments in other companies	7	0	968 928
Change in non-current receivables		15 173	-2 403
Dividends and Group contributions received		549 457	584 584
Interest received		18 153	18 625
Net cash flow from investing activities		**582 783**	**1 569 734**
Net change in long-term interest bearing debt		87 669	-17 324
Net change in short-term interest bearing debt		-19 076	1 329
Interest paid		-66 129	-77 993
Dividends paid	19	-504 560	-1 419 022
Net cash flow from financing activities		**-502 096**	**-1 513 010**
Net change in cash and cash equivalents		**28 036**	**3 741**
Cash and cash equivalents at 01.01.		**1 130 058**	**1 126 317**
Cash and cash equivalents at 31.12.		**1 158 094**	**1 130 058**

Notes to the accounts

Notes to the accounts

NOTE 1 GENERAL

The separate financial statements of Austevoll Seafood ASA (parent company) have been prepared in accordance with simplified IFRS. Preparation of separate financial statements is required by law.

NOTE 2 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses to some degree derivative financial instruments to reduce certain risk exposures.

Market risk
(i) Price risk
The Company is exposed to price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The company do not use financial instruments to manage its financial risk for non-current liabilities.

(ii) Cash flow and fair value interest rate risk
The Company's interest rate risk mainly arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash flow.

For information of the Company's financial liabilities see note 16.

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2017	2016
Total borrowings (note 17)	1 876 837	1 805 413
Less: cash and cash equivalents	1 308 907	1 298 134
Net debt	567 930	507 280
Total equity	3 980 745	3 987 975
Capital employed	**4 548 676**	**4 495 255**
Gearing ratio	**12 %**	**11 %**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTE 3 INCOME

	2017	2016
Rendering of services	2 116	2 133
Total sales revenue	**2 116**	**2 133**
Geographical allocation of revenues:		
Norway	305	160
Peru	1 661	1 814
Chile	150	159
Total geographical allocation	**2 116**	**2 133**

NOTE 4 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2017	2016
Salary and holiday pay	12 099	11 308
Hired personnel	2 945	2 620
National insurance contribution	1 816	1 745
Pension costs (note 15)	-493	472
Other personnel costs	79	7
Total	**16 446**	**16 151**
Average man-labour year	3	3

Pension costs are described in detail in note 15.

Accumulated expenses for wages, pension premiums and other remuneration to CEO, other executives and members of the parent company's board is presented in the consolidated financial statements.

The Group management takes part in the Groups collective pension schemes.

The annual Director's fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity, Laco AS, with which company the Chairman is employed.

No loans or securities have been issued in 2017 or 2016 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67, and the CEO takes part in the defined contribution scheme.

See note 20 in Group notes for guidelines to executive management and remunerations to the company's officers.

Specification of auditor's fee excl. VAT	**2017**	**2016**
Audit fee	1 560	1 428
Other services	731	252
Tax advice	4	26
Total	**2 295**	**1 706**

NOTE 5 FINANCIAL INCOME AND FINANCIAL EXPENSES

	2017	2016
Interest income from companies within the same Group	2 277	2 158
Other interest income	15 876	18 625
Dividends and Group contributions	639 307	673 734
Gain sale shares	0	725 119
Currency gains	11	50
Total financial income	**657 471**	**1 419 686**
Interest expenses to companies within the same Group	1 561	1 508
Other interest expenses	64 568	76 485
Currency losses	55	53
Other financial expenses	3 651	3 775
Total financial expenses	**69 834**	**81 821**
Net financial items	**587 637**	**1 337 865**

NOTE 6 TANGIBLE FIXED ASSETS

2016	**Office equipment**	**Total**
Per 01.01.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 191	-2 191
Balance sheet value at 01.01.	**129**	**129**
Tangible fixed assets acquired	0	0
Tangible fixed assets sold	0	0
Depreciation	-86	-86
Balance sheet value at 31.12.	**43**	**43**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 278	-2 278
Balance sheet value at 31.12.	**43**	**43**
2017		
Balance sheet value at 01.01.	43	43
Tangible fixed assets acquired	0	0
Depreciation	-21	-21
Balance sheet value at 31.12.	**22**	**22**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 299	-2 299
Balance sheet value at 31.12.	**22**	**22**

Notes to the accounts

NOTE 7 SHARES IN SUBSIDIARIES

	Gross numbers (100 %)				
2017 - Subsidiaries Company name	Net profit	Equity	Business location	Carrying value	Voting share
Austevoll Eiendom AS	4 288	9 370	Storebø	56 627	100,00 %
AUSS Shared Service AS	1 550	3 201	Storebø	1 010	100,00 %
Lerøy Seafood Group ASA, Group values	1 749 483	14 482 121	Bergen	2 783 350	52,69 %
A-Fish AS	-2 728	97 502	Storebø	660 100	100,00 %
Austevoll Pacific AS	-4 649	569 760	Storebø	25 336	100,00 %
Austevoll Laksepakkeri AS	5 728	17 569	Storebø	100	100,00 %
Br. Birkeland Farming AS, Group values	30 066	395 290	Storebø	1 823	51,69 %
Br. Birkeland AS, Group values	-22 017	339 309	Storebø	215 677	51,69 %
Total				**3 744 022**	

Aumur AS was merged with AUSS Shared Service AS in 2017.

	Gross numbers (100 %)				
2016 - Subsidiaries Company name	Net profit	Equity	Business location	Carrying value	Voting share
Austevoll Eiendom AS	2 735	9 674	Storebø	56 627	100,00 %
AUSS Shared Service AS	1 624	2 317	Storebø	1 010	100,00 %
Lerøy Seafood Group ASA, Group values	3 518 630	13 475 426	Bergen	2 783 350	52,69 %
A-Fish AS	-2 205	548 758	Storebø	660 100	100,00 %
Austevoll Pacific AS	5 818	574 557	Storebø	25 336	100,00 %
Aumur AS	-17	46	Storebø	0	100,00 %
Austevoll Laksepakkeri AS	12 943	20 511	Storebø	100	100,00 %
Br. Birkeland AS, Group values	259 825	641 477	Storebø	217 500	49,99 %
Total				**3 744 022**	

All subsidiaries follow the same accounting year as Austevoll Seafood ASA.

Notes to the accounts

NOTE 8 SHARES IN ASSOCIATED COMPANIES

		Gross numbers (100 %)				
2017 Company name	Classification of investment	Net profit	Equity	Business location	Carrying value	Voting share
Marin IT AS	Associated company	413	26 294	Storebø	4 003	25,00 %
Pelagia group	Joint venture	376 553	2 248 755	Bergen	748 715	50,00 %
Foodcorp Chile group*	Associated company	-13 419	739 560	Chile/Santiago	58 709	26,39 %
Total					**811 427**	

* The remaining 73.61 % shares of Foodcorp Chile S.A are held by the subsidiary A-Fish AS. In the group accounts Foodcorp Chile S.A is consolidated as a wholly owned subsidiary.

		Gross numbers (100 %)				
2017 Company name	Classification of investment	Net profit	Equity	Business location	Carrying value	Voting share
Marin IT AS	Associated company	6	25 887	Storebø	4 003	25,00 %
Pelagia group	Joint venture	388 316	1 965 443	Bergen	748 715	50,00 %
Foodcorp Chile group*	Associated company	-24 446	791 866	Chile/Santiago	58 709	26,39 %
Total					**811 427**	

Shares in associated companies and joint ventures are estimated to original cost price in Parent company. In the Group these shares are estimated to equity method.

NOTE 9 INVESTMENTS IN OTHER SHARES

2017 Company name	Business location	Number of shares	Owner-/ voting share	Fair value
Euro-Terminal AS	Bergen	4 897 290	16,7 %	25 711
Other shares				24
Total				**25 735**

2016 Company name	Business location	Number of shares	Owner-/ voting share	Fair value
Euro-Terminal AS	Bergen	4 897 290	16,7 %	25 711
Other shares				39
Total				**25 750**

NOTE 10 OTHER RECEIVABLES

Other non-current receivables	2017	2016
Intragroup non-current receivables	57 622	72 795
Other non-current receivables 31.12.	**57 622**	**72 795**
Other current receivables		
Prepayments	280	603
Public duties receivable	0	473
Other current receivables 31.12.	**280**	**1 076**

NOTE 11 TRADE RECEIVABLE

	2017	2016
Trade receivable at nominal value	2 144	408
Accounts receivable 31.12.	**2 144**	**408**
The ageing of these trade receivables are as follows:		
0 to 3 months	2 144	328
Over 6 months	0	80
Total	**2 144**	**408**
The carrying amounts of the trade receivables are denominated in the following currencies:		
Currency		
NOK	503	408
USD	1 641	0
Total	**2 144**	**408**

NOTE 12 GUARANTEE OBLIGATIONS

	2017	2016
Guarantee Innovasjon Norge	0	1 500
Total	**0**	**1 500**

NOTE 13 RESTRICTED BANK DEPOSITS

	2017	2016
Restricted deposits related to employee tax deduction	1 838	1 736
Total	**1 838**	**1 736**

NOTE 14 TAX

	2017	2016
Specification of the tax expense		
Change in deferred tax	10 086	10 825
Deferred tax benefit not recognised	-10 086	-10 825
Taxes	**0**	**0**
Tax reconciliation		
Profit before tax	558 146	1 310 466
Taxes calculated with the nominal tax rate	133 955	327 612
Other differences - including dividends	-144 478	-338 412
Effect of change in tax rate from 25 % to 24 %	439	0
Tax OCI posts	0	-24
Deferred tax benefit not recognised	10 086	10 825
Taxes	**0**	**0**
Weighted average tax rate	**0,00 %**	**0,00 %**
Change in book value of deferred tax		
Opening balance 01.01.	0	0
Booked to income in the period	10 086	10 825
Other differences	0	0
Deferred tax benefit not recognised	-10 086	-10 825
Balance sheet value 31.12.	**0**	**0**

NOTE 14 TAX (CONT.)

Deferred tax	Non-current assets	Liabilities	Pensions	Loss carried forward	Other differences	Total
2016						
Opening balance 01.01.	0	0	0	0	0	0
Booked to income in the period	-223	-10	16	-10 026	-582	-10 825
31.12. (tax rate 25 %)	**-223**	**-10**	**16**	**-10 026**	**-582**	**-10 825**
Effect of change in tax rate from 25 % to 24 %	9	0	-1	401	24	433
31.12. (tax rate 24 %)	**-214**	**-10**	**15**	**-9 625**	**-558**	**-10 392**
Valuation allowance deferred tax benefit	214	10	-15	9 625	558	10 392
31.12.	**0**	**0**	**0**	**0**	**0**	**0**
2017						
Booked to income in the period	-162	-160	187	-11 763	1 375	-10 524
31.12. (tax rate 24 %)	**-162**	**-160**	**187**	**-11 763**	**1 375**	**-10 524**
Effect of change in tax rate from 24 % to 23 %	7	7	-8	490	-57	439
31.12. (tax rate 23 %)	**-155**	**-154**	**179**	**-11 273**	**1 318**	**-10 086**
Valuation allowance deferred tax benefit	155	154	-179	11 273	-1 318	10 086
31.12.	**0**	**0**	**0**	**0**	**0**	**0**

Notes to the accounts

NOTE 15 PENSIONS AND PENSION COMMITMENTS

The company's closed defined benefit pension scheme comprising a total of 2 employees was terminated in 2017. From 2017 onwards the company retains one pension scheme only, the defined contribution scheme.

Net pension cost	**2017**	**2016**
Current service cost	0	237
Interest cost	0	20
Administration costs	0	0
Social security tax	0	36
Net pension cost related to defined benefit plan	**0**	**293**
Pension costs related to defined contribution plan	249	157
Social security on defined contribution plan	35	22
Net pension cost	**285**	**472**
Actuarial change on post employment benefit obligation	0	96
Capitalised commitments are determined as follow		
Present value of future pension commitments	0	5 349
Fair value of plan assets	0	-4 668
Social security tax	0	96
Net pension commitment on the balance sheet 31.12.	**0**	**777**
Financial premises for the Group		**2016**
Discount rate		2,60 %
Anticipated yield on pension assets		3,60 %
Anticipated regulation of wages		2,50 %
Anticipated regulation of pensions		0,00 %
Anticipated regulation of national insurance		2,25 %
Employee turnover		0,00 %
Social security tax rate		14,10 %
Change in carrying amount of net pension commitments		
Balance sheet value at 01.01.		777
Actuarial change on post employment benefit obligation		0
Net pension cost		-777
Pension payments and payments of pension premiums		0
Balance sheet value at 31.12.		**0**

Notes to the accounts

NOTE 16 INTEREST BEARING DEBT

Austevoll Seafood ASA and some subsidiaries are part of a cash pool agreement.

Net interest-bearing assets/debt(-)	2017	2016
Liabilities to financial institutions - non-current	250 500	160 000
Bond loan - non-current*	1 000 000	1 000 000
Liabilities to financial institutions - current	533 000	550 000
Liabilities to financial institutions - overdraft	93 337	95 413
Total interest-bearing debt	**1 876 837**	**1 805 413**
Cash and cash equivalents	1 158 094	1 130 058
Other interest-bearing assets - non-current	150 813	168 076
Net interest-bearing assets/debt(-)	**-567 930**	**-507 280**
Bank overdrafts limit	50 000	100 000
Average interest bond loan	4,11 %	4,43 %
Quarterly regulation of interest rates of bond loans		

Repayment profile debt	2018*	2019	2020	2021	2022	Sub-sequent	Total **
Mortgage loan	33 000	33 000	133 000	13 000	71 500	0	283 500
Bond loan	500 000	0	0	500 000	0	500 000	1 500 000
Total	**533 000**	**33 000**	**133 000**	**513 000**	**71 500**	**500 000**	**1 783 500**

* Repayments of non-current liabilities which mature in 2017 are classified as current liabilities in the balance sheet.
** Non-current liabilities are reduced with provision paid with loan rising. The provision is accrued between the term of loans, and is per 31.12.2017 TNOK 8,504.

Financial "covenants"
Financial covenant requirements for Austevoll Seafood ASA (the parent company) are measured on the Group's consolidated level, and requires a minimum book equity ratio of 30 % and a debt service ratio not less than 1.05.

Liabilities secured by mortgage	2017	2016
Current liabilities	126 337	245 413
Non-current liabilities	250 500	160 000
Liabilities to credit institutions incl. leasing liab.	**376 837**	**405 413**
Assets provided as security		
Shares in Br. Birkeland AS and Br. Birkeland Farming AS*	217 500	217 500
Trade receivables and other receivables	59 765	73 203
Total assets provided as security	**277 265**	290 703

*) In addition 8,066,500 number of shares in Pelagia AS provide as security.

Fair value of non-current liabilities
Based on contractual terms of non-current borrowings (excl. bond loan), the fair value of the loans are estimated to be equal to book value as of 31.12.2017. For further information about the bond loan, please refer to note 17 in the consolidated financial statement.

Notes to the accounts

NOTE 17 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2017	2016
Salary and other personnel expenses	876	850
Accrued interests	8 807	12 076
Other short-term liabilities	4	109
Other current liabilities	**9 687**	**13 034**

NOTE 18 RELATED PARTIES

	Sales revenue		Operating expences	
Connection	**2017**	**2016**	**2017**	**2016**
Subsidiaries	2 041	2 133	4 668	4 586
Associated	75	0	0	900
Owners and it's related parties	0	0	6 095	4 576
Total	**2 116**	**2 133**	**10 762**	**10 063**

	Trade receivable		Trade payable	
Connection	**2017**	**2016**	**2017**	**2016**
Subsidiaries	2 022	219	-352	-343
Associated	94	188	-52	-231
Owners and it's related parties	0	0	-3 959	-1 698
Total	**2 116**	**407**	**-4 363**	**-2 272**

	Other current receivables		Long term receivables	
Connection	**2017**	**2016**	**2017**	**2016**
Subsidiaries	636 830	527 739	57 622	72 795
Total	**636 830**	**527 739**	**57 622**	**72 795**

	Other current liabilities		Long term liabilities	
Connection	**2017**	**2016**	**2017**	**2016**
Subsidiaries	0	77	0	0
Total	**0**	**77**	**0**	**0**

Møgster Management AS is owned by the company's major shareholder, Laco AS, and delivers administrative services (legal advice, catering, secretary, accounting) to the company. Marin IT AS delivers IT services, and is owned 75 % by DOF ASA and 25 % by Austevoll Seafood ASA.

In 2017 the company paid TNOK 4,668 (2016: TNOK 4,531) to subsidiaries for rent and administrative services.

PARENT COMPANY

Notes to the accounts

NOTE 19 EARNINGS PER SHARE AND DIVIDEND PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares issued during the year.

Basis for calculation of earnings per share	2017	2016
The year's total result	558 146	1 310 350
No. of shares at the balance sheet date (thousands)	202 717	202 717
Average no. of shares (thousands)	201 824	201 410
Earnings per share - all shares (NOK)	**2,75**	**6,46**
Earnings per share from continued operation (NOK)	2,77	6,50
Suggested dividend per share (NOK)	**2,80**	**2,50**

Notes to the accounts

NOTE 20 ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of the separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION
The statutory accounts have been prepared in accordance to the Regulations of January 21st 2008 regarding "simplified" IFRS as determined by the Ministry of Finance. The separate financial statements of Austevoll Seafood ASA (Company) were approved by the board of Directors of Austevoll Seafood ASA April 19th 2018. Preparation of separate financial statements for the parent company is required by law.

The separate financial statements have been prepared under the historical cost convention, with the following modification below:

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 2 in the consolidated financial statements.

For a description of new standards and interpretations and amendments to existing standards, please refer to note 28 in the consolidated financial statements.

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES
Investment in subsidiaries, joint ventures and associates are accounted for at cost.

The fair value of the company's investments in subsidiaries, joint ventures and associated companies may vary over time, and is therefore reviewed for potential impairment. Fair value assessment will be affected by many factors, such as expectations of future earnings, specific branch conditions, owner shares, shareholder structure, but also macro conditions which are not directly related to the individual company. For quoted investments, current bid prices will be considered as one of several objective criteria in the fair value assessment. If the impairment test indicates that fair value is significantly lower than carrying amount and the situation is expected to persist, an impairment loss is recognised for the amount the carrying value exceeds the recoverable amount. Impairments may be reversed at a later reporting date.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
The separate financial statements are presented in Norwegian Kroner (NOK), which is the functional and presentation currency of Austevoll Seafood ASA.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

FINANCIAL ASSETS
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management

NOTE 20 ACCOUNTING PRINCIPLES (CONT.)

determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'other receivables' in the balance sheet (note 10).

ACCOUNTS RECEIVABLE
Account receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'.
When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BORROWINGS
Borrowings are recognised initially at fair value, net of transaction costs incurred.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CURRENT AND DEFERRED INCOME TAX
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

EMPLOYEE BENEFITS
Pension obligations
The Company had until 2017 both a closed defined benefit plan and a defined contribution plan. The defined benefit plan was terminated in 2017. From 2017 onwards the company retains one pension scheme only for all the employees, the defined contribution scheme.

PROVISIONS
Provisions (e.g. environmental restoration, restructuring costs and legal claims) are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTE 20 ACCOUNTING PRINCIPLES (CONT.)

REVENUE RECOGNITION
The company's revenue consists of sale of administrative services to related parties. These services are based on accrued time.

Revenues comprise the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.

The services is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company uses the right to derogate from the regulations in IAS 10 no. 12 and 13 in simplified IFRS, according to which dividend may be recognised as income in accordance with Norwegian Accounting Act. Dividends from subsidiaries are recognised in the period they relate to. Dividends from other companies are recognised when the right to receive payment is established.

LEASES
Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

BORROWING COSTS
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

CONTINGENT ASSETS AND LIABILITIES
Contingent liabilities are defined as
i. possible obligations resulting from past events whose existence depends on future events
ii. obligations that are not recognised because it is not probable that they will lead to an outflow of resources
iii. obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Company.

CASH FLOW STATEMENT
The Company must apply IAS 7 even though the financial statements are prepared according to simplified IFRS. The Company's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents.

EVENTS AFTER THE BALANCE SHEET DATE
New information after the balance sheet date concerning the Company's financial position at the balance sheet date is considered in the financial statements. An event after the balance sheet date that does not affect the Company's financial position on the balance sheet date, but will affect the company's financial position in the future is reported where material.

EARNINGS PER SHARE
The Company must apply IAS 33 even though the financial statements are prepared according to simplified IFRS. Earnings per share are calculated by the profit attributable to equity holders of the company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable account standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Storebø, 19 April 2018
Board of Directors of Austevoll Seafood ASA

Helge Singelstad *Chairman*	Helge Møgster *Board member*	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad *Board member*
Eirik Drønen Melingen *Board member*	Lill Maren Møgster *Board member*	Siren M. Grønhaug *Board member*	Arne Møgster *CEO & President*

Auditors report

To the General Meeting of Austevoll Seafood ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Austevoll Seafood ASA. The financial statements comprise:

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

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying parent company financial statements give a true and fair view of the financial position of Austevoll Seafood ASA as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group Austevoll Seafood ASA as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. In 2016 we focused on the purchase price allocation related to the acquisition of Havfisk AS. For 2017 it has been natural to focus on the valuation of the resulting assets from the acquisition, the licenses in particular. Measurement and valuation of biological assets and valuation of licenses and goodwill in South America contain approximately the same complexity and risks as previous year and have been in focus for the audit also this year.

Key Audit Matters | **How our audit addressed the Key Audit Matters**

Measurement and valuation of biological assets

Key Audit Matters

As described in the financial statements Austevoll Seafood ASA values biological assets to their fair value according to IAS 41. At the balance sheet date the fair value of biological assets was MNOK 4,689, of which MNOK 3,898 is historical cost and MNOK 791 is adjustment to fair value.

Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage), and relate to the segment Farming. Measured in fair value biological assets constitute almost of 1/8 of the balance sheet as at 31 December 2017.

When auditing substantial inventories the auditing standards require that the auditor attend the physical inventory counting when practically possible. The biological assets are by nature difficult to count, observe and measure due to lack of measuring techniques that are sufficiently accurate and at the same time do not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the sea. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes, which constitutes the main part of the Group's biological assets.

How our audit addressed the Key Audit Matters

The Group's biomass system include information about number of fish, average weight and biomass per site. We reconciled the movement in the inventory of fish held for harvesting purposes (in number and biomass) for the farming units in the period. The movement in number of fish is the total of smolt stocked, mortality, other loss and harvested fish whereas the movement in biomass is the total of stocked biomass, net growth in the period and harvested biomass. We focused particularly on number of smolt stocked and net growth in kilo. This has the most significant impact on the measuring at the balance sheet date.

We reviewed the Group's routines connected to recording of number of smolt stocked. In order to assure the accuracy of the number of fish registered in the biomass system, we tested a selection of recorded smolt stocked from the production system to the number of fish according to supporting documentation. Supporting documentation may for instance be invoice from smolt supplier, vaccination report or wellboat count. We have also tested and reviewed the Group's routines for continuous registration of mortality.

The period's net growth corresponds to the feed used in the period divided by the feed conversion rate. The feed consumption is again closely related to the purchase of feed in the period. In order to estimate the feed consumption and the feed purchase in the period we reviewed the Group's routines for reconciliation of feed inventory and controlled a sample of feed purchase throughout the year against incoming invoice from the feed suppliers. Furthermore, we compared the accumulated feed conversion rate of the inventory against our expectation based on historic figures for the

Key Audit Matters (continued)

The fluctuations in fair value estimate that arise for instance due to change in market prices may have a significant impact on the operating result for the period. Austevoll Seafood ASA therefore presents the effect of value adjustments connected to biological assets as a separate line item before the operating result.

We focused on the valuation of biological assets due to the size of the amount, the complexity and the judgement involved in the calculation and the impact of the value adjustment on the result for the year.

See the description of the measurement and valuation of biological assets in note 2 about significant accounting estimates and judgements, note 7 about biological assets and note 28 about accounting policies.

How our audit addressed the Key Audit Matters (continued)

individual region. Where the feed conversion rate was significantly higher or lower than expected we obtained further documentation and explanations. Our work substantiated that the net growth had been reasonably assessed.

In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between actually harvested biomass (in kilos and numbers) and estimated biomass according to the Group's biomass systems. We also reviewed harvest deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31 December 2017. We found the deviations to be relatively insignificant and in accordance with expectations.

We reviewed the Group's structuring of calculation model for valuation by comparing it against the criteria in IAS 41 and IFRS 13 and found no obvious deviations. Furthermore, we examined whether the biomass and number of fish used in the Group's model for calculation of fair value of biological assets corresponded with the Group's biomass systems and tested that the model made mathematic calculations as intended.

After having ensured that these basic elements were in place, we assessed whether the assumptions used by the Group in the model, were reasonable. We did this by discussing the assumptions with the Group and comparing them to among other things, historical data, available industry data and observable prices. We found the assumptions to be reasonable.

We ensured that disclosures in notes appropriately explained the valuation method and that the information was in accordance with the requirements in the accounting standards.

Valuation of licenses controlled by Havfisk

Key Audit Matters

At the balance sheet date recognised value of licenses controlled by Havfisk makes MNOK 3,658, of which MNOK 3,281 is non-depreciable licenses.

The licenses are classified as intangible assets, whose value has to be tested at least annually in accordance with the accounting standard. The Group has performed an impairment test based on

How our audit addressed the Key Audit Matters

We obtained the Group's impairment assessments for licenses. We compared the elements of the model to the requirements in the accounting standard and did not find any significant deviations. We also examined the mathematical accuracy of the model on a test basis without finding deviations.

Furthermore, we challenged the Group's use of important assumptions in the model, including estimated present value of future cash flows. No impairment of these licenses has been recorded because of the impairment test.

We focused on this issue because substantial excess values were allocated to the licenses in connection with the acquisition in 2016, because the calculation is complex and the assumptions that form the basis of the estimate involves that the Group has to use judgement. The judgement is particularly related to future prices per kilo for the various species, future level of costs and future volume.

See the description of the impairment test in note 6 about acquisition of shares/business combinations and note 10 about intangible assets.

expected prices, operating expenses, volume and required rate of return.

Future price assumptions were assessed by comparing historical prices and price development for the actual species, including cod, coalfish and haddock. We considered special conditions that could impact obtained future prices, e.g. the operating structure of Havfisk and expected harvest volume. We found the price assumptions in the impairment test to be within a reasonable interval.

The assumptions for future costs for bunkers were assessed against external prognoses about expected price development from reliable sources. Variable costs as wages, were assessed by calculating the cost as part of estimated harvest values, while other variable costs was assessed against a self-calculated assumed cost per operating day and historic costs adjusted for special conditions. We found the cost assumptions in the impairment test to be within a reasonable interval.

In order to assess the volume assumptions, we used as starting point public bodies' quota recommendation for 2018, which were compared to historic volumes and harvesting rates, including the relation between how actual volume has been compared to recommended quota for different species. We also assessed whether the reduction of harvesting volume of some species could result in increased volume for other species in view of the harvesting capacity of Havfisk. Moreover, we considered possible volume change at the expiry of the structure licenses. We found the volume assumptions in the impairment test to be reasonable.

We assessed the required rate of return by comparing risk free interest, risk premium, debt margin against reliable external and internal sources. We found the required rate of return in the impairment test to be within a reasonable interval.

We ensured that the disclosures in notes expressed the valuation method appropriately and that the disclosures were in accordance with the requirements in the accounting standards.

Valuation of licences and goodwill in South America

On the balance sheet date recognised value of licences and goodwill related to the business segments in South America makes MNOK 1,388. No impairment charges related to these assets was

We obtained the Group's impairment calculation related to licences and goodwill. We considered the elements in the model to the accounting standards and did not find any obvious deviations. Further, we evaluated the mathematical accuracy in the model on a test basis without finding any deviations.

Independent Auditor's Report - Austevoll Seafood ASA

recognised in the income statement of 2017.

We focused on the valuation of licences and goodwill in South America as there are impairment indicators identified for parts of the business. Of further significance, the calculations are complex and the assumptions in the estimate involves management judgement.

See the description of the impairment test in note 10 about intangible assets.

We challenged the Group's use of important assumptions in the model related to future volume, price, operating costs, reinvestments and discount rate. This was done by comparing the assumptions against industry data, historical results and budgets approved by the Board of Directors.

We compared the price assumptions in the budgets against expected price trends according to the OECD-FAO report «Agricultural Outlook 2017-2026». Further, we evaluated the volume assumptions against historical levels and updated counting performed by independent institutions on behalf of the governments in Chile and Peru.

We reviewed the operating costs development in the forecast period against historical levels and budgets approved by the Board of Directors. We found that the assumptions was in accordance with external data and our expectation for the development of the industry and found that the assumptions was reasonable.

We reviewed the discount rate and compared the input in the discount rate with external data. We found that the assumptions were reasonable.

We ensured that the disclosures in notes appropriately explained the valuation method and that the disclosures were in accordance with the requirements in the accounting standards.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Bergen, 19 April 2018

PricewaterhouseCoopers AS

Hallvard Aarø

State Authorised Public Accountant

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

AUSS worldwide

AUSTEVOLL SEAFOOD ASA
Alfabygget
5392 Storebø
NORWAY
Ph: +47 56 18 10 00
Fax: +47 56 18 10 03
Email: info@auss.no
Web: www.auss.no

AUSTRAL GROUP S.A.A
Centro Empresarial Real
Torre Real Siete
Av. Victor Andres Belaúnde 147
San Isidro, Lima 127, PERU
Ph: +51 (1) 710-7000
Fax: +51 (1) 442-1660
Email: info@austral.com.pe
Web: www.austral.com.pe

BR. BIRKELAND AS
Alfabygget
5392 Storebø
NORWAY
Ph: +47 56 18 11 10
Email: post@br-birkeland.no
Web: www.br-birkeland.no

FOODCORP CHILE S.A
Av. Pedro Aguirre Cerda 995
Coronel, CHILE
Ph: +56 (41) 292 2480
Fax: +56 (41) 292 2401
Email: rcoronel@fcc.cl
Web: www.fcc.cl

LERØY SEAFOOD GROUP ASA
PO Box 7600
5020 Bergen
Office address:
Bontelabo 2
5003 Bergen
NORWAY
Ph: +47 55 21 36 50
Fax: +47 55 21 36 32
Email: post@leroyseafood.com
Web: www.leroy.no

ASSOCIATED COMPANIES:

PELAGIA AS
Postboks 444 Sentrum
5805 Bergen
Office address:
Bradbenken 1
5003 Bergen
NORWAY
Ph: +47 57 84 44 00
Email: post@pelagia.com
Web: www.pelagia.com

COLOPHON
Publication
Austevoll Seafood ASA Annual Report 2017
Layout
Knowit Experience
Photography
John Burnham, Harald M. Valderhaug,
Havfisk ASA, Austral Group S.A.A,
Scott Portelli, Tove Lise Mossestad et al.
Print and Production
Haugesund Bok & Offset
Cover: MultiDesign 300 g
Book: MultiDesign 115/90 g
MILJØMERKET 241 Trykksak 600

Austevoll Seafood ASA

Alfabygget | 5392 Storebø | Norway | www.auss.no