

The background of the cover is a scenic photograph of a snowy, mountainous coastline. In the foreground, there are snow-covered hills and a small body of water. In the middle ground, there are several small, colorful houses (red, yellow, and white) scattered across a snowy landscape. In the background, there are large, snow-covered mountains and a body of water. The sky is a clear, bright blue. The overall scene is peaceful and scenic.

# ANNUAL REPORT



Layout and print: Skipnes Kommunikasjon AS

Photo: BERRE Kommunikasjonsbyrå, Jacob Buchard, Ingar Næss, Jørn Adde, Øyvind Sætre, Frank Rune Isaksen, Norwegian Seafood Council



COMMITTED  
BY NAME







A person wearing a high-visibility yellow jacket with reflective stripes is steering a boat. The background shows a body of water and a distant shoreline under a bright sky. The boat's white hull and a red railing are visible.

# Committed by name

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

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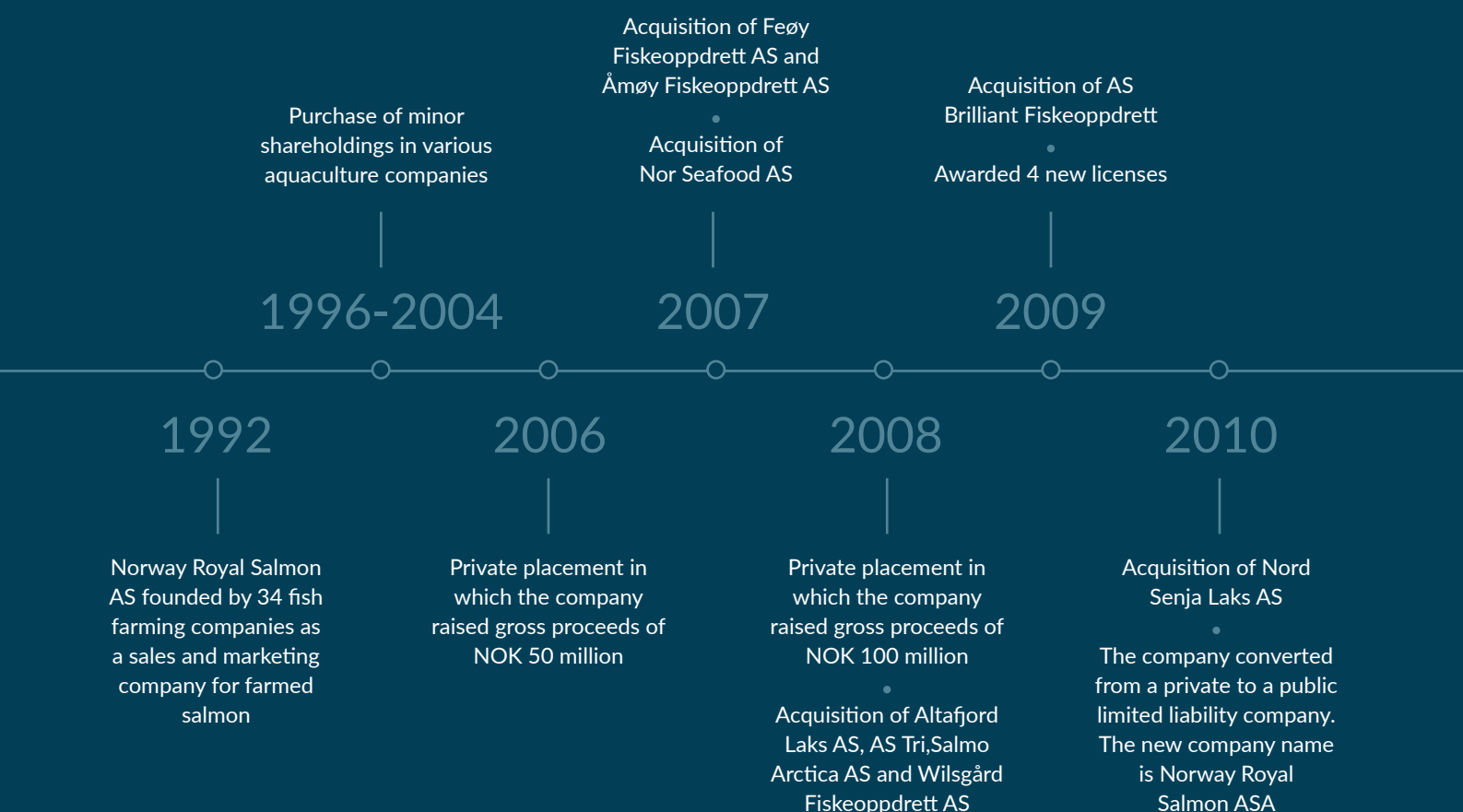


01

About Norway  
Royal Salmon



# Important strategic milestones







# Highlights 2019

In 2019, Norway Royal Salmon confirms its role as a forward-looking and growth ambitious salmon farming company characterised by record high sales volumes and strategic measures for sustainable growth investments.

## Record high sold volume

The sales operations sold 89 879 tonnes in 2019.



## Harvest volume

The farming operations harvested 30 509 tonnes in 2019. This is slightly reduced compared to 2018, but good MAB utilisation at the end of 2019 provides the basis for further growth in 2020.

## GLOBAL G.A.P.-certification

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

## ASC-certification

2 more sites were ASC certified in 2019. At 31 December 2019, the Group is certified on 70 per cent of its sites and the goal is to be 100 per cent certified on active sites by 2022.

## Green financing and increased financial capacity

During 2019, the Group's credit facility increased from NOK 1 400 million to NOK 2 000 million. NOK 400 million of the credit facility was converted to a green loan.

## ISA detected at a site in Finnmark

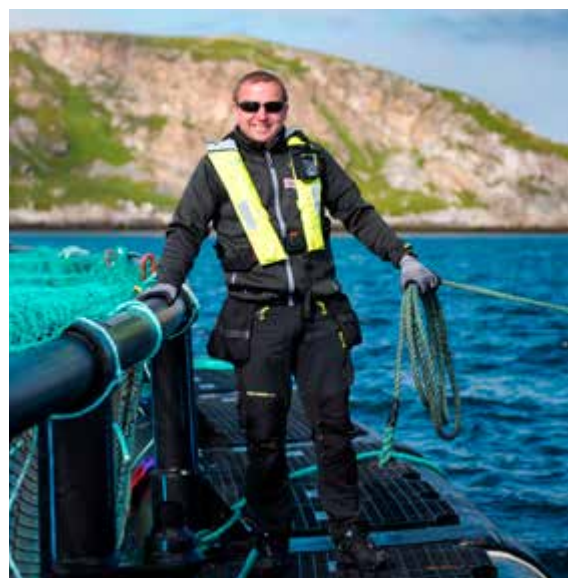
The fish disease ISA (Infectious Salmon Anemia) was detected at the Lille Kufjord site in Finnmark. In December, the fish at the site were large and in the process of being harvested at the time of detection.

## Dividend

In June, Norway Royal Salmon ASA distributed an ordinary dividend of NOK 6.00 per share.

## Increased focus on geographical core area, by sale of Region South

The Group's operations in Region South was sold in the fourth quarter, 4 680 tonnes of MAB was sold at an enterprise value of NOK 1 240 million.



## Investing in in-house smolt facility

A smolt facility with RAS technology is under construction. This will give the Group control over the value chain and ensures smolt deliveries to in-house production. The first smolt delivery is scheduled in the fall of 2021.

## Arctic Offshore Farming and development of offshore sea farms

In the project, Norway Royal Salmon develops equipment and production technology for fish farming in harsh areas. The production of the sea farm is on its way and operations are scheduled to start in the fall of 2020.

## Arctic Fish and focus on Iceland

Arctic Fish harvested 3 321 tonnes in 2019 and considerable growth is expected in the coming years. The sites are located in the Westfjords of Iceland, which have excellent conditions for fish farming and is in the vicinity of a new smolt facility with RAS technology.

# Growth initiatives

Future growth for the aquaculture industry will be through sustainable solutions. Going forward, Norway Royal Salmon will focus fully on utilizing the Group's organic growth potential and sustainable production. Growth will come as we take greater control of the value chain.

## DÅFJORD

### Investment in in-house smolt facility

The facility is strategically placed in relation to our activity in Troms and Finnmark and will play an important part in the further development of the company. The plant will have an annual production of 2 400 tonnes and 10 million smolt distributed between standard and post smolt. The plant is built at low risk in relation to production and has seven separate departments with their own biofilters. This is a strategic move that will give the Group control over a larger part of the value chain and ensure smolt deliveries for own production. The first roe is planned to be put in at the beginning of 2021 and full production is expected from 2022.



## FELLES HOLMEN

### Arctic Offshore Farming and offshore fish farms

In March 2018 the Directorate of Fisheries granted 8 development permits (5 990 tonnes MAB) for the development of Arctic Offshore Farming. The permits are a recognition of a long and good development process in which Norway Royal Salmon and Aker Solutions have developed a semi-submersible offshore fish farm designed for harsh areas. When positioned farther away from the coast, the facility will provide increased area utilisation of Norwegian sea waters and will have limited environmental footprint. The facility will be more exposed than today's locations. The environmental conditions on such sites are very attractive for salmon, with good water exchange that will ensure good fish welfare and growth. The goal is to release the first fish in the sea in the autumn of 2020. The industrial ambition is to combine knowledge from the fish farming industry with offshore expertise to develop the aquaculture industry of the future and secure sustainable growth.

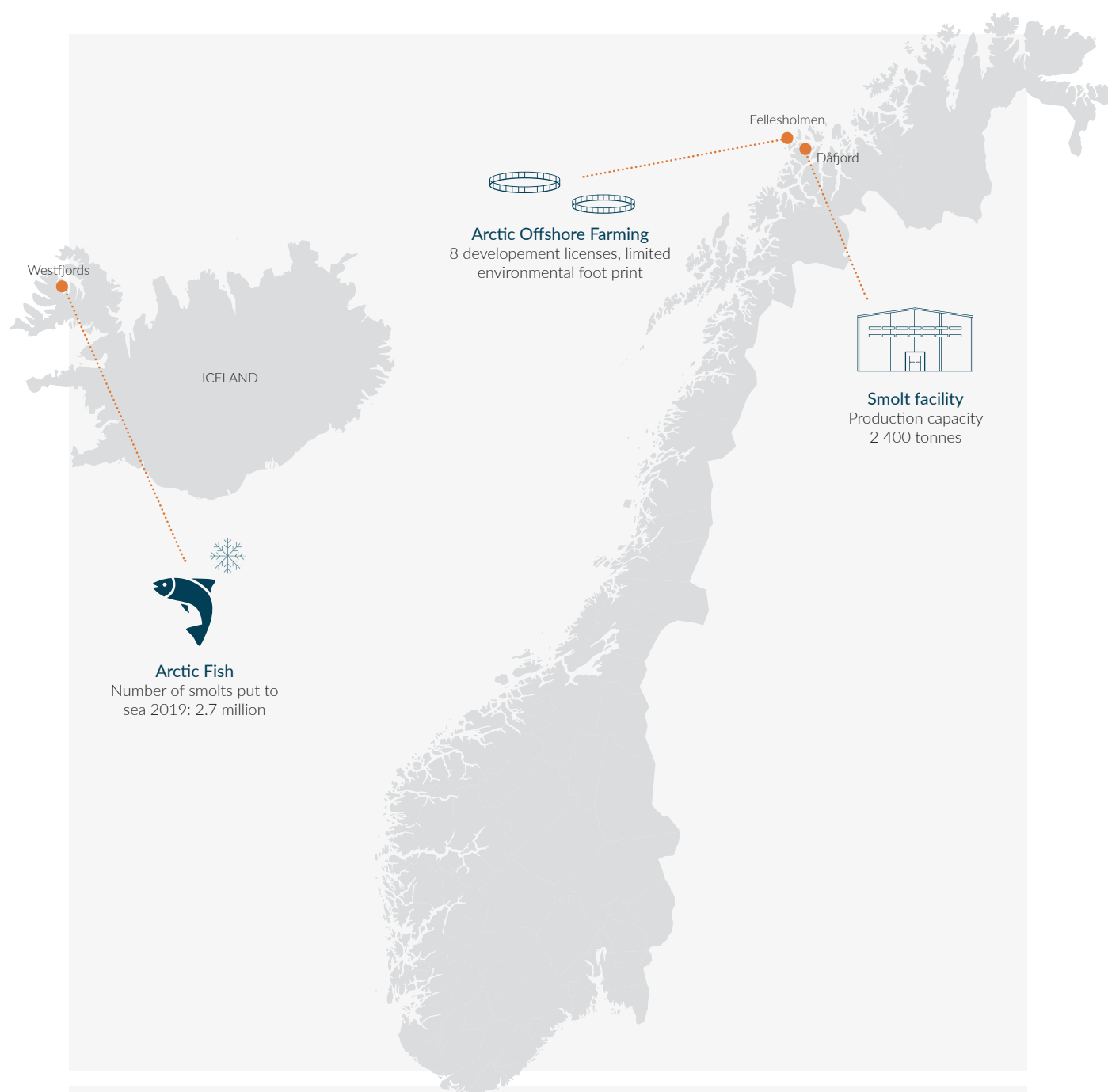


## WESTFJORDS - ICELAND

### Arctic Fish and focus on Iceland

NRS believes that salmon production in Iceland will succeed. The production so far supports this. 3 321 tonnes were harvested in 2019 and considerable growth is expected in the coming years. Estimated harvest volume for 2020 is 8 200 tonnes. The sites are located in the Westfjords on Iceland, which have excellent conditions for fish farming. In addition, the proximity to a new smolt facility with RAS technology gives control over the value chain.





## Timeline growth initiative

	2019	2020	2021	2022	2023
Investment in in-house smolt facility	First smolt delivery fall 2021				
Arctic Offshore Farming and offshore fish farms	Planned start of operation in the fall of 2020				
Arctic Fish and focus on Iceland	Harvested 3 321 tonnes in 2019, considerable growth is expected in the coming years.				



# Key figures

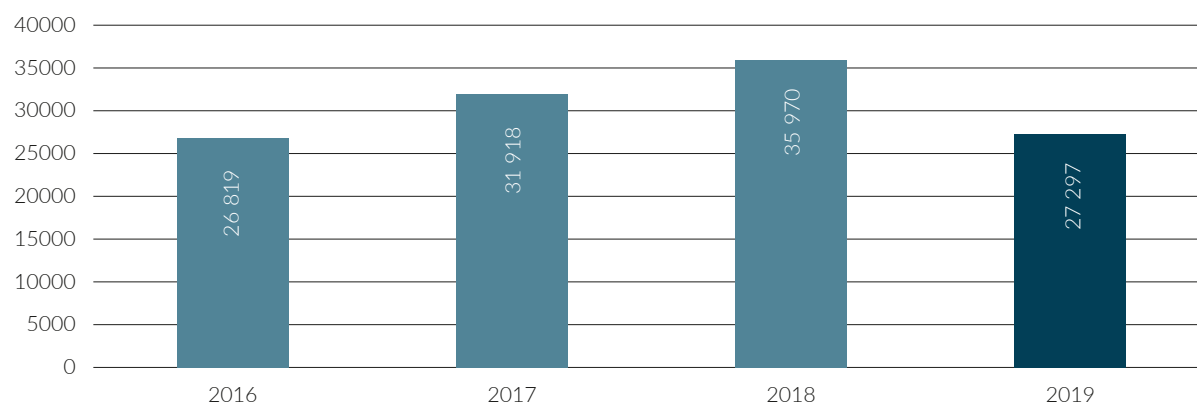
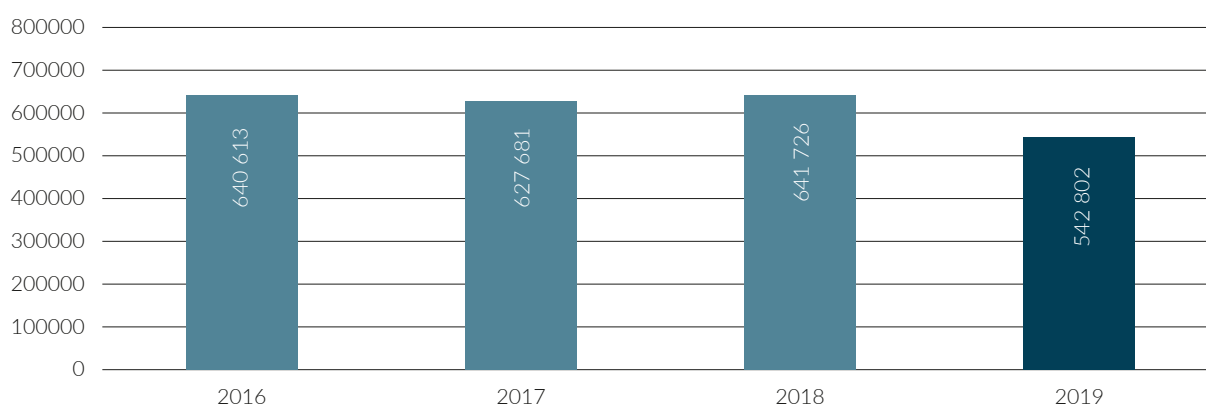
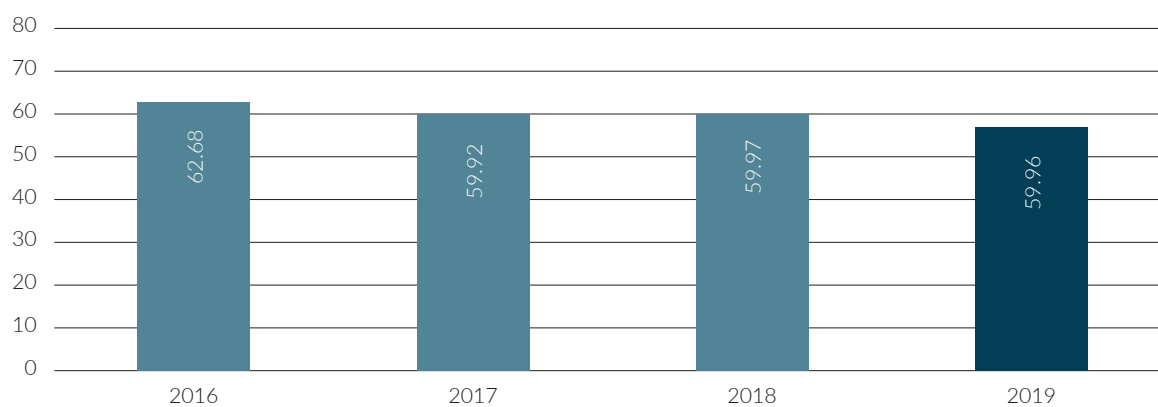
(NOK 1 000)	2019	2018 <sup>4)</sup>	2017 <sup>4)</sup>
Operating revenues	5 586 670	5 080 806	4 937 798
Volume sold (tonnes)	89 879	82 420	77 799
Volume of own fish harvested (tonnes gutted weight)	27 297	35 970	31 918
Operational EBITDA <sup>1)</sup>	629 606	731 024	709 923
Operational EBIT <sup>1)</sup>	542 802	641 726	627 861
EBIT	423 301	807 739	485 719
EBT	474 775	869 838	322 596
Result for the year	1 313 097	709 091	236 416
EBITDA margin <sup>1)</sup>	11.3 %	14.4 %	14.4 %
Operational EBIT margin <sup>1)</sup>	9.7 %	12.6 %	12.7 %
ROCE <sup>2)</sup>	25.9 %	36.8 %	39.8 %
Operational EBIT per kg <sup>3)</sup>	19.92	19.97	22.10
Book value of biological assets	1 231 662	1 240 393	1 177 678
Total capital	4 680 537	4 090 833	3 855 163
Net interest bearing debt	33 073	419 698	633 479
Book equity	3 357 040	2 320 785	1 851 030
Equity ratio %	71.7 %	56.7 %	48.0 %
Net cash flow from operating activities	223 291	806 696	170 504
Net cash flow from investing activities	491 595	-411 818	-107 053
Earnings per share	30.14	16.21	5.27
Number of shares as at 31 December	43 572 191	43 572 191	43 572 191
Number of employees (full-time equivalents)	176	188	172

1) Before fair value adjustments, income from associates and gain on financial instruments.

2) Return on capital employed based on 4 quarters rolling EBIT aligned for fair value adjustments / average (NIBD + Equity - Financial assets).

3) Operational EBIT for segments farming and sales before non-recurring items.

4) Figures for 2018, 2017 and 2016 in the table above and in the charts below have not been adjusted for discontinued operations.

**HARVESTET VOLUME HOG** (tonnes)**OPERATIONAL EBIT** (NOK 1 000)**SALMON PRICE** (Nasdaq/NOK)

# Message from the CEO

With the sale of our operation in Region South, we have become even better equipped to focus on Region North in 2019. The Group delivered a revenue growth of 10 percent in 2019. The results ensure progress on our strategic growth projects, and on our efforts to develop the most sustainable salmon production in the industry. We are now in an excellent position for further profitable growth.

Norway Royal Salmon's home ground is in the North of Norway. Here are the ideal environmental conditions for production of salmon, skilled employees, and communities that understand the importance of local value creation. To further develop and strengthen our activity in Northern-Norway we conducted a successful sale of the activity in Region South in 2019. Through innovation, new technology and sound operation, we will develop aquaculture of the future. We will invest heavily to create jobs and increase the ability to supply the world with nutritious salmon.

## Strategical growth projects

Currently, we have defined three growth projects in the company: the expansion of the smolt capacity, establishment of offshore aquaculture through Arctic Offshore Farming (AOF) and growth through our ownership in the fish farming company Arctic Fish ehf.

In September we started the construction of our new smolt facility in Dårjord in Karlsøy. When the facility is completed in 2021, it will be one of the world's largest and most modern smolt facility with RAS (recycling) technology. This is a strategic important project because it will ensure our value chain. This will result

in increased flexibility in optimizing the timing of when the smolt is put to sea -which in turn will increase the quality and size of the smolt and improve the utilisation of MAB as well as give us a cost reduction.

We are well underway with the construction of Arctic Offshore Farming, a future-oriented aquaculture facility representing new and groundbreaking production technology, which is designed for harsh areas. We have great faith in offshore aquaculture, AOF will open new areas for salmon farming and will provide great opportunities for sustainable growth going forward.

We are proud that these investment projects, together with our existing activity, will provide new jobs and reinforce the impact of our activities both locally, regionally and nationally. Through our investments in Norway, we not only create ripple effects through operations, but also through that a clear majority of our partners in the two projects are Norwegian suppliers.

Our third growth project is through our ownership in Arctic Fish on Iceland. We see good opportunities to build a sustainable aquaculture industry with good growth opportunities on Iceland. Our aquaculture

operations on Iceland is developing well and will in 2020 increase harvest volume substantially from the 3 321 tonnes we harvested in 2019.

### High ambitions for sustainable development

At Norway Royal Salmon we have high ambitions with regards to delivering high quality nutritious salmon with minimal environmental footprint. We are convinced that sustainable production of salmon is an important success factor for our long-term financial value creation.

Through 2019, we continued our efforts to achieve the industry's most stringent environmental certificates, the Aquaculture Stewardship Council (ASC) standard. ASC certified fish are produced in a very responsible and sustainable way within very strict requirements. At the end of the year 70 percent of our sites were certified and our goal is that all active sites shall be certified by 2022.

In 2019 our commitment to sustainable production was rewarded, through the grant of «green financing» of NOK 400 million from Danske Bank. The funding will contribute to finance the two major investment projects Arctic Offshore Farming and the new smolt facility.

### Looking forward

Norway Royal Salmon is well positioned for future profitable growth. We expect a sharp increase in the harvest volume in 2020 compared to 2019, and our growth projects gives ground for further growth in the years to come. However, this requires efficient production. We have during 2019 seen a negative development in our production costs, therefore, we must work hard to reduce our costs. We have an ongoing cost reduction program, which deals with savings both in the short and long term and in all parts

of the value chain. We won't be satisfied before our costs have returned to a low level.

These days, we must also focus on the tremendous challenges that we as a society face with regards to the coronavirus (COVID-19). Obviously, we monitor the situation closely and introduce ongoing measures to protect our employees, customers and partners.

### Thanks for your efforts

Finally, I want to thank all employees for their great efforts in 2019. Our business is founded on the company's basic values: Safe, Engaged, Innovative and Credible, and we all work to live up to these values. We are proud of the name Norway Royal Salmon and work hard every day to live up to this name. There is a commitment in our name, which is why we say we are «Committed by name». We produce the best fish in the world. King of the coast.



A handwritten signature in black ink, which appears to read 'Charles Høstlund'. The signature is stylized and fluid.

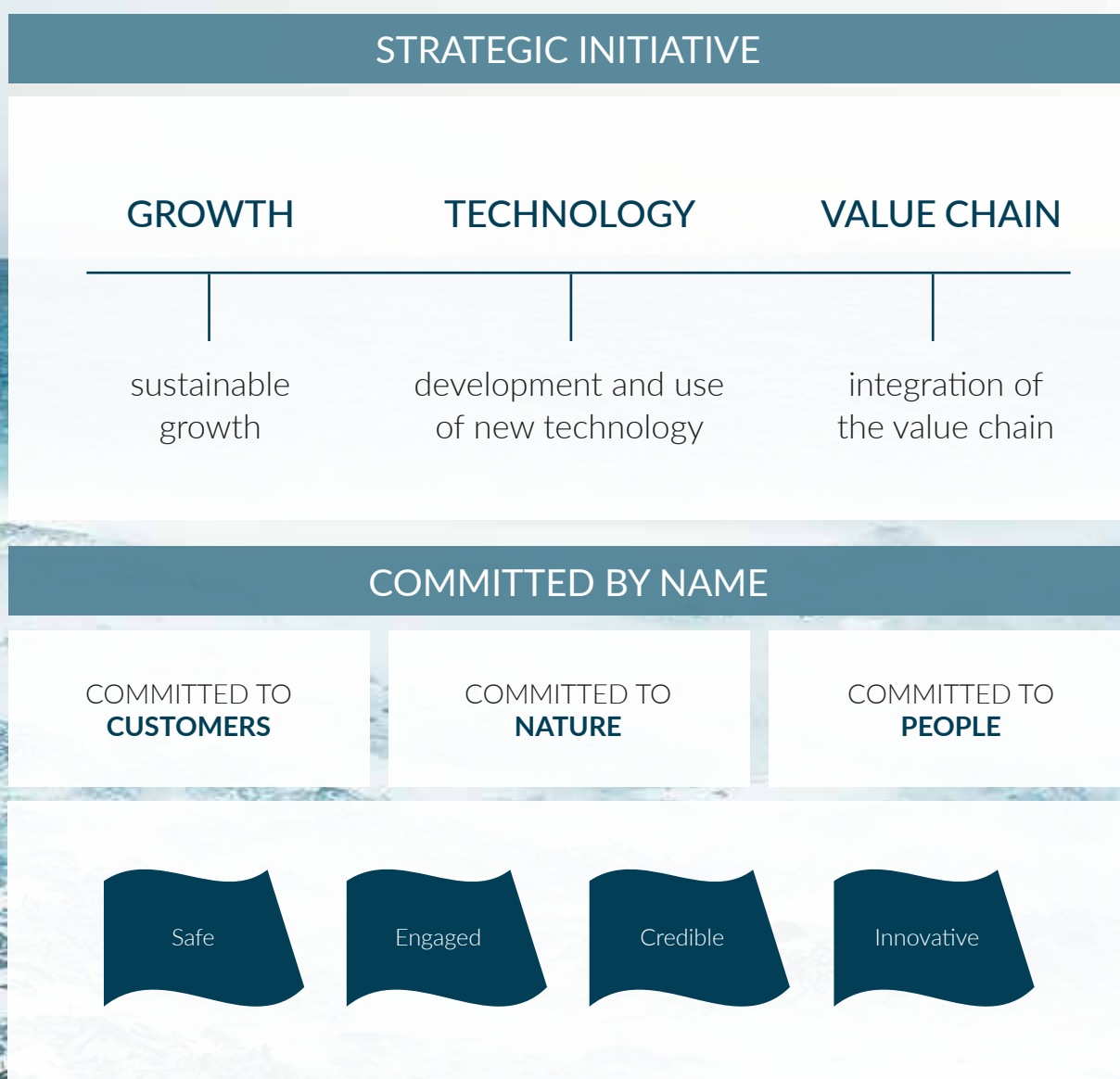
**Charles Høstlund**  
Chief Executive Officer





# Strategy

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





# Norway Royal Salmon

## – a sustainable fish farming company

Since the company was founded in 1992, Norway Royal Salmon (NRS) has developed from a sales and marketing company for farmed salmon into a sustainable fish farming company in strong growth.



### Fish farming value chain

#### Smolt

- Smolt supply secured through long term agreements and associated companies
- In-house smolt facility, operative from 2021.
- 50 % ownership in the smolt producer Nordnorsk Smolt AS
- 30 % ownership in Skardalen Settefisk AS, co-owned with Wilsgård Fiskeoppdrett AS

#### Ongrowing/marine production

- 35 035 tonnes MAB
- Harvest volume 2019 30 509 GWT
- Production capacity between 50 000 and 55 000 GWT
- 11 partly owned licenses through associated companies in Norway
- 50 % ownership in Arctic Fish on Iceland with licenses for 11 000 tonnes

The Group is a fish farming company with activities in two main segments: salmon farming and sales. In 2019, the Group's farming operation harvested 30 509 tonnes of salmon, of which 3 212 tonnes was from the discontinued operations, while the sales organisation sold 89 879 tonnes of salmon.

After the purchase of 1 per cent growth in February 2020, the Group has 35 035 tonnes MAB for salmon farming. The operational companies NRS Farming AS and Nor Seafood AS have together 28 984 tonnes MAB. The subsidiary Arctic Offshore Farming AS was granted development permits equivalent to 6 051 tonnes MAB in 2018 (including 1 per cent growth in 2020). Arctic Offshore Farming AS will build a semi-submersible offshore fish farm designed for harsh

areas. The farm will be operational by the fall of 2020. In addition, the Group has a subsidiary, NRS Settefisk AS, which will build and operate a smolt facility on Karlsøy in Troms.

The Group also holds minority interests in eight companies. Of these, three are fish farming companies in Norway with 11 licenses. The Group owns 50 per cent of the fish farming company Arctic Fish ehf. on Iceland which have farming licenses for 11 000 tonnes. Among the associated companies there are two harvesting companies and two hatcheries. The Group is thus involved in almost all links of the value chain, from smolt and salmon production, through harvesting and sales and marketing.



### Primary processing

- 100 % secured harvesting capacity
- Harvesting agreement for the production in Finnmark
- Ownership in Wilsgård Fiskeoppdrett that harvest the production in Troms
- Ownership in Hardanger Fiskeforedling AS

### Sales & marketing

- Sales from in-house salmon farming, associated companies and external farmers
- Sale of fresh and frozen salmon and trout
- Sold 89 879 tonnes in 2019
- 84 % export to 55 countries in 2019

## Salmon farming – situated in attractive areas

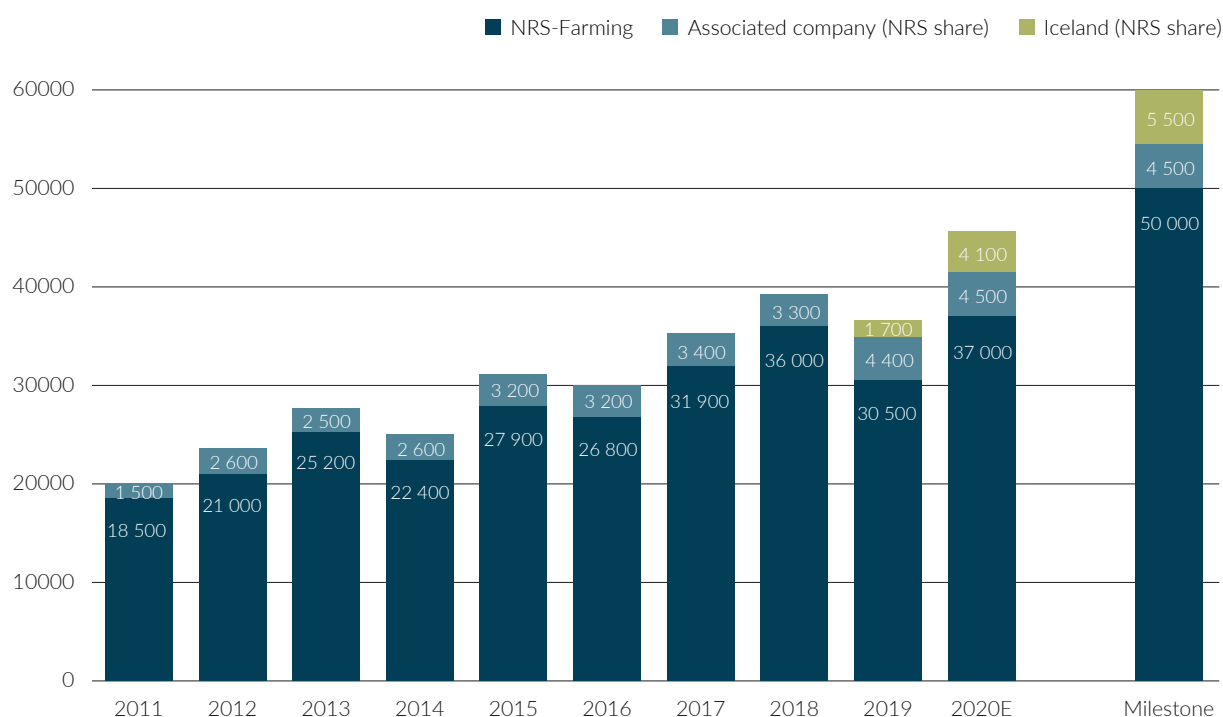
In 2006, Norway Royal Salmon made a strategic decision to become a salmon farmer. From 2007 fish farming has been a part of the Group's activities. In 2019 a new strategic decision was made and the farming operation in Region South was sold.

After NRS was awarded 10 green licenses in 2014, 8 developing licenses in 2018 and sold Region South, estimated yearly production capacity is over 50 000 tonnes GWT. The criteria for the allocation of the green licenses were to establish a production that reduces the extent of sea lice or reduces the risk of impact on wild salmon as a result of escapes. The developing permits will provide significantly increased area utilization of Norwegian

sea waters when positioned farther away from the coast and will have a limited environmental footprint. The future growth of the aquaculture industry will be through such sustainable solutions. After the sale of Region South, all production capacity is located in Troms and Finnmark that has the best conditions for farming activities, both concerning profitability and future growth.

Norway Royal Salmon aims to be one of the leading ASC certified salmon farming companies in the world. Norway Royal Salmon's objectives are to meet the growing demand for salmon with sustainable production. Currently, 80 per cent of the NRS sites are ASC certified and the goal is to be 100 per cent certified on active sites by 2022.

The Group's growth from 2011 to 2019 through utilisation of the capacity of the existing licences is illustrated below:







# Salmon farming with green focus

After the sale of Region South, all the Group's salmon farming activities are located in Troms and Finnmark with a total of 35 035 tonnes MAB for salmon farming.

## Region North

Region North has operations in Troms and Finnmark. After being awarded 8 developing permits (equivalent to 5 990 tonnes) in 2018 through Arctic Offshore Farming AS, and the purchase of 1 per cent growth in February 2020, the Group has 35 035 tonnes MAB for salmon farming. The harvest volume in this region in 2019 totalled 27 297 tonnes, compared to 30 384 tonnes in 2018. NRS Farming AS Region Finnmark has 19 311 tonnes MAB for salmon farming. This is a region where the Group expects strong growth in harvest volume in the coming years. In 2019, Region Finnmark harvested 20 148 tonnes of fish. Finnmark is an attractive area for salmon production in the sea. 14 out of 16 sites at Region Finnmark are ASC-certified.

NRS Farming Region Troms holds a total of 15 723 tonnes MAB for salmon farming, including Arctic Offshore Farming. Troms is also an attractive location with good conditions for salmon farming. Region Troms harvested 7 149 tonnes in 2019.

## Region South

Region South is located in the border region between Hordaland and Rogaland. Region South was sold in December 2019. The region had 4 680 tonnes MAB for salmon farming. 3 212 tonnes were harvested in the Region South in 2019.

### Overview of site MAB:

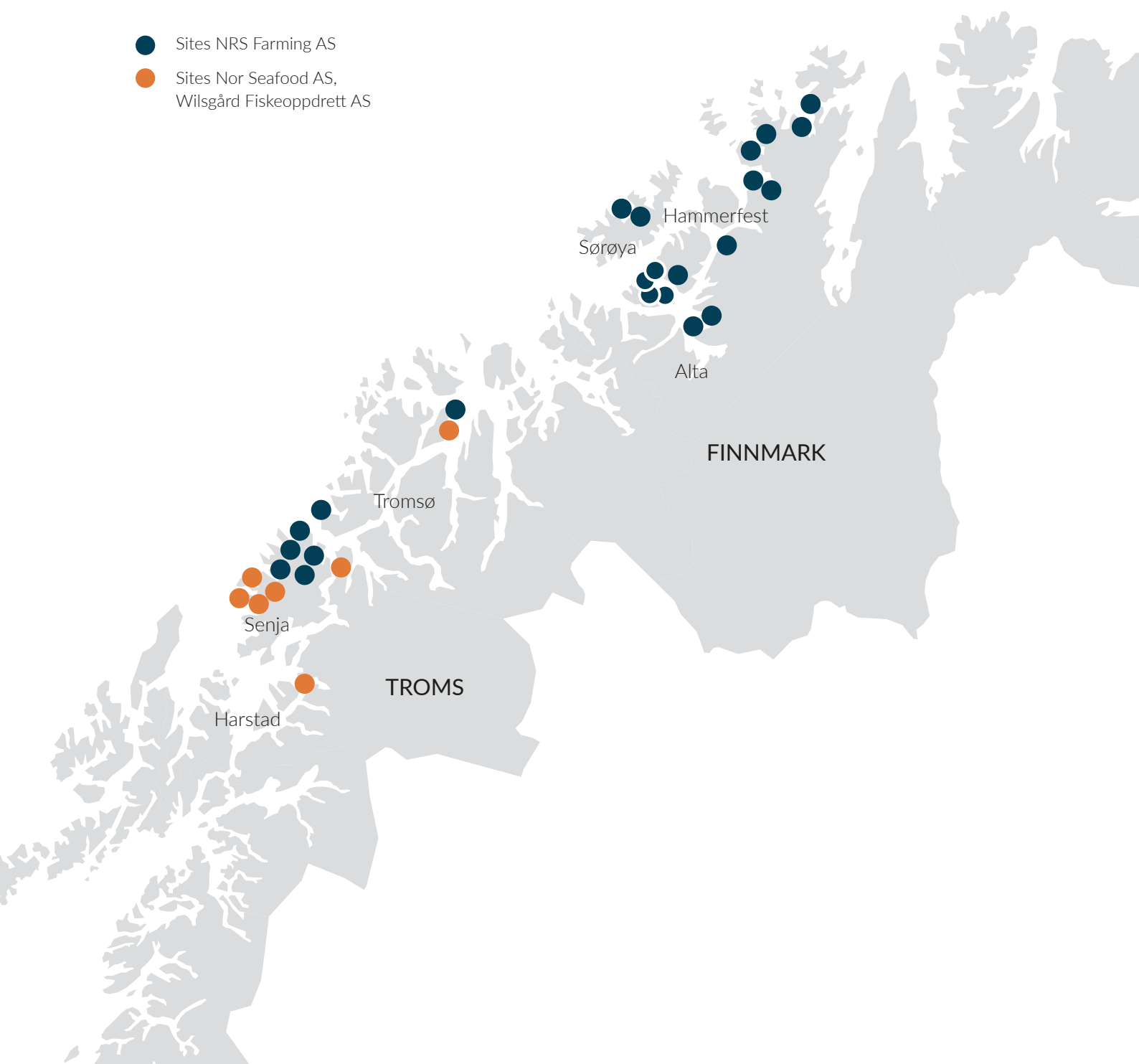
Finnmark	MAB	Finnmark	MAB
Børfjord	2 835	Lille Kvalfjord	2 700
Næringsbukta	3 600	Store Kufjord	2 700
Klubben	3 600	Lille Kufjord	3 120
Store Kobbøy	3 600	Elva	1 800
Danielsvika	7 200	Mortensnes	5 400
Kråkeberget	3 600	Petternes	3 600
Pollen	1 800	Fartøyvika	7 200
Store Kvalfjord	1 800	Kokelv	3 600
		<b>Total</b>	<b>59 955</b>

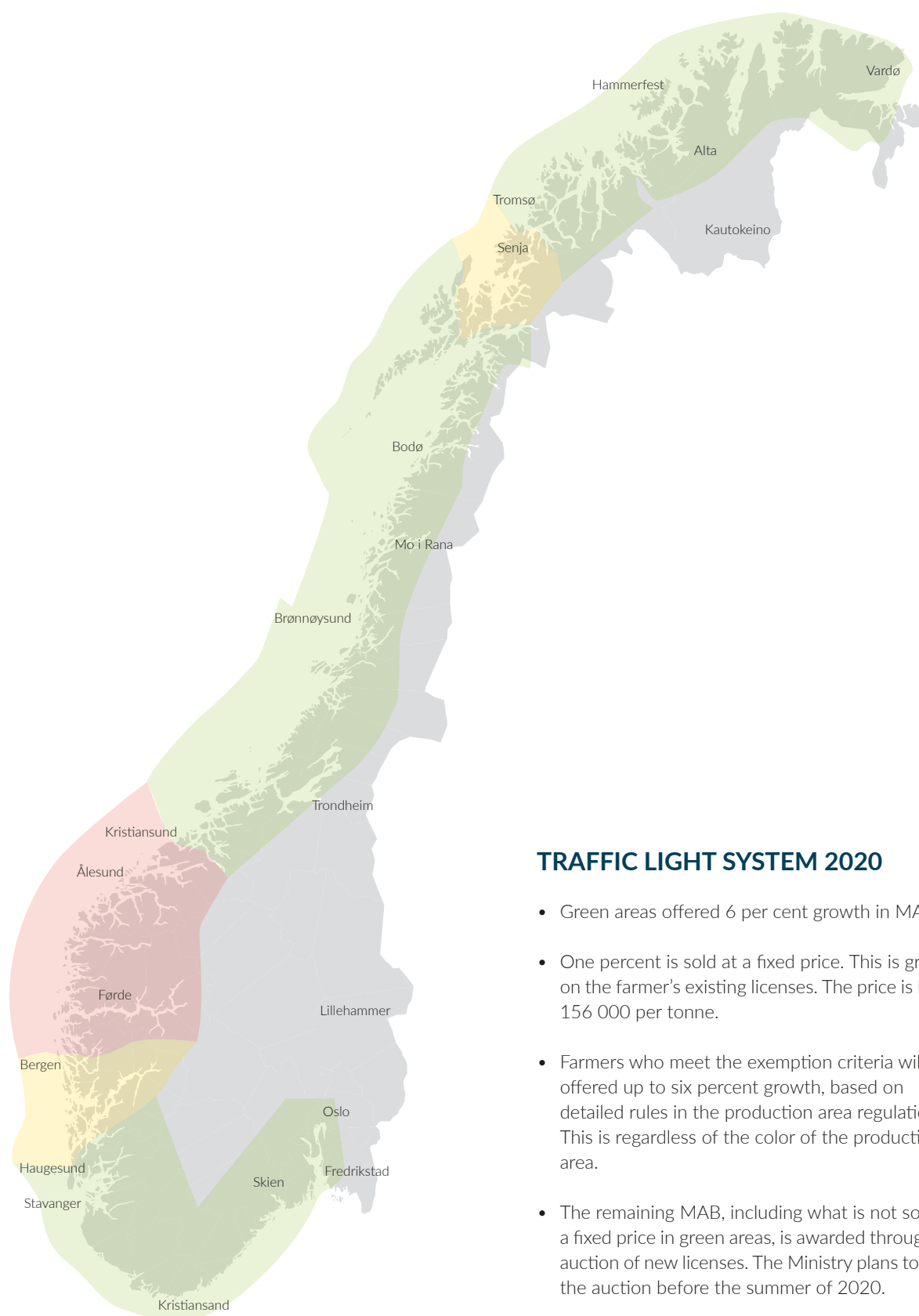
Troms	MAB	Nor Seafood and Wilsgård Fiskeoppdrett	MAB
Brensholmen	5 670	Finnstein	2 700
Baltsfjord	5 670	Ytre Lavollsfjord	3 600
Trælvika	3 780	Barbogen	2 700
Ørnfjordbotn	1 800	Korsnes	3 600
Lubben	5 670	Ytre Jøvik	3 600
Finnvika	5 670	Mjøsund	3 600
Skog	2 830	Durmålsvika	5 670
<b>Total</b>	<b>31 090</b>	<b>Total</b>	<b>25 470</b>
		<b>Region Troms</b>	<b>56 560</b>

## REGION NORTH

MAB 35 035 tonnes

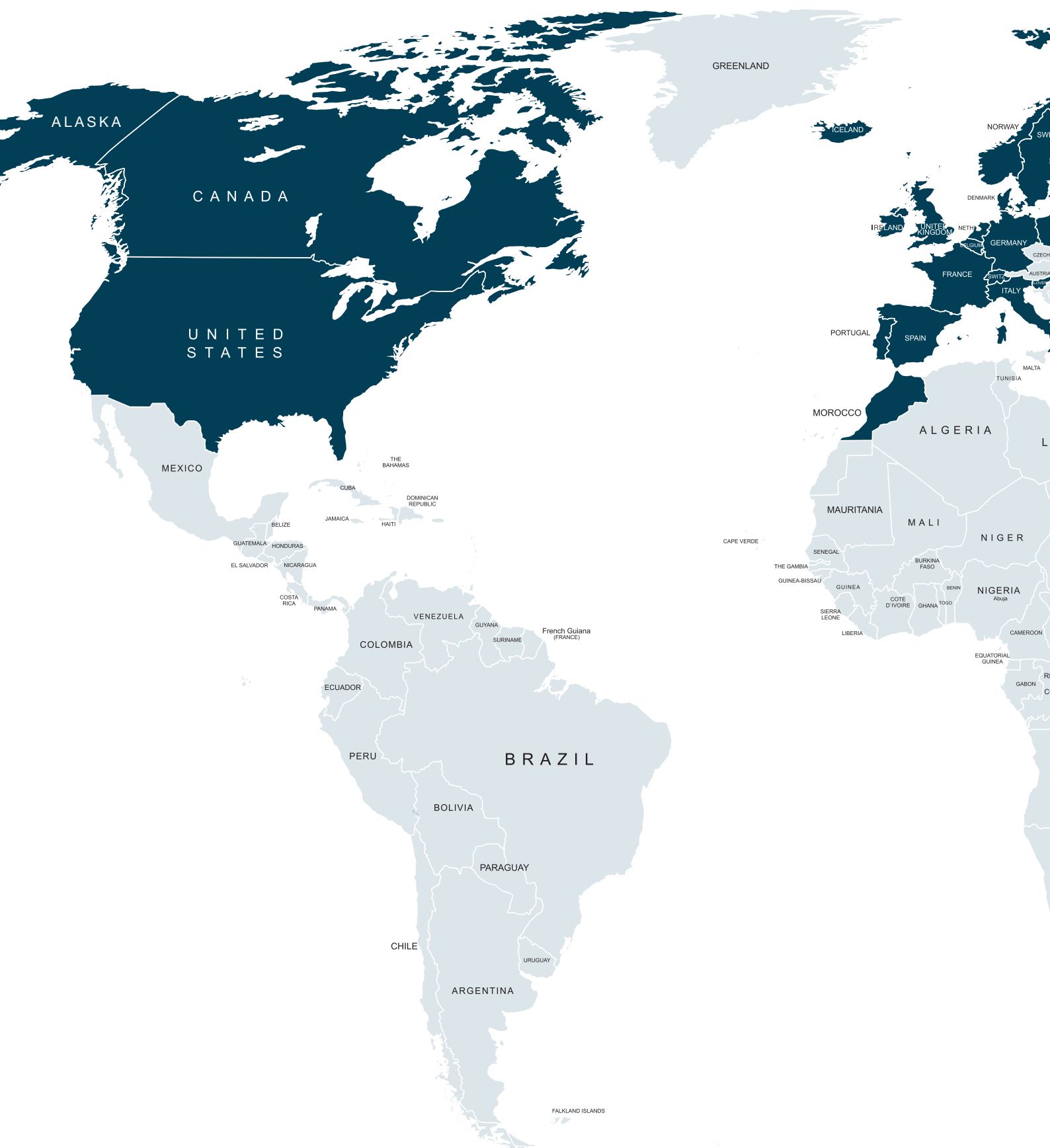
- Sites NRS Farming AS
- Sites Nor Seafood AS,  
Wilsgård Fiskeoppdrett AS





## TRAFFIC LIGHT SYSTEM 2020

- Green areas offered 6 per cent growth in MAB.
- One percent is sold at a fixed price. This is growth on the farmer's existing licenses. The price is NOK 156 000 per tonne.
- Farmers who meet the exemption criteria will be offered up to six percent growth, based on detailed rules in the production area regulations. This is regardless of the color of the production area.
- The remaining MAB, including what is not sold at a fixed price in green areas, is awarded through an auction of new licenses. The Ministry plans to hold the auction before the summer of 2020.



● Countries that purchase fresh and frozen salmon







## Sales with international focus

Sales activities comprise the trading of salmon and trout. NRS has its own dedicated sales and marketing organisation that buys and sells farmed fish through a comprehensive network. In a competitive market, this ensures good access to high-quality fish from a network consisting of own production, associates and external producers. The principal products are fresh and frozen salmon, which were sold to customers in 55 countries in 2019. Around 84 per cent of the company's sold volume were exported. Western Europe

accounted for 75 per cent of the company's exports, while the remainder were sold to countries in Eastern Europe (8 per cent) and Asia (17 per cent).

Since its establishment, the sales turnover has increased steadily year after year. In 2019, the company sold 89 879 tonnes. A large share of the sales of fish come from the Group's fish farming operations (30 per cent in 2019).

### Key figures

55

countries purchase  
fresh and frozen  
salmon

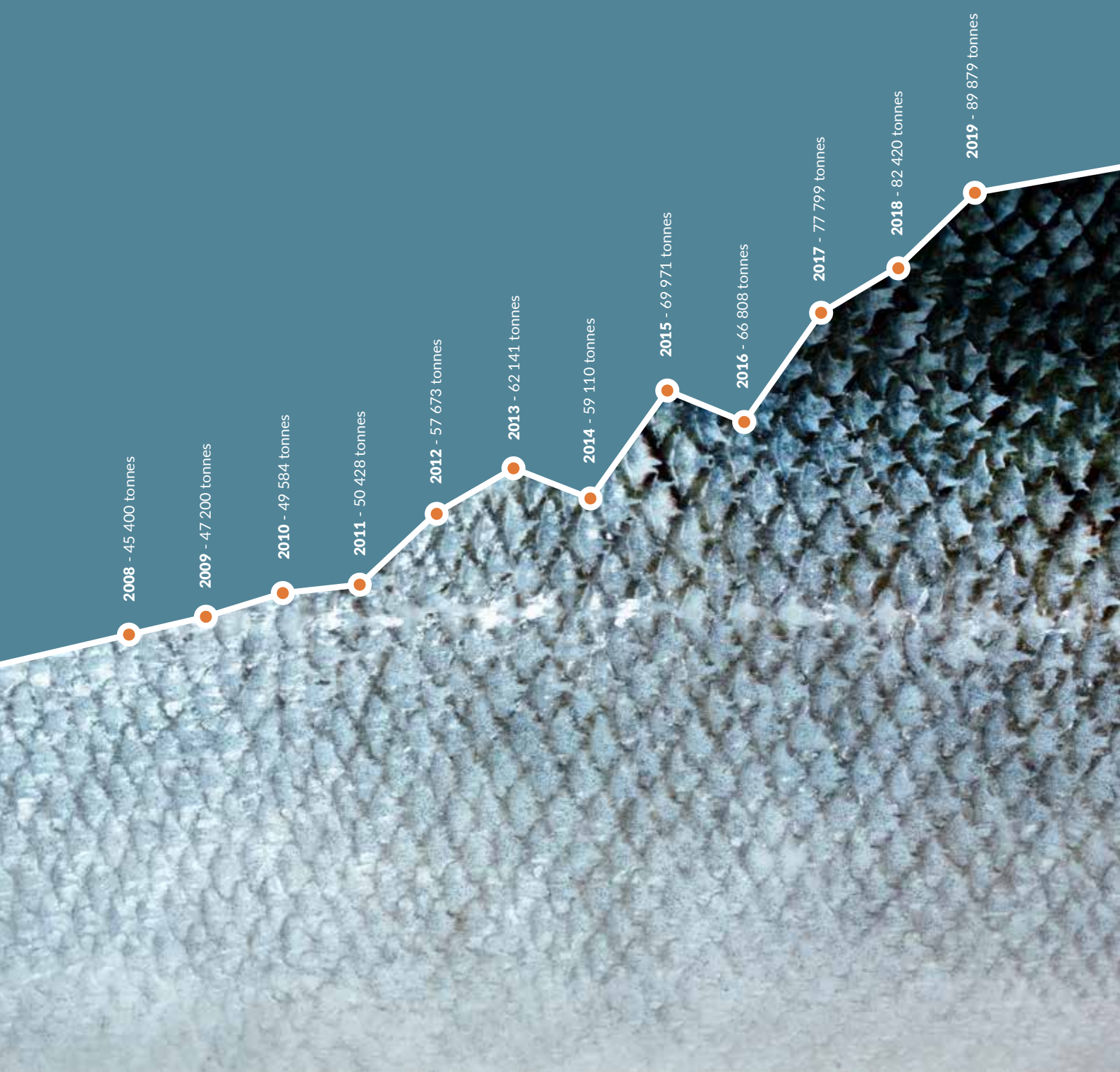
30 %

of the volume comes from  
own salmon farming

84 %

of sold volume was  
exported

## Volume sold in the organisation



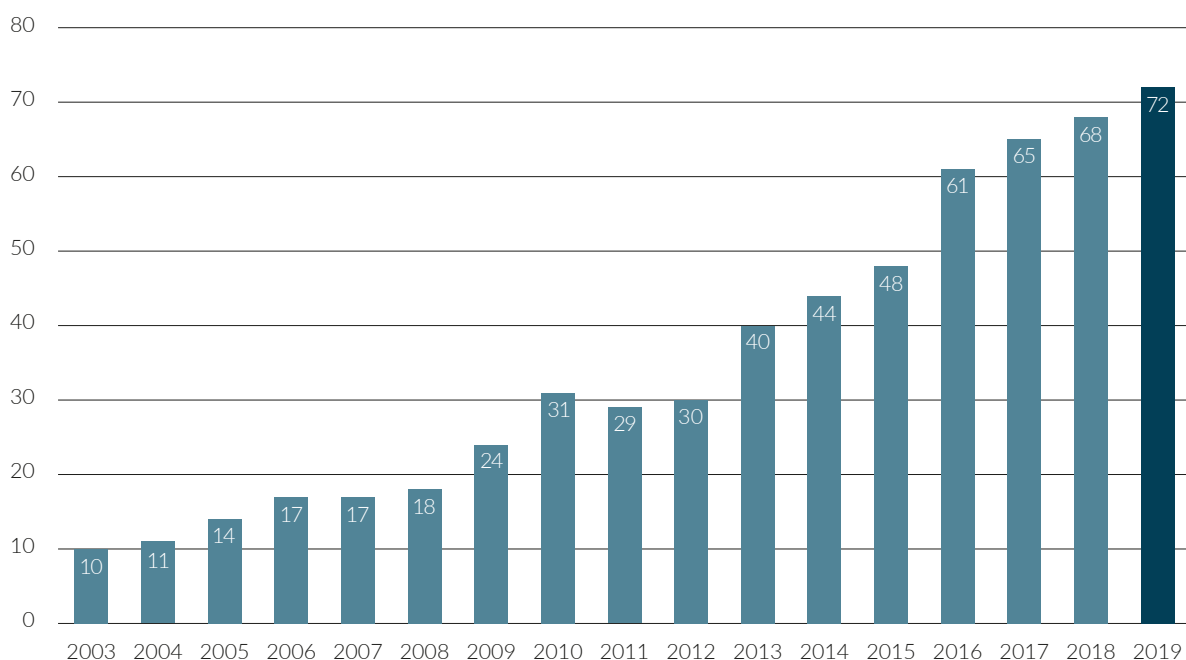
# Another year with new records

2019 was another good year for Norway Royal Salmon and for the Norwegian salmon industry. The value of Norwegian salmon exports totalled NOK 72.5 billion, an increase of NOK 4.7 billion from 2018. The export volume increased by 6.4 per cent to 1 284 402 tonnes (round weight). Prices rose by 0.5 per cent to NOK 56.41 per kg (FCA Norway's border, gutted weight). This is the highest export value achieved in the last 25 years. Strong demand in most markets contributed to the value increase in 2019. The weakening of the Norwegian krone and increased demand for Norwegian salmon are the two main reasons for the value increase in 2019.

Prices fluctuated strongly in 2019, both from week to week and in fluctuations through the year. The highest prices were in the period from March to May and in December. Prices fell from the beginning of June and

steadily through the summer to the end of September. From October, prices rose until they were over NOK 70 at the end of the year. The price increase in the fourth quarter was mainly attributable to lower volume growth than in the rest of the year. NRS experienced strong demand from the market throughout the year. There was great demand at prices below NOK 60 per kg and significantly less interest when the prices were over NOK 70 per kg. The average spot price (Nasdaq FCA Oslo) came to NOK 59.96 per kg (gutted weight), virtually unchanged from NOK 59.97 per kg achieved in 2018. The highest spot price for a week, NOK 77.82 per kg, was noted during week 52. The lowest price came in week 40, when the spot price stood at NOK 40.50 per kg. The difference between the year's highest and lowest prices was as much as NOK 37.32 per kg.

**EXPORT VALUE OF NORWEGIAN FARMED SALMON** (NOK Bn)

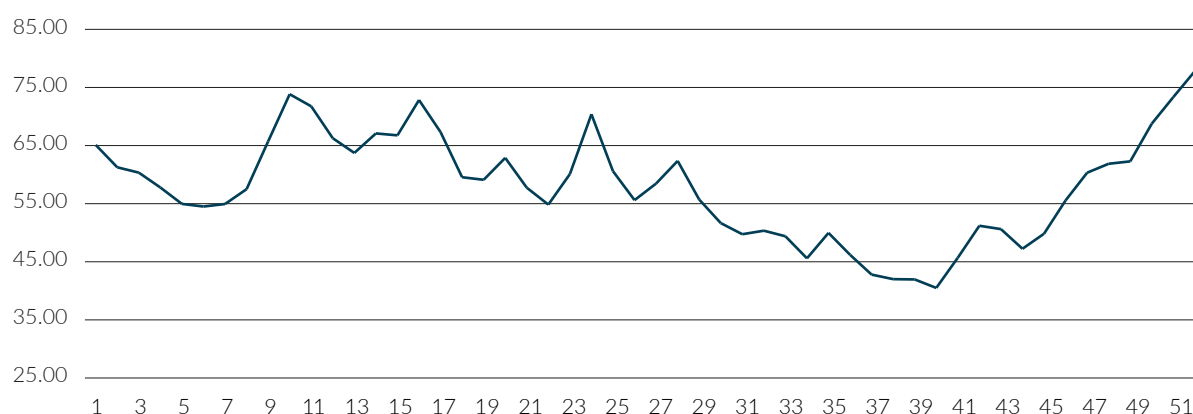


In 2019, the industry experienced big variations of supply volume through the year. At the start of the year and through the first quarter, global supply increased by 5 per cent. The growth increased in the next two quarters. In the second quarter global supply grew by 10 per cent. In the third quarter supply grew by 12 per cent. In the fourth quarter the growth slowed down and was 3 per cent. In total 7 per cent more salmon were harvested in 2019 than in 2018. In 2020, Kontali analyse believes that the global harvest volume will grow with around 4 per cent. In the long-term we still expect moderate growth. The figure below shows the development of global supply growth in tonnes and as a percentage.

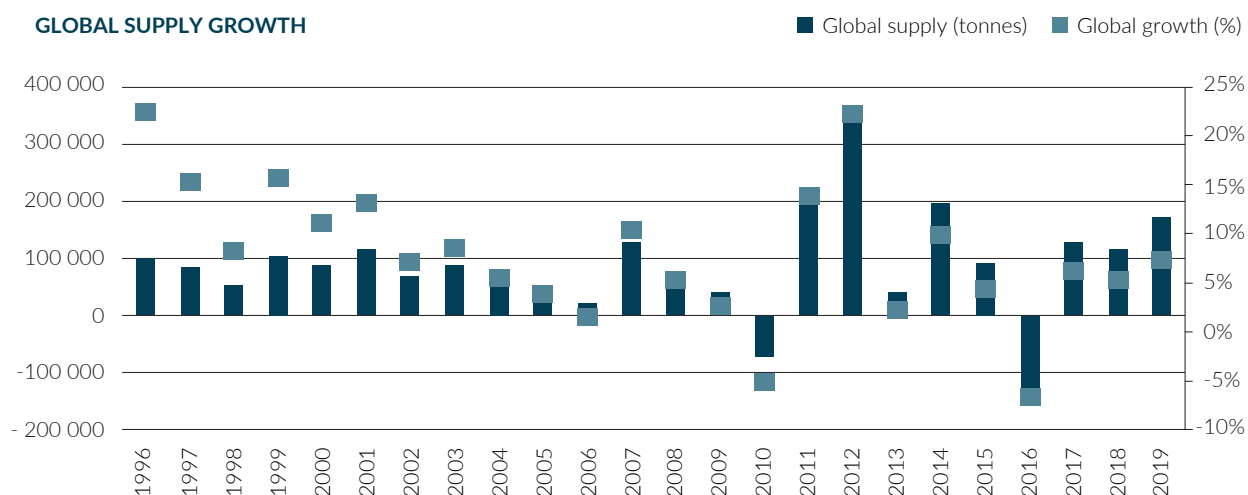
The 7.2 per cent increase in supply in 2019 was higher than the increase of 6 per cent in Norway and the increase of 4 per cent in Chile. The global increase was greater than in the two largest producer countries due

to an increase of 20 per cent in the UK, 21 per cent from the Faroe Islands and 74 per cent from Iceland. In Norway, harvest volumes increased by 80 000 tonnes, mainly as a result of good growth, as several regions experienced fewer challenges with sea lice. In addition, improved utilisation of MAB in Norway and higher biomass in the sea through 2019 compared to 2018 have led to increased growth. The increase from Chile was due to the biological conditions stabilising. As many of the other producer countries have had a significant increase in harvest volume, these have also had an impact on the overall growth in the global salmon market in 2019. Norway's and Chile's harvest volume increased in total by 105 000 tonnes, while the other countries accounted for an increase of 68 000 tonnes. Canada was the only country to have a fall in harvest volume in 2019. For 2020, we expect a moderate global growth, driven by increased harvest volumes primarily from Chile and Norway.

#### SALMON PRICES 2019 Nasdaq pr kg (gwt) FCA Oslo



#### GLOBAL SUPPLY GROWTH



Higher supply in 2019 have resulted in growth in the demand for salmon in most markets. In per cent the increase was greatest in the USA and Eastern Europe (excluding Russia). The growth in the EU increased from 3 per cent in 2018 to 6 per cent in 2019. The increase in the EU was due to lower prices in the second and third quarters of 2019 than in 2018. The growth was low in the first and fourth quarters as a result of higher prices than in the corresponding quarters of 2018. Most markets and regions bought more salmon in 2019 compared with 2018, and demand in most markets was good in 2019. Customers in most markets have spent more money on salmon in 2019 than ever before. 2019, showed once again the industry's and market's flexibility in relation to the flow of goods when prices and volumes change significantly.

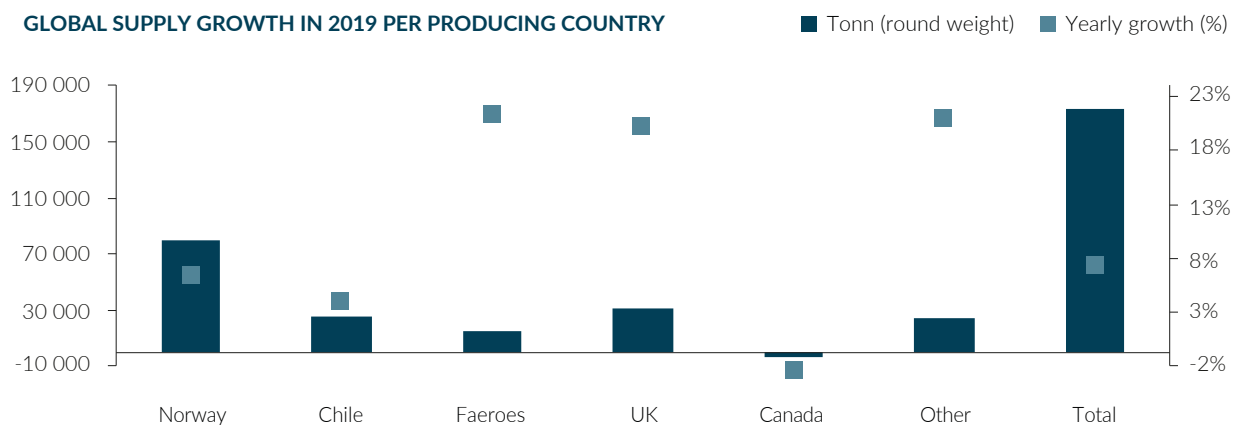
In 2019 we saw further improvement and normalization in trade with China. China imported almost twice as

much salmon from Norway in 2019 compared to 2018. This provides a basis for optimism. Although there is considerable uncertainty at the beginning of 2020 about the effects of the Korona virus and the measures to prevent the spread of the disease, the strong underlying market growth give rise to a huge market potential for fresh Norwegian salmon in the coming years.

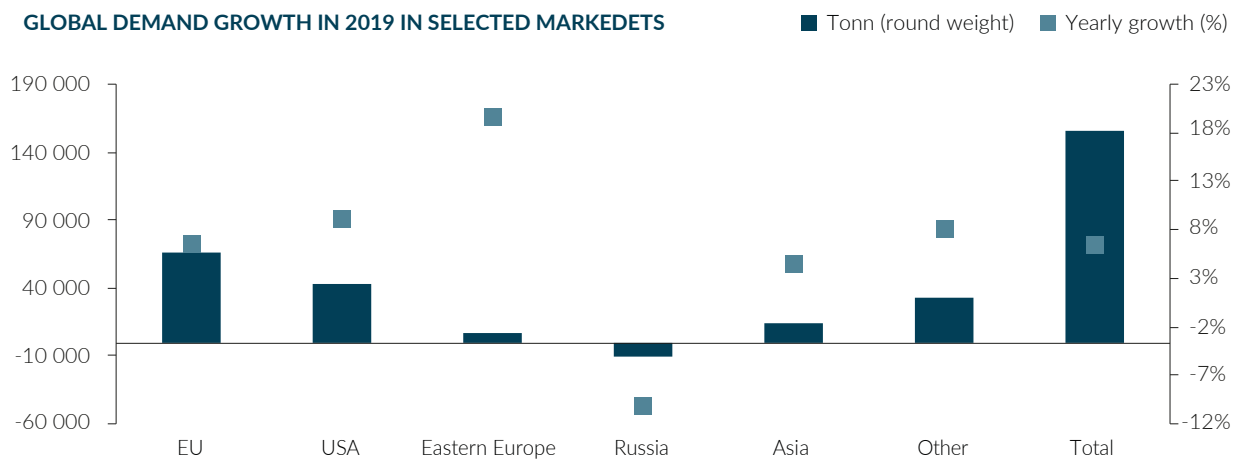
2019 has been an eventful year for NRS, as well as for Norwegian and global salmon industry. The underlying growth in demand is significant, and our customers have never used more money on our products than in 2019.

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

#### GLOBAL SUPPLY GROWTH IN 2019 PER PRODUCING COUNTRY



#### GLOBAL DEMAND GROWTH IN 2019 IN SELECTED MARKETETS



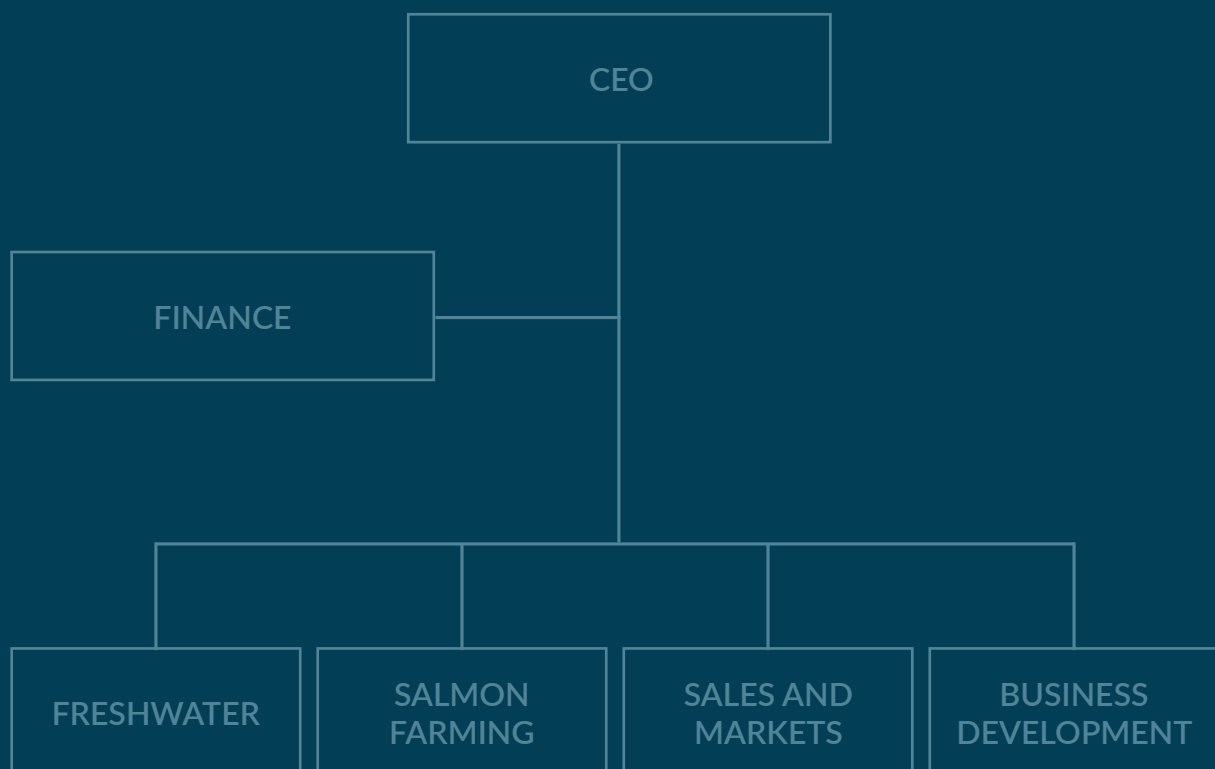






# Organisation

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



# Management



## Charles Høstlund (1975)

### Chief Executive Officer

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

## Ola Loe (1966)

### Chief Financial Officer

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

## Arve Olav Lervåg (1971)

### Chief Operating Officer Farming

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

## Klaus Hatlebrekke (1974)

### Chief Operating Officer Business development

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

## Tore Evjen (1965)

### Chief Operating Officer Freshwater

Tore Evjen is a trained biologist with a Cand.Scient degree from NTNU and is a college graduate in aquaculture from the Sogn og Fjordane University College. He was previously Head of aquaculture production at Marine Harvest Norway region Midt and North. He has over 25 years of leadership experience from the aquaculture industry. Evjen joined Norway Royal Salmon in August 2018.

# The Board of Directors



**Helge Gåsø (1961)**  
Chair

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



**Eva Kristoffersen (1971)**  
Vice Chair

Eva Kristoffersen is a Fisheries Science graduate from the Arctic University (UIT). In addition, she has a master's degree in Fisheries marketing and has specialisation in business administration, finance and organisational theory. She is the CEO of Egil Kristoffersen & Sønner AS and has directorship experience from, among others, Sjømat Norge and The Confederation of Norwegian Enterprise (NHO).



**Marianne E. Johnsen (1963)**  
Board Member

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



**Tom Vidar Rygh (1958)**  
Board Member

Tom Vidar Rygh holds a master's degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH). He has held senior positions in several major companies and is today senior advisor at Nordic Capital. He has and has had several directorships in larger Norwegian and international companies, including Europris ASA, Telenor ASA, Orkla Finans AS and Oslo Børs ASA.



**Trude Olafsen (1963)**  
Board Member

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



**Lars Måsøval (1979)**  
Board Member

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

# Shareholder information

NRS had 2 533 shareholders at 31 December 2019 (2 519).

The 20 largest shareholders owned 76.40 per cent of the shares at 31 December (79.68 per cent).

## Share capital

Norway Royal Salmon ASA had 43 572 191 ordinary shares with a nominal value of NOK 1 per share at 31 December 2019. The company has only one share class, and each share has one vote. The company's shares are freely transferable.

## Prevailing board authorities

At the company's ordinary general meeting 6 June 2019, the board was authorised to purchase treasury shares up to a total nominal value of NOK 4 357 219, which corresponded to 10 per cent of the share capital. The lowest and highest price that to be paid for the shares is NOK 1 and NOK 300 respectively. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020.

At the company's ordinary general meeting 6 June 2019, the board was authorised to issue up to 4 357 219 shares with a nominal value of NOK 1.00 per share. The board mandate covers consideration of the acquisition of other companies and the raising of capital to strengthen the company's position. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020.

## Analyst coverage:

Stockbroker	Phone
ABG Sunndal Collier	+ 47 22 01 60 67
Carnegie	+ 47 22 00 93 71
Danske Bank	+ 47 85 40 70 74
DNB Markets	+ 47 24 16 90 79
Handelsbanken Capital Markets	+ 47 22 39 72 99
Kepler Cheuvreux	+ 47 23 13 90 71
Nordea Markets	+ 47 90 04 42 15
Norne Securities	+ 47 97 47 60 64
Pareto Securities	+ 47 24 13 39 41
SEB	+ 47 22 82 71 26
SpareBank 1 Markets	+ 47 24 13 37 19
Fearnley Securities	+ 47 22 93 63 99

## Option Schemes

Option schemes for the senior management and key personnel are established. Currently 30 employees are included in the programmes. Detailed information can be found in note 18 to the Group's annual accounts.

## Listing

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

## Share price development and liquidity

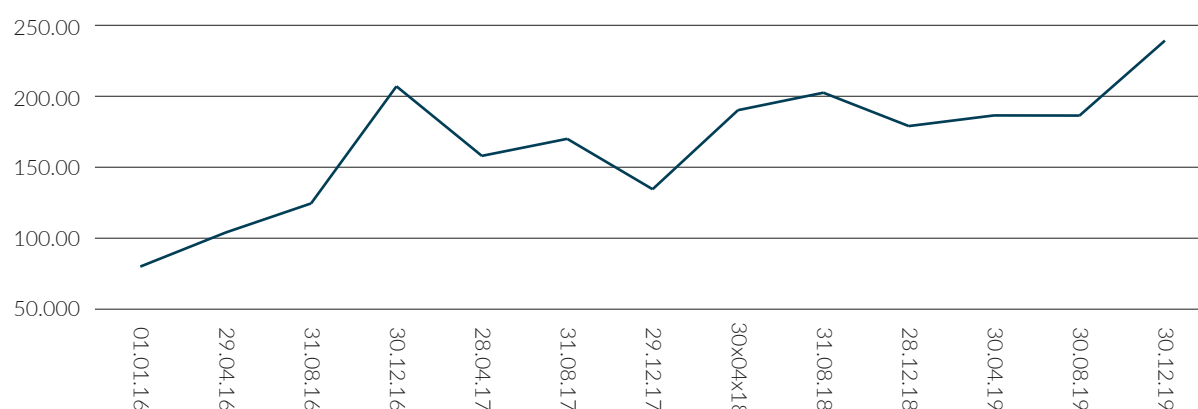
The share had a closing price at 31 December 2019 of NOK 239.20 per share. 19 035 621 shares were traded during the year (2018: 28 316 816). The NRS share price increased by 33 per cent during 2019. The main index at the Oslo Stock Exchange increased 14 per cent in the same period. The company's total market value at 31 December 2019 was NOK 10 389.0 million.

## FINANCIAL CALENDAR 2020 for Norway Royal Salmon ASA

11.02.2020	Presentation of preliminary annual results 2019
27.04.2020	Annual report
12.05.2020	Presentation Q1 2020
04.06.2020	Annual General Meeting 2020
25.08.2020	Presentation Q2 2020
03.11.2020	Presentation Q3 2020

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

For financial year 2019, the Board proposes to the Annual General Meeting that a dividend of NOK 5.00 per share is distributed. In 2019 an ordinary dividend of NOK 6.00 per share for the financial year 2018 was distributed.

**SHARE PRICE 2016/2019** NOK**Ownership structure – the 20 largest shareholders as of 31 December 2019:**

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 993 188	16.05 %
MÅSØVAL EIENDOM AS	5 255 360	12.06 %
NORWAY FRESH AS	5 000 000	11.48 %
HAVBRUKSINVEST AS	4 189 204	9.61 %
EGIL KRISTOFFERSEN & SØNNER AS	3 801 689	8.73 %
HELLESUND FISKEOPPDRETT AS	1 665 843	3.82 %
NYHAMN AS	1 460 340	3.35 %
DNB MARKETS AKSJEHANDEL/-ANALYSE	981 230	2.25 %
BNP PARIBAS SECURITIES SERVICES	525 000	1.20 %
HANDELSBANKEN NORDISKA SMABOLAG	432 918	0.99 %
STATE STREET BANK AND TRUST COMP	394 027	0.90 %
BROWN BROTHERS HARRIMAN & CO.	352 907	0.81 %
MP PENSJON PK	319 471	0.73 %
THE NORTHERN TRUST COMP, LONDON BR	311 898	0.72 %
FEDERATED INTERNATIONAL EQUITY FND	295 905	0.68 %
JPMORGAN CHASE BANK, N.A., LONDON	278 606	0.64 %
STATE STREET BANK AND TRUST COMP	272 213	0.62 %
MÅSØVAL FISHFARM AS	259 606	0.60 %
LOVUNDLAKS AS	252 821	0.58 %
STATE STREET BANK AND TRUST COMP	246 163	0.56 %

**The share in 2019**

Highest traded price	NOK	247.20
Lowest traded price	NOK	173.00
Share price at 31 December	NOK	239.20
Outstanding shares at 31 December	Number	43 431 380
Market value at 31 December	NOK	10 388 786 096

# 02

Committed by name



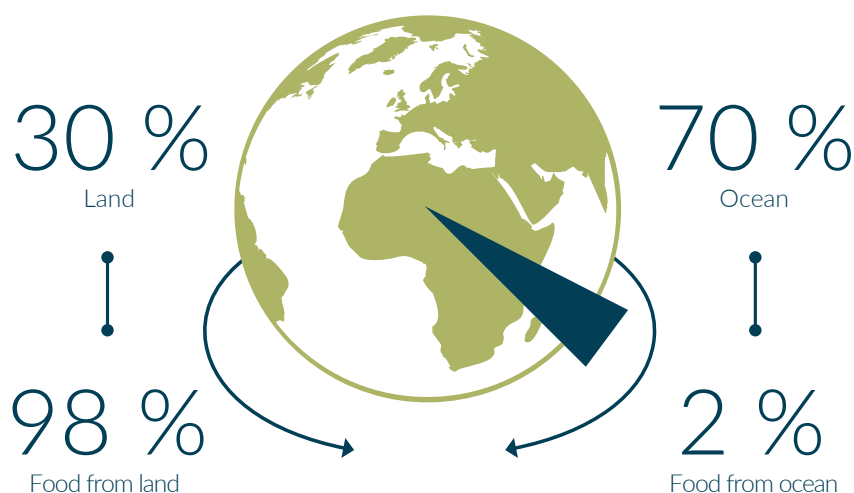
<b>46</b>	Sustainable food production
<b>50</b>	UN's sustainable development goals
<b>52</b>	Our performance
<b>54</b>	Committed to customers
<b>60</b>	Committed to nature
<b>70</b>	Committed to people
<b>77</b>	House of Salmon

# Sustainable food production

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





## The future lies in the ocean

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

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

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

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

## Sustainable production and growth

In Norway Royal Salmon we are committed to produce salmon in a sustainable manner. We work hard every day to ensure that we are at the front edge of development. This has resulted in, among other

things, that we were awarded most licenses – 10 – when the Norwegian Government awarded green licenses in 2014. Furthermore, in 2018, the Group was awarded 8 development licenses for the development of Arctic Offshore Farming. Arctic Offshore Farming has a potential to solve the industry's challenges with area demands as the facility is designed for conditions where there are no fish farms today. In addition, the project can make a positive contribution to the environmental challenges of sea lice as the cage is submersible to under the «lice belt» in the sea. This can reduce sea lice on the fish. The ambition is to combine knowledge from the aquaculture industry with offshore expertise in order to develop the future aquaculture industry and with this ensure future sustainable growth for the Norwegian aquaculture industry. We are continuously working with further improvements. Now we are focused on achieving the strictest environmental certificates within aquaculture. Our first sites were ASC certified in 2015 and we aim to ASC certify all our active sites within 2022. All our production sites are GLOBAL G.A.P. certified.

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

In the sustainability reporting for 2019, we are focusing on Region North as this operating area is continued in 2020. Region South was sold in 2019 and is excluded from the sustainability reporting.

## Norway Royal Salmon ~ Committed by name:



COMMITTED TO  
**CUSTOMERS**



COMMITTED TO  
**NATURE**



COMMITTED TO  
**PEOPLE**

### Sustainable development on the agenda

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

HSE, fish welfare, quality and environmental issues are always on the agenda during management meetings in the Group. There is a systematic and continuous risk and opportunity assessment in the Group. The precautionary principle is the basis of all decision-making and activities, and measures are implemented based on the outcome.

Norway Royal Salmon has conducted a materiality analysis which identifies our key drivers regarding sustainable development. The materiality analysis is based on what is considered important to our stakeholders and an assessment by management on what is important for creation of sustainable value in the Group. The results from the materiality analysis set focus on our priorities for the Group's sustainability work going forward.

Norway Royal Salmon has identified the following groups of stakeholders:

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

### The most important aspects from the materiality analysis:

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Solid shareholder returns

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Healthy seafood  
Certification and approval  
Food safety

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

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Ethical guidelines  
Health, safety and environment (HSE)  
Competence  
Technological innovation and automation

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In 2019 NRS reported to CDP (formerly known as Carbon Disclosure Project) for the first time. The reporting includes scope 1, 2 and 3 as well as our assessment of risks and opportunities related to climate change.



# Norway Royal Salmon supports the UN's sustainable development goals

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

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

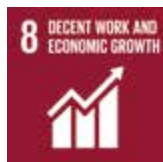




### Zero hunger and Good health and well-being

In a world with growing populations and challenges with both hunger and obesity, sustainably farmed salmon may be a contributor with healthy food high on protein.

Farmed salmon is one of the healthiest foods you can eat and it is available all year. Farmed salmon is full of vitamins, minerals, omega-3 and protein, the benefit for humans are well documented. Since the ocean covers more than 70 % of the planet and produces about 2 % of the food, there is an ocean of possibilities to produce food for the population.



### Decent Work and Economic growth

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



### Responsible consumption and production and Climate action

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

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





### Life below water

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

# Our performance

## KPI

<b>PROFITABLE SALMON FARMER</b>	Shareholder returns	ROCE
		ROE (after tax)
 <b>COMMITTED TO CUSTOMERS</b>  	Certification and approval	Conduct external and internal audits to ensure that our production is compliant with laws, regulations and internationally accepted standards
	Healthy seafood and food safety	Conduct program for monitoring contaminant levels
 <b>COMMITTED TO NATURE</b>   	Climate friendly food production	Emissions per tonne produced fish
		ASC-share of active sites
		GLOBAL G.A.P.-certified sites
		Share of sites with MOM-B state 1 or 2
	Prevent escapes	Incidents of escapes
	Ensure good fish health/welfare	Survival
	Sea lice management	Minimize number of sites above sea lice action limit
	Low medicine use	Use of antibiotics per tonne produced fish
		Medicine use in sea lice treatments per tonne produced fish
	Sustainable and efficient fish feed	Feed according to ASC requirements and GLOBAL G.A.P. certification
	Waste management	Conduct audit of waste management procedures
 <b>COMMITTED TO PEOPLE</b> 	Ethical guidelines	Identified violations of ethical guidelines
	Health, safety and environment	Absence rate
		Number of injuries leading to absence
	Education and training	Increase number of vocational trained employees in farming

AMBITIONS	STATUS	2019	2018	2017
> 15 %	●	25.9 %	36.8 %	39.8 %
> 15 %	●	21.0 %	38.4 %	31.5 %
Compliant with laws, regulations and standards	●	Yes	Yes	Yes
Compliant with own standards	●	Yes	Yes	Yes
Reduction in kg CO2e per tonne produced fish	●	141	115	119
100 % by year 2022	●	70 %	60 %	58 %
100 %	●	100 %	100 %	100 %
100 %	●	87 %	94 %	94 %
Zero	●	0	0	0
> 92 %	●	94.7 %	94.3 %	94.6 %
Number of sites above action limit shall be less than 1 % of number of active weeks on sites	●	1.7 %	0.9 %	2.3 %
Zero	●	0.01 %	0.00 %	0.00 %
Reduction in medicine use in sea lice treatments	●	Yes	No	No
Compliant with standards	●	Yes	Yes	Yes
100 % waste management	●	Yes	Yes	Yes
Compliant with ethical guidelines	●	No	Yes	Yes
< 4 %	●	2.6 %	2.4 %	4.0 %
Reduction in injuries leading to absence	●	11	7	8
Yes	●	Yes	Yes	Yes

# Committed to customers

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





## Healthy and safe seafood

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

It is safe and healthy to eat salmon. Norway Royal Salmon is aware that significant risks may arise from quality discrepancies which can affect consumer health and safety. The Group considers that it has sufficient measures in place to mitigate these risks. The Group provides full traceability on the fish, and documentation in the areas of feed and health registrations. Detailed information regarding the fish feed, the raw materials used in the feed, veterinary reports and other information relating to the physical and chemical aspects of the product or production process is available on request. Norway Royal Salmon uses modern traceability systems to ensure traceability. Norway Royal Salmon demands that feed suppliers have established systems for traceability. The Group's products comply with the industry standard, internal quality standards and with our customers' specifications. Any reported deviations on product and quality are handled and documented in our quality system.

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

### Antibiotics

Antibiotics are very rarely used in Norwegian salmon farming and only in cases when authorised fish health personnel find it necessary. As a fish farmer we are



obliged to treat sick fish or fish that otherwise suffer. Effective vaccines against the most common fish diseases contribute to a reduction in use of antibiotics by 99% since 1987.

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

The annual test programs carried out by the Norwegian Food Safety Authority and its laboratory (NIFES) have never found residual traces of medicine over the prescribed limit values in Norwegian farmed salmon. Norway Royal Salmon has used 3.16 kg antibiotics (active substance) for treatment of fish wounds in 2019. In 2018, 0.002 kg antibiotics were used to treat fish wounds.

### Global requirements and certifications

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

#### GLOBAL G.A.P.

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

#### Aquaculture Stewardship Council (ASC)

Aquaculture Stewardship Council (ASC) is an

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

Norway Royal Salmon's ambition is to be 100 per cent ASC-certified on all of our active sites within 2022. As of 31 December 2019, Norway Royal Salmon has 14 ASC-certified sites, which accounts for 70 per cent of our active sites. Two additional sites are under review and are audited by ASC. In 2018, we had 12 ASC-certified sites (60 per cent of our active sites).

In addition to GLOBAL G.A.P. and ASC standards, Norway Royal Salmon abides by the following:

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

### Certifications

100 %

GLOBAL G.A.P.-certified sites

70 %

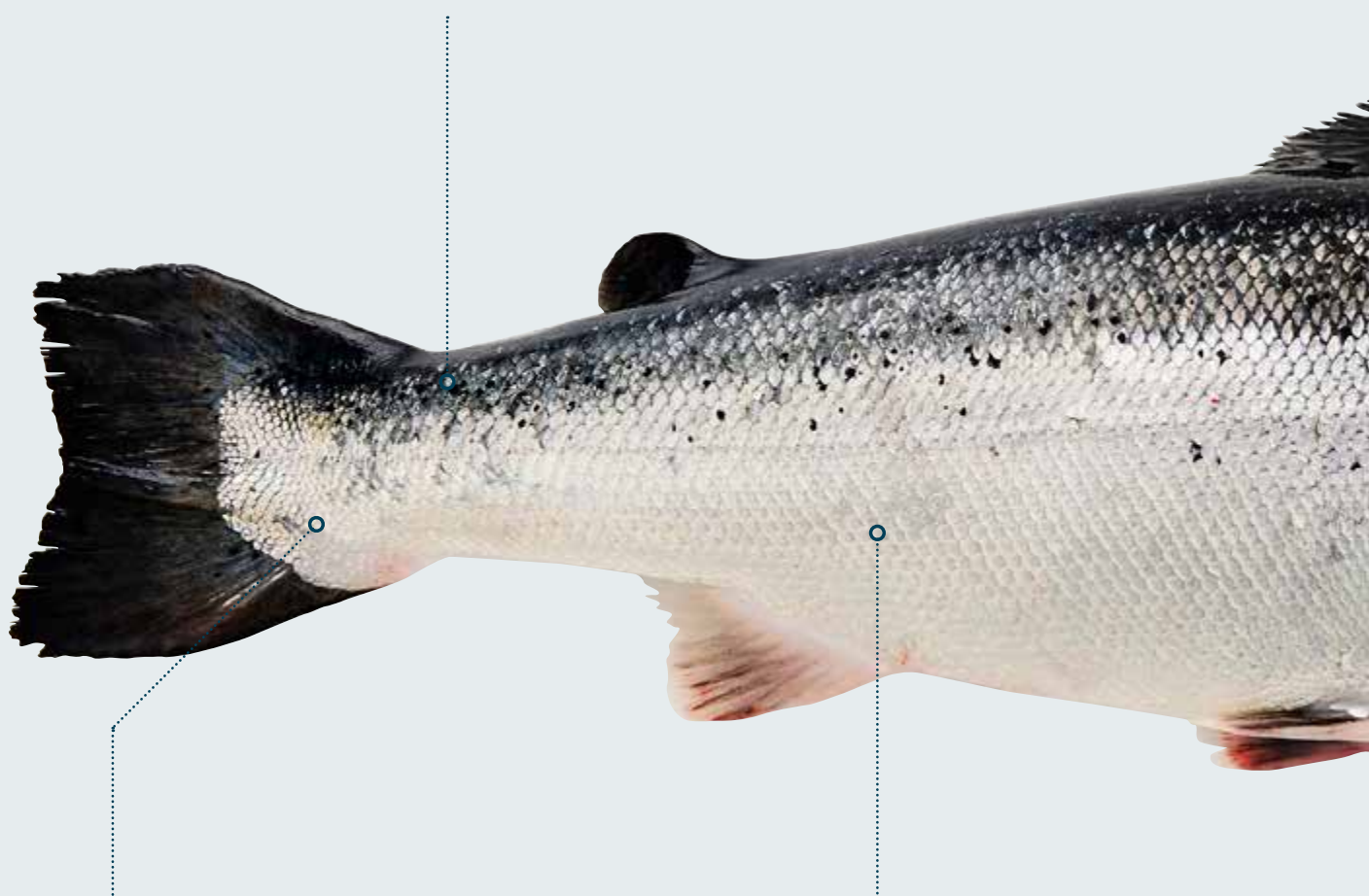
ASC-certified sites



# Nutritious salmon

## Selenium

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



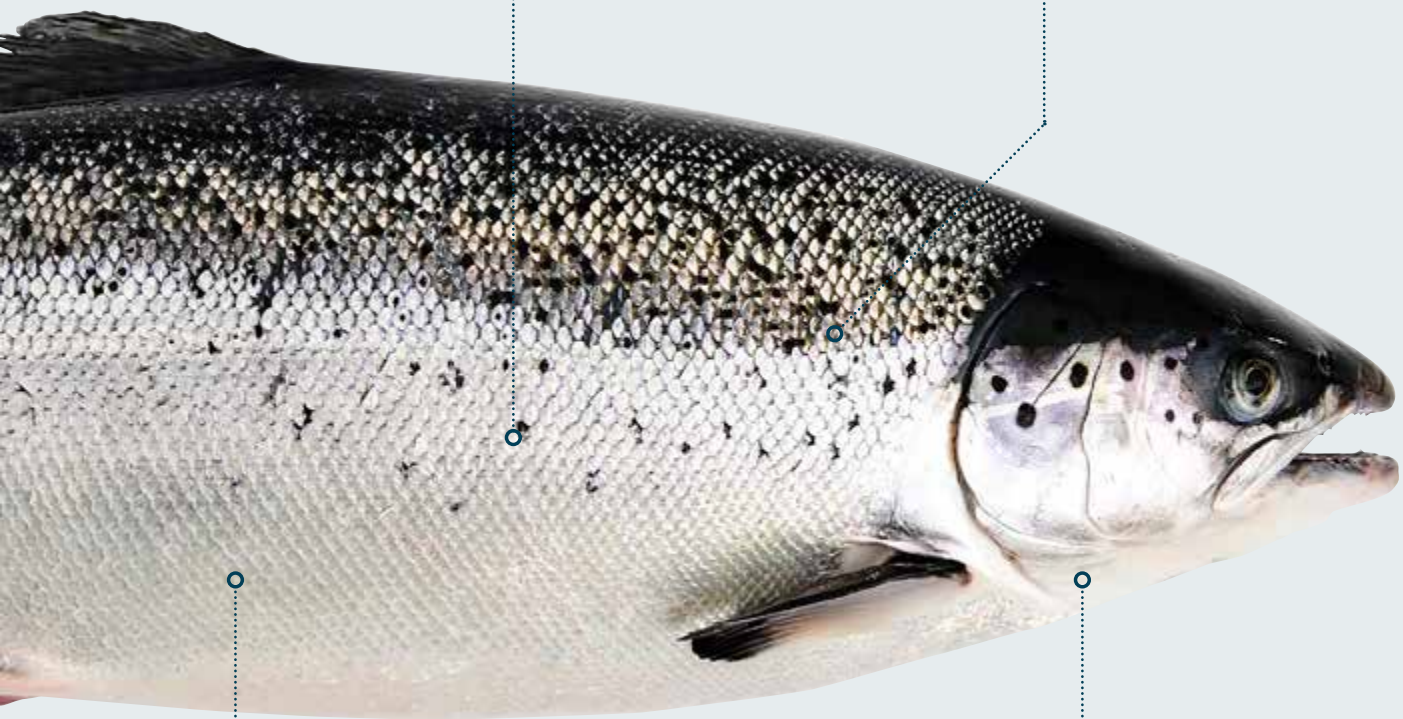
## Iodine

Important for ensuring a normal metabolism.

## Vitamin B12

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





### Vitamin D

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

### Protein

Needed to build and maintain the body's cells.

### Vitamin A

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

### Omega-3

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



# Committed to nature

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



## Climate friendly food production

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

swimming requires less energy than walking on land. Farmed salmon has also the highest edible yield compared to our other traditional farmed animals.

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

### Carbon footprint

(Kg CO<sub>2</sub>/kg edible parts)



### Feed conversion ratio

(Kg feed/kg edible parts)



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

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



*NRS's first hybrid boat, «Edel», was delivered in the fall of 2019. «Edel» is a diesel-electric catamaran that can reduce diesel consumption by 60 per cent.*

### Emissions and energy

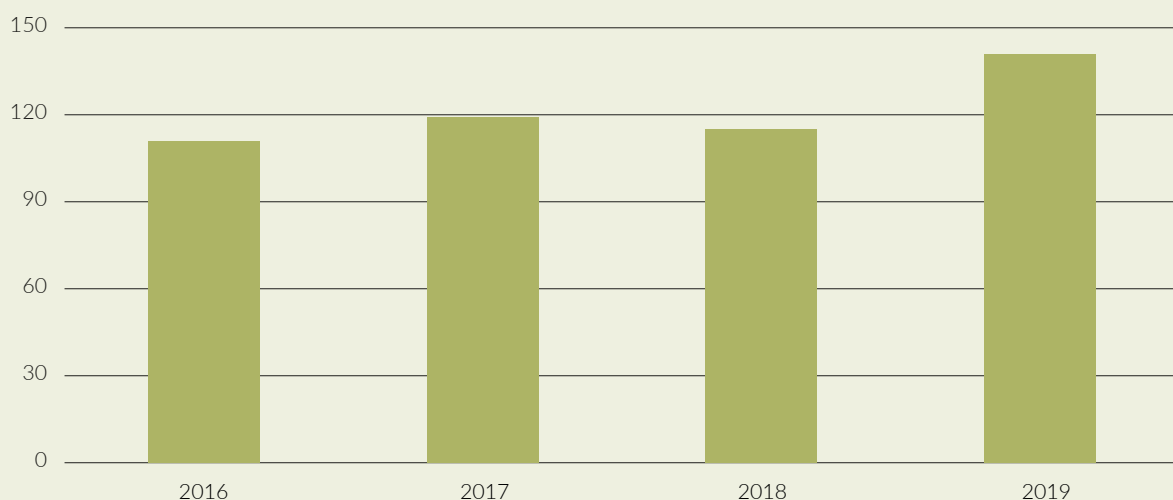
We use Cemasys' sustainability management system to register and monitor our energy consumption and our carbon footprint. Cemasys system is in accordance with the Greenhouse Gas Protocol (GHG). The standard is used worldwide for measuring greenhouse gas emissions. We present a summary of our energy consumption and emissions of greenhouse gases converted into CO<sub>2</sub> equivalents. Our reporting is based on the emissions from operations Norway Royal Salmon manage and thus can have an impact on. We report emission figures from the operational areas which are continued in 2020. Direct emissions of greenhouse gases are related to fossil fuels required

for our farming operations. Our indirect emissions are related to emissions of CO<sub>2</sub> from the production of electricity consumed in our farming operations. These emissions are calculated based on an emission factor for Nordic energy mix. Our main suppliers of electricity guarantee that delivered electricity is produced from renewable energy sources.

In addition, the aquaculture industry has emissions related to feed production. Norway Royal Salmon used 43 313 tonnes of fish feed in 2019. For more information on emission related to feed, please check the feed producers' report of results.

ENERGY CONSUMPTION		2019	2018	2017	2016
Scope 1: Fossil fuel	liter	2 006 064	1 544 220	1 686 635	1 128 859
Scope 2: Electricity	MWH	1 365	1 182	1 106	1 267
Scope 1: Fossil fuel	TJ	77	59	65	43
Scope 2: Electricity	TJ	5	4	4	5
Total energy consumption	TJ	82	63	69	48
EMISSIONS		2019	2018	2017	2016
Scope 1: Fossil fuel	tCO <sub>2</sub> e	5 338	4 139	4 507	3 021
Scope 2: Electricity	tCO <sub>2</sub> e	53	53	58	71
Totalt emission (Scope 1 and 2)		5 442	4 192	4 564	3 092

#### INTENSITY OF GHG EMISSIONS Kg CO<sub>2</sub> per tonne produced fish



Figures for energy consumption is adjusted and show only the continued operational areas in Region North. In 2019, NRS has 23 per cent increase in kg CO<sub>2</sub>e per tonne of fish produced. Diesel consumption increased in 2019 as a result of the transition from automatic feeders to fleet operations at some sites. NRS had two more fleets in operation in 2019 compared to 2018.

Currently NRS has few sites connected to the power grid and most of them receive power from a diesel generator. NRS wants to transition to electricity and is exploring the opportunities for connecting the sites to the power grid. At those sites where land power can be

difficult, NRS wants to find alternative solutions such as hybrid operations of fleets.

NRS' first hybrid boat, «Edel» was delivered in the fall of 2019. It is a diesel-electric catamaran that will reduce diesel consumption by 60 per cent. Emissions of CO<sub>2</sub> and NOX are reduced by 50-90 per cent. «Edel» was climate neutral already after a few months of use. Significantly lower diesel consumption and lower emissions were important to the investment decision, but also improving working environment for employees on board. Daily life on board is now without the noise or soot from the diesel engine. We also believe that a quieter boat causes less stress to the fish.



### Emissions of nutrient salts

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

MOM-B survey is one of the regular surveys performed. This survey monitors the degree of environmental impact on the seabed in the immediate vicinity of the site. The status as of 2019 is that 87 per cent of our sites have site status 1 (very good) or 2 (good) based on the last reported MOM-B survey. None of our sites have condition 4 which is measured as a considerable effect on the environment.

We aim to find new solutions for sites with score 3. In Troms, for example, NRS has been granted permission to move the site to an area with better sea current. In Finnmark, the Group has applied for a new site to relieve impact on existing sites, while at the same time one site is fallowed for an extended period and has a shorter production period. For the rest of the sites with score 3, NRS has initiated other improvements measures.

### Prevent escapes

The escape of fish is unfortunate with respect to wild salmon populations and for the industry's reputation.

Norway Royal Salmon has a zero vision when it comes to escapes. The Group has not had any escapes over the past six years.

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

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

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

### Fish health and fish welfare

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



0

escapes

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



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

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

Farming operations cooperate with external fish health services in addition to internal fish health personnel. The fish health service manages prescriptions and medicines and sends a copy of the prescription to the site that is under treatment, to the feed supplier if the treatment is oral and to the Food Safety Authority.

#### **Fish mortality**

Fish mortality is a key indicator for evaluating fish health in farming. Reduced mortality is a key target for Norway Royal Salmon. Mortality is monitored and reported weekly and monthly to the management and the board. Welfare withdrawal of fish has intensified over the last years, which means that the proportion of culled fish is higher than in previous years.

The mortality rate amounted to 5.3 per cent of the number of fish in the sea at the beginning of the year and fish put in the sea during 2019. This is an increase of 0.4 per cent from 2018. Overall mortality in 2019 was 8.1 per cent, of this represented the culling of fish 2.9 per cent. Total mortality in 2019 was 3.1 per cent lower than in 2018.

Through 2019, NRS has increased its focus on smolt quality, as well as gentle and high biosecurity-related transport from smolt facilities to our sites. The Group will continue to invest in this and further increase the number of fish health personnel in the coming period.

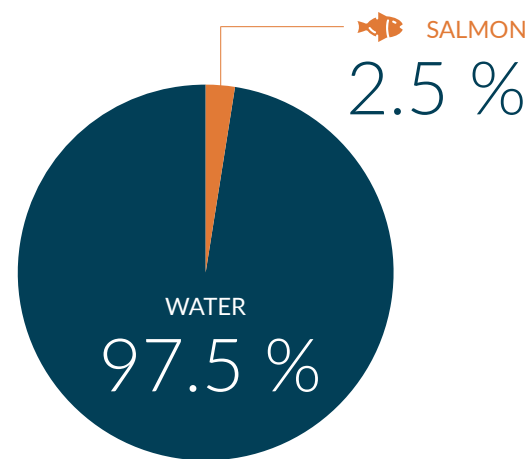
#### **Medication**

Fish, like all other animals, can be exposed to pathogen infection and become sick or be exposed to natural parasites. Prevention of diseases and sea lice infestation is a high priority area. Procedures for infection control and biosecurity is provided for personnel and use of equipment at all sites in the farming operations. The employees have been trained in these preventive activities. The ideal situation is that you do not have to use medications, but we are obliged to treat sick fish or fish that otherwise suffer. Treatments, use of medication and measurement of the results of the treatments are recorded and evaluated

with on-site fish health personnel. Norway Royal Salmon also work with screening programs to monitor the relevant pathogens, sea lice infestation, stress, sores, water quality, and work to increase the general knowledge at all levels of the organisation within these fields.

#### **Vaccinations**

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



#### **The cage**

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

#### **Transport, handling and harvesting**

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

## Sea lice

As well as compliance with counting and treatment strategies initiated by the authorities, the Group has developed its own plan for combating sea lice.

Cleaner fish is strategically used based on the expectations of sea lice on each site. In some cases, cleaner fish is not used due to environmental conditions such as currents and the lice situation does not require it. The Group has continued the practice using lice-skirts where appropriate and possible, and especially at sites with green licenses.

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

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

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

Compared to 2018, our sites in Finnmark had slightly higher levels of sea lice both in the first and second half of 2019. At our sites in Troms, levels were higher during the first half of 2019 than in the same period in 2018, while the levels in the latter half of the year was lower than the previous year.

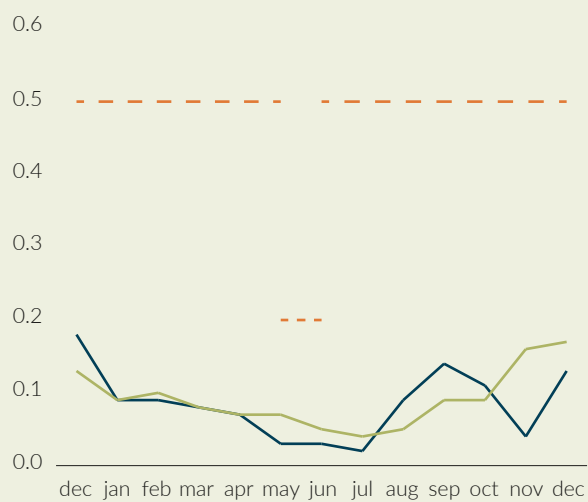
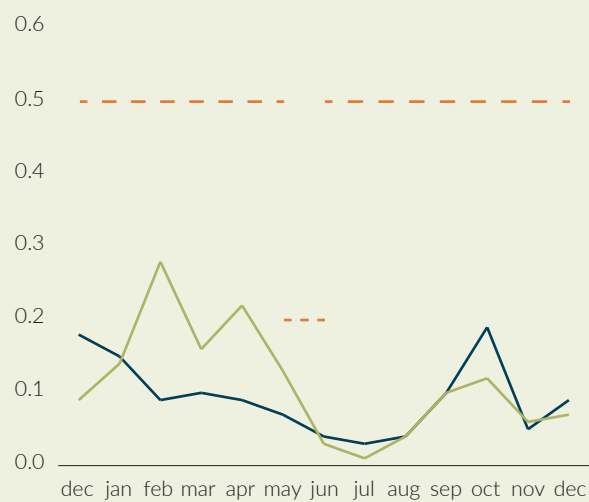
Although the production areas have periodically had higher lice pressure, we see a decrease in the number of lice treatments in both areas. The Group has used lumpfish in risk cages, which probably has been an important contributor to good control.

The temperature in the sea has been lower than in previous years in our production areas, which may have been positive for the lice situation in Troms and Finnmark.



In 2019, the Group has had an increase in weeks above the lice limit of 0.5 adult female lice. This is due to several reasons. One site has had infectious salmon anaemia (ISA) and thus provided limited scope for treatment. Several of the cases have been during the harvest period.

NRS will continue preventive work against sea lice at all sites and will have a strong focus on the timing of treatments. Cleaner fish as lumpfish will be used with good interference where suitable. The lumpfish will be closely monitored before release to ensure that only premium fish are released. Lumpfish get species-adapted feed and have hides to facilitate a living environment where lumpfish thrive. Efforts are being made to improve and optimise the care of lumpfish.

**SEA LICE FINNMARK** Average number**SEA LICE TROMS** Average number

— Mature female lice 2018

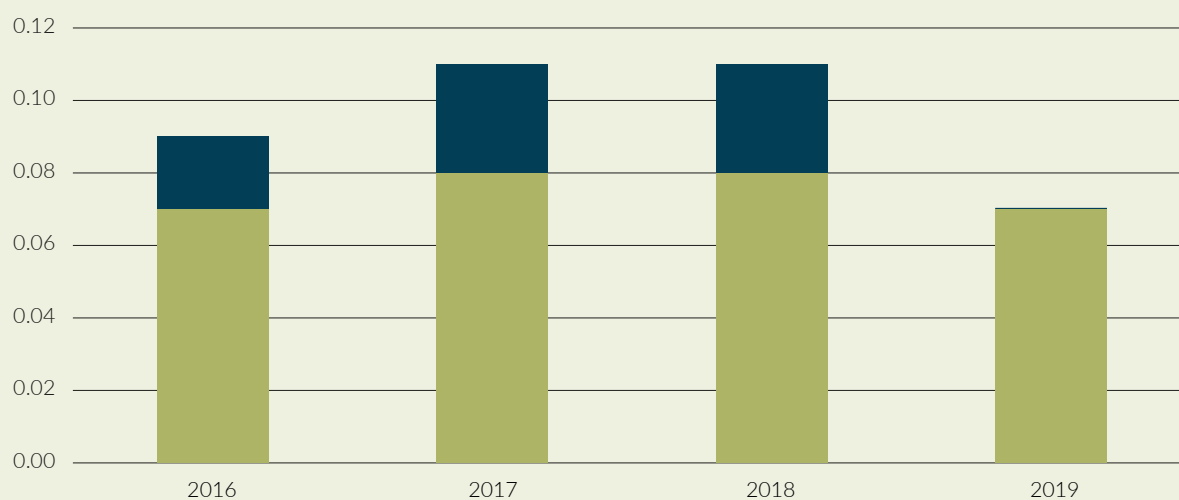
— Mature female lice 2019

- - - Sea lice limit

**MEDICAL TREATMENT OF SEA LICE**

Active substance (gram) per produced tonne

■ Oral ■ Bath



## Sustainable and efficient use of feed

Fish feed for salmon is under continuous development and there is a strong focus on sustainable raw materials. In recent years, feed producers have lowered the marine content in their feed and subsequently increased the use of vegetable products. As a result of this change, work is continuously being done to ensure that these raw materials are safe and sustainable.

Norway Royal Salmon ensures that feed suppliers have documentation and certification on their raw material purchases. Among other things, our feed suppliers only use responsible produced raw materials. NRS purchase feed that is Global G.A.P.- and ASC-certified, and only purchase soy which is ProTerra certified.

Norway Royal Salmon is in continuous dialogue with feed suppliers about the use of different raw materials. The raw materials are purchased according to strict specification requirements when it comes to, among other things, sustainability, nutrient content and undesirable substances. Feed producers continuously monitor their suppliers and perform several audits annually. As a fish farmer, we are constantly aware of the content of fish feed and the origins of the raw materials used to manufacture the feed. For more information on feed, feed ingredients and certifications, see [www.skretting.no](http://www.skretting.no),

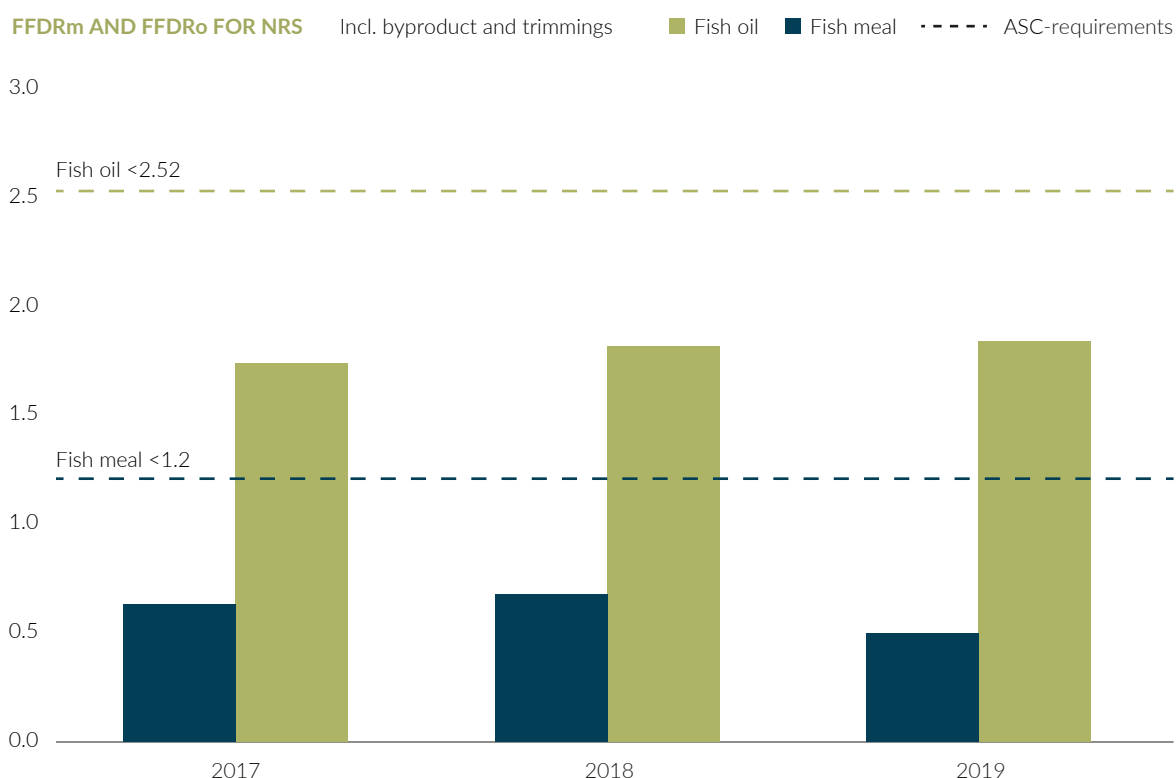
[www.biomar.com/NO/biomar-norge](http://www.biomar.com/NO/biomar-norge) and [www.ewos.no](http://www.ewos.no).

The feed conversion rate (Fcr) is an important indicator of how much feed we use to produce the fish. Fcr is often defined as kg feed used / kg biomass produced. Farmed salmon is very effective in feed utilisation compared to other livestock, see previous table. Norway Royal Salmon reported a feed factor of 1.16 in 2019. This means that NRS used 1.16 kg of feed to produce 1 kg of salmon.

The figure below presents NRS' Fish Forage Dependency Ratio (FFDR) included by-products and trimmings over the past two years. The figures show how much fish meal or fish oil is needed to produce 1 kg of salmon. In the ASC standard, the target for the FFDR fishmeal (FFDRm) is <1.2 and FFDR fish oil (FFDRo) < 2.52. In 2019, NRS achieved FFDRm 0.50 and FFDRo 1.84. These are values that are far below the upper limit of the ASC standard.

## Water

Water is a critical key resource for the planet and important for the value chain of Norway Royal Salmon. The Group's operations are in areas where fresh water is abundantly available. For our sites, the consumption of fresh water is minimal and mainly for human consumption. Nevertheless, the Group



encourages moderation in all consumption beyond this. NRS has evaluated water consumption when establishing Dåfjord smolt facility. The facility will be built with state-of-the-art RAS technology, which involves recycling water that also ensures optimal water quality. A RAS facility needs considerably less new water compared to a flow-through system. When the facility is in operation, we will record and monitor water consumption regularly.

## Waste management and recycling

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

strictly prohibited. All waste must be registered with quantity.

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

### *Clean shorelines and reducing plastic in the sea*

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





# Committed to people

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





## Values and ethical guidelines

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

The Group's corporate values are:

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

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

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

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

The ethical guidelines describe the goals and the requirements of the Group related to the ethical issues. Norway Royal Salmon shall comply with applicable laws and regulations, and in an ethical, sustainable and socially responsible manner. The guidelines have been communicated to all employees and are reviewed regularly. For details regarding the ethical guidelines, please visit our webpage [www.norwayroyalsalmon.com](http://www.norwayroyalsalmon.com).

In 2019, NRS has had no cases of committed or alleged corruption or discrimination in our business. There have been three notified personnel-related cases of violation of our ethical guidelines. The cases are handled as personnel matters with necessary follow-up from HR.

## Responsible employer

The employees' efforts and contributions have been essential for Norway Royal Salmon having an effective operation in both the farming and sales business in 2019. The employees are our most valuable resources and we want to offer safe and meaningful jobs. The Group seeks to be a preferred employer, by offering competitive benefits, competitive equipment, good HR and HSE, and a safe and stable employment.

## Employee health and safety

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

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

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

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

To succeed with good HSE work it is important to build a good foundation, this is done by creating a culture where safety comes first and focus on training



## Sickness absence in the Group

2019	2018
2.6 %	2.4 %

## Sickness absence in the parent company

2019	2018
1.2 %	2.2 %



is essential. The HR/HSE department plans various activities ahead and there are expectations to the effects of these activities. To clarify all matters relating to the Group's employees, an employee handbook and a manager handbook have been prepared.

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

The Group had a sickness absence rate of 2.6 per cent in 2019 (2018: 2.4 per cent). The corresponding figure for the parent company was 1.2 per cent in 2019 (2018: 2.2 per cent). Eleven injuries, which led to absence in 2019, have been registered, one of these was serious. Five injuries which did not lead to absence were registered in 2019.

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

## Worker's rights and social matters

In Norway Royal Salmon we value diversity and equal opportunities. The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2019, women made up 22.3 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 38.6 per cent. The Group management is entirely made up of men. Three of the six members of the Group's board of directors are women. The Group shall be a workplace in which women and men enjoy complete equality. There shall be no gender-based discrimination with respect to pay, promotion or recruitment, or in any other matter. The Group shall be a good and safe workplace where there is no discrimination on the grounds of ethnicity,

country of origin, colour, religious persuasion or reduced functional capacity or in any other matter. We respect the freedom of association.

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

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

## Competence

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

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

## Supplier requirements

Norway Royal Salmon imposes requirements on suppliers to ensure that they carry out work in accordance with requirements in laws and regulations, as well as requirements in GLOBAL G.A.P. and ASC standard. The Group is responsible for verifying relevant criteria in accordance with Global G.A.P. the standard for goods and services received from suppliers. Suppliers must at least complete a self-declaration form before performing tasks at NRS. Suppliers are required to have documented risk assessment as well as health and safety procedures.

Suppliers must follow good social practice and be legally organised in accordance with current tax and employer regulations, the ILO Labor Convention, the United Nations Declaration on Human Rights, with regard to employees' professional and social rights. Hygiene requirements are also set when using boats and equipment. The Group has further specified expanded requirements for certain suppliers, such as supplying fish, feed, cleaning fish, wellboat services, harvesting services, transport and more.

Norway Royal Salmon or approved GLOBAL G.A.P. inspectors shall have the opportunity to conduct supplier audits. Boats and other machines that visit NRS's facilities can be inspected and checked for cleaning and safety.

In 2019, NRS performed several supplier audits. The selection of suppliers was based on risk assessment for non-compliance with current procedures and where the supplier was not GLOBAL G.A.P. certified. GLOBAL G.A.P. certified suppliers are audited by GLOBAL G.A.P. auditors.

## Contribution to the local society

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

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

As a consequence of our operations being an important part of the local community in which we are located, Norway Royal Salmon wants to be able to help local sports teams and other voluntary organisations to benefit from our presence.





*NRS sponsors both Finnmarksløpet and our employee, Maria Sparboe and her team.*



*NRS supports Nordlysbyen Ski - a collaboration project between six clubs in Alta, Finnmark. Athletes from Kviby IL, Tverrelvdalen IL, Alta IF, Bossekop UL, IL Frea and Talvik IL form a training group in cross-country and biathlon.*





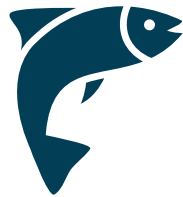
«Miljøagentene» on a guided tour in the center.



House of Salmon - a fun and interactive learning center.



Emilie and Åse are dedicated and experienced guides at House of Salmon.



## House of Salmon and visitation licenses

On June 26, 2019, Norway Royal Salmon reached yet another milestone - the Group's first salmon visitation license was put into operation in Alta.

This means that NRS has opened up to improve knowledge of aquaculture by allowing the public to visit «House of Salmon» - a visitation center for salmon. The center is located in the Kunnskapsparken, right in the center of Alta. The growth and development of the aquaculture industry in Norway is based on an interaction between human, technology and nature. Information in the center is balanced around three key topics for a food-producing industry with production areas at sea: requirements for safe food, conditions for good fish welfare and conservation of nature and the environment. In NRS we believe these are the basic pillars for succeeding in salmon farming!

In addition, the public can visit a salmon farm to experience and learn about salmon farming. The «House of Salmon's» has its own passenger boat «MS Taifun» which accommodates 12 passengers.

### **Target groups of «House of Salmon»**

Everyone can visit the «House of Salmon» center! The knowledge sharing takes place both with and without modern technology. Our staff at the center has an educational background and is happy to guide visitors. It is possible to watch both movies and play games. The center also accepts groups that want their own arrangements or who want to rent the center for meetings/events.

Three languages are used in the center: Norwegian, English and Sami. Special programs have been developed aimed at students from the secondary schools and upper secondary schools. Knowledge about the industry is shared through competition and fun activities.

### **Want to know more?**

Please visit our website [www.laksenshus.no](http://www.laksenshus.no).

03

Annual performance

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# Board of Directors report for 2019

## Group operations and locations

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

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

The Group's fish farming operations was divided into two regions. Region North comprises fish farms in Troms and Finnmark and has licenses equivalent to 34 746 tonnes MAB. Region South comprised of fish farms in Hordaland and Rogaland and has licenses equivalent to 4 680 tonnes MAB and was sold in Q4 2019. Sales operations are conducted from the company's office Kristiansand. The Group has shares in eight associates. Of these, three are fish farming companies in Norway with 11 licenses and one is a fish farming company on Iceland with licenses for 11 000 tonnes. Among the associated companies there are two harvesting companies and three hatcheries.

## Highlights in 2019

In 2019, Norway Royal Salmon confirms its role as a forward-looking and growth ambitious salmon farming company characterised by record high sales volumes and strategic measures for sustainable growth investments.

- The Group generated operating revenues of NOK 5 587 million, an operational EBIT of NOK 543 million and a result before tax of NOK 475 million
- The farming operations harvested 30 509 tonnes. Region North produced 89 per cent of the harvest volume for the Group, while the sold business, Region South, produced 11 per cent.
- The sales operations sold 89 879 tonnes.
- During 2019, the Group's credit facility increased from NOK 1 400 million to NOK 2 000 million. NOK 400 million of the credit facility was converted to a green loan.
- The fish disease ISA (Infectious Salmon Anemia) was detected at the Lille Kufjord site in Finnmark in December. The fish at the site in question were large and in the process of being harvested at the time of detection.
- More sites were ASC certified in 2019. At 31 December 2019, the Group is certified on 70 per cent of its sites and the goal is to be 100 per cent certified on the active sites by the 2022.
- Through the sale of Region South in the fourth quarter of 2019, the Group increased its focus on the geographical core area of Region North. Region South had 4 680 tonnes of MAB and was sold at an enterprise value of NOK 1 240 million.
- The Board proposes a dividend of NOK 5.00 per share for 2019.

## Sustainable focus and organic growth potential

### Arctic Offshore Farming and offshore fish farms

In March 2018 the Directorate of Fisheries granted 8 development permits (5 990 tonnes MAB) for the development of Arctic Offshore Farming. The permits are a recognition of a long and good development process in which Norway Royal Salmon and

Aker Solutions have developed a semi-submersible offshore fish farm designed for harsh areas. When positioned farther away from the coast the facility will provide increased area utilisation of Norwegian sea waters and will have limited environmental footprint.

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

After the development permits were granted, Norway Royal Salmon, through its subsidiary Arctic Offshore Farming AS, has placed considerable effort and investments in order to realise the project. The goal is to release the first fish in the sea in the autumn of 2020.

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

### Arctic Fish and focus on Iceland

NRS believes that salmon production on Iceland will succeed. The production up to now supports this. 3 321 tonnes were harvested in 2019 and considerable growth is expected in the coming years. Estimated harvest volume for 2020 is 8 200 tonnes. The sites are located in the Westfjords of Iceland, which have excellent conditions for fish farming. In addition, gives the proximity to a new smolt facility with RAS technology control over the value chain.

### Investing in in-house smolt facility

NRS is well underway with the construction of a new smolt facility in Dårjord in Karlsøy, Norway. The facility is strategically placed in relation to our activity in Troms and Finnmark and will play an important part in the further development of the company. The plant will have an annual production of 2 400 tonnes and 10 million smolt distributed between standard and post smolt. The plant is built at low risk with regards to production and has seven separate departments with their own biofilters. This is a strategic move that will give the company control over a larger part of the value chain and ensure smolt deliveries for in-house production.

The facility will have significant local and regional impacts and in full operation there will be approximately 20 employees at the facility. The new facility will largely meet NRS's need for smolt and provide significant benefits by delivering smolt adapted to NRS's fish farming operations in the sea. Short distances from the production site to the sea sites will give the company reduced shipping costs.

The first roe is planned to be put in at the beginning of 2021 and full production is expected from 2022.

The future growth of the aquaculture industry will be through sustainable solutions. Ahead, the company will have full focus on utilising the Group's organic growth potential and sustainable production. All Norway Royal Salmon sites are Global G.A.P certified. In addition, dedicated efforts have been made towards getting the Group certified by the ASC (Aquaculture Stewardship Council) standard. It sets strict standards for how fish are produced and requires documentation of laws and regulations, animal diversity, animal welfare, genetic impact on wild populations, responsible feed, control of fish diseases, socially responsible production of fish, good relations with neighbours and that our suppliers meet critical and essential criteria in the standard. 70 per cent of the active sites at NRS Farming are ASC certified at 31 December 2019. Norway Royal Salmon's goal is that all our active sites shall be ASC certified.

## Financial performance

All income statement items for 2019 and 2018 are adjusted for discontinued operations. For the balance sheet as at 31 December 2019, discontinued operations have been deconsolidated. Balance sheet figures as at 31 December 2018 have not been adjusted for the discontinued operations.

### The income statement

Norway Royal Salmon generated record high consolidated operating revenues of NOK 5 586.7 million in 2019, compared with NOK 5 080.8 million in 2018. Operational EBIT totalled NOK 542.8 million (2018: NOK 564.3 million). The Group had a consolidated operating result of NOK 423.3 million (2018: NOK 755.9 million). The Group's consolidated net result for the year totalled NOK 1 313.1 million (2018: NOK 709.1 million). The reason for the increase in net result is mainly an accounting gain on the sale of Region South of NOK 922.6 million.

The Group recognised NOK 16.9 million in share of result from associates in 2019 (2018: NOK 14.7 million). The Group's associates harvested 15 498 tonnes in 2019, compared with 8 981 tonnes in 2018. The Group's share of the volume was 6 027 tonnes compared with 3 258 in 2018. In 2019, the Group had net interest expenses of NOK 18.0 million (2018: NOK 14.0 million). Gains on financial assets in 2019 was NOK 78.4 million (2018: NOK 82.0 million).

The parent company made a net result for the year of NOK 1 390.3 million in 2019 (2018: NOK 592.9 million). Operating result totalled NOK 18.8 million, compared with a negative result of NOK 19.6 million in 2018. The volume sold by the parent company



increased from 82 420 tonnes in 2018 to 89 879 tonnes in 2019. The increase in operating profits is due to higher sales volumes and stable operating costs. The increase in the net result for the year is mainly attributed to the gain of NOK 936.7 million on the sale of Region South. The decrease by NOK 85.8 million in share of the profits from investments in subsidiaries and associates from NOK 513.3 million in 2018 to NOK 427.5 million in 2019, the decrease in recognised profit from TRS-agreements by NOK 56.5 million from NOK 82.0 million in 2018 to NOK 25.5 million in 2019 and the decrease of NOK 25.7 million in unrealised gain on Fish Pool contracts had the opposite effect.

#### **Fish Farming**

Region South was sold 16 December 2019 and is deconsolidated from the same date. In 2019, Region South generated operating revenues of NOK 178.1 million (2018: NOK 317.7 million). The region harvested 3 212 tonnes in 2019, compared with 5 586 tonnes the year before, a decrease of 42.5 per cent. The Group had licences equivalent to 4 680 tonnes MAB in Region South. Region South had an operational EBIT of NOK 2.4 million (2018: NOK 79.4 million). Operational EBIT came to NOK 0.75 per kg harvested in 2019 (2018: NOK 14.21).

Region North generated operating revenues of NOK 1 541.0 million in 2019 (2018: NOK 1 718.4 million). The segment harvested 27 297 tonnes in 2019, compared with 30 384 tonnes the year before, a decrease of 10.2 per cent. The Group has fish farming

licences equivalent to 34 746 tonnes MAB in Region North. The segment made an operational EBIT of NOK 535.8 million (2018: NOK 616.2 million). Operational EBIT came to NOK 19.63 per kg harvested in 2019 (2018: NOK 20.28). Operational EBIT decreased because of lower harvesting volume, lower prices and higher production costs compared to 2018.

#### **Sales**

Sales' operating revenues increased from NOK 5 074.6 million in 2018 to NOK 5 586.7 million in 2019. The increase was due to higher sales volumes. The segment sold 89 879 tonnes during the year, compared with 82 420 tonnes the year before, an increase of 9.0 per cent. Sales had an operational EBIT of NOK 69.6 million in 2019 (2018: NOK 22.8 million), and a result before tax of NOK 61.6 million (2018: NOK 49.8 million). The sales operations operational EBIT increased due to the gain on fixed price contracts increasing from NOK 9.5 million in 2018 to NOK 57.4 million in 2019.

#### **Balance sheet**

At the close of 2019, the Group had total assets of NOK 4 681 million (2018: NOK 4 091 million).

The increase in total assets is due to changes in several balance sheet items. A net increase of NOK 503.0 million in operating assets and an increase of NOK 212.2 million in receivables gives a total of NOK 715.2 million. The fair value of the biomass decreased during the year from NOK 1 240.4 million to NOK 1 231.7 million. The decrease in the value of the biomass is due to decreased

fair value adjustments of NOK 135.0 million and increased biomass at cost of NOK 126.3 million resulting in a net reduction of NOK 8.7 million. Region North's biomass increased by 4 244 tonnes to 26 033 tonnes at the end of the year. Inventory decreased by NOK 1.3 million.

The financial assets of the Group increased by NOK 20.7 million, mainly as a result of positive results in associated companies of NOK 16.9 million and a net increase in loans to associated companies of NOK 3.8 million. Bank deposits increased by NOK 3.3 million.

The Group's net interest bearing debt as at 31 December 2019 totalled NOK 33.1 million, compared with NOK 419.7 million at the close of the previous year. The decrease in interest bearing debt is mainly due a positive operational EBITDA of NOK 629.6 million, dividends received from associated companies of NOK 20.0 million and cash received from the sale of Region South of NOK 1 125.7 million. Investments in fixed assets and licenses of NOK 584.2 million, a dividend of NOK 260.2 million, purchase of own shares of NOK 25.0 million, loans given to associates of NOK 31.6 million, paid taxes paid of NOK 138.3 million, increased working capital of NOK 265.4 million and interest paid of NOK 29.8 million had the opposite effect.

The net increase in equity of NOK 1 036.3 million was mainly due to a positive total comprehensive income for the period of NOK 1 321.7 million. Paid dividend of NOK 260.2 million has decreased the equity. At the close of 2019, the Group had an equity ratio of 71.7 per cent, compared with 56.7 per cent at the close of 2018.

The parent company's total assets stood at NOK 3 526.3 million at the close of the year (2018: NOK 2 755.0 million). Total financial assets increased by NOK 227.1 million from the end of 2018, mainly due to good results in subsidiaries and associated companies of NOK 427.5 and a reduction through the sale of Sør Farming AS (Region South) of NOK 192.3 million. Bank deposits increased by NOK 913.6 million and fixed assets by NOK 2.0 million. Total receivables decreased by NOK 356.3 million, this was due to reception of last year's group contribution of NOK 432.3 million, increased other receivables of NOK 19.0 million and increased accounts receivables of NOK 56.9 million. Deferred tax decreased by NOK 8.7 million and inventory decreased by NOK 6.4 million. At 31 December 2019, the parent company's equity ratio was 71.4 per cent (2018: 57.3 per cent).

### Cash flow

The Group's cash flow from operating activities in 2019 was NOK 223.3 million (2018: NOK 806.7 million). The

positive cash flow is mainly due to an EBITDA of NOK 629.6 million and a net decrease in accounts receivables and payables of NOK 18.0 million. An increase in inventory and biological assets at cost of NOK 260.5 million, paid taxes of NOK 138.3 million and a change in other current assets and liabilities of NOK 22.9 million had a negative effect on the cash flow.

Net cash inflows relating to investing activities in 2019 totalled NOK 491.6 million (2018: outflow of NOK -411.8 million). Received dividends from associates of NOK 29.2 million and received payment from the sale of Region South of NOK 1 125.7 million had positive effect on the cash flow. Investments in operating assets and licenses of NOK 584.2 million and net payment of loans to and investments in associated companies of NOK 75.3 million had the opposite effect on the cash flow.

The Group has distributed a dividend of NOK 260.2 million in 2019. The Group had bank deposits at the close of the year of NOK 152.3 million (2018: NOK 155.7 million). At 31 December 2019, the Group had a net interest-bearing debt of NOK 33.1 million (2018: NOK 419.7 million).

The parent company had a negative cash flow from operating activities of NOK 5.6 million (2018: positive cash flow of NOK 51.6 million). The negative cash flow is a result of increased accounts receivables of NOK 56.9 million and a net increase in other receivables and payables of NOK 34.4 million. A positive operational result of NOK 18.8 million, a tax payback of NOK 4.8 million, decreased inventory of NOK 6.4 million and increased payables of NOK 58.2 million had a positive effect on the cash flow.

The parent company had a positive cash flow from investing activities of NOK 1 557.7 million (2018: NOK 318.6 million). Received group contributions from subsidiaries of NOK 432.3 million, dividend from subsidiaries and associated companies of NOK 29.2 million, down payments on loans from associated companies of NOK 20.1 million and the received sales settlement from the sale of Region South of NOK 1 1125.7 million had a positive cash flow effect. Investments in associated companies of NOK 43.7 million, realised loss when exercising TRS-agreements of NOK 3.8 million and investments in fixed assets of NOK 2.1 million have resulted in a negative cash flow effect.

The parent company had a negative cash flow from financing activities of NOK 638.6 million (2018: NOK 146.6 million). Payment of dividend of NOK 261.4 million, interest payments of NOK 2.1 million and repayment of non-current debt to Danske Bank of NOK 350.0 million and net purchase/sale of treasury shares of NOK 25.0 million explains the negative cash flow.

The total positive cash flow of NOK 913.6 million has resulted in net bank deposits totalling NOK 1 285.8 million (2018: NOK 372.2 million) for the parent company at the close of the year.

## Going concern

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

## Research and development

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

- Arctic Offshore Farming. Project to develop an offshore aquaculture farming concept that facilitates sustainable growth in areas that the aquaculture technology thus far has not been able to exploit. Norway Royal Salmon has in relation to the project received development permits equivalent to 5 990 tonnes MAB. At 31 December 2019 NOK 369.0 million have been invested in the project.
- Flipcage is a project that includes a rotatable cage that can alternate between open operations (free contact with the water outside) and closed operations (no direct contact with the water). Norway Royal Salmon applied for six development permits to realize the concept. The application was rejected at the end of 2018, but Norway Royal Salmon has appealed the rejection.
- The Norwegian Food Safety Authority has given its acceptance to our new triploid project; NRS TRIPWELL. The project is run by NRS, with the Norwegian Institute of Marine Research as a professional project partner. The project is researching and mapping the welfare of triploid salmon in commercial farming.
- Participation in steering or reference committees on several FHF projects in areas such as sea lice prevention, nutrition, sterile fish and infectious diseases.
- Collaboration project with ABB and Microsoft. The project aims to develop a system that can estimate biomass, count lice and detect pellets during feeding using cameras and AI (Artificial intelligence).

## Operational risk and risk management

### *Fish Farming*

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

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

Although Norway Royal Salmon develops and implements sound routines for its own operations, the industry is such that it is important to coordinate much of this effort with other stakeholders in the geographical locations in which we operate.

To enhance smolt quality, Norway Royal Salmon work continuously to follow up smolt and smolt suppliers. The ongoing construction of our own smolt facility in Dårjord will further strengthen this focus.

Norway Royal Salmon has through the year increased its own fish health staff and plans to hire more personnel in 2020. In addition, available fish health services are used to improve routines for the promotion of fish health and for disease prevention measures. All employees in the fish farming segment have attended fish welfare courses.

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

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

Risk management is a key aspect of the management team's duties. The Group has implemented routines and systems for the monitoring of risk factors in all





business areas. Auditing the production facilities in accordance with the quality handbook and defined site standards will be strongly emphasised.

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

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

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

some of the marine-based inputs with vegetable ingredients. This will reduce the risk of fluctuations in feed prices.

The development of Arctic Offshore Farming and building a new smolt facility are complex projects to complete and uncertainty can be linked to the estimated total investment cost and time of completion. The uncertainty associated with these factors is further exacerbated by the Covid-19 situation and the large currency fluctuations in 2020.

### Sales

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

The salmon industry has experienced trade barriers in several markets and over longer periods. Significant changes and aggravating conditions involve risk for the Group. The sales operations sold fish to 55 countries in 2019 and such sales spread limits this risk.

The sales operations are responsible for fixed price



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

## Financial risk and risk management

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

### *Foreign exchange risk*

Around 85 per cent of the Group's sales are in foreign currencies, with the largest exposure being to the EUR, USD and GBP. The Group's exposure to exchange rate fluctuations is a major part of the business activities affecting the Group's cash flows and profits. In accordance with the Group's guidelines, the Group employs both forward contracts and borrows in foreign currencies to reduce its exposure to foreign exchange risk.

### *Interest rate risk*

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

### *Credit risk*

At any given time, the Group has substantial sums

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

### *Liquidity risk*

Liquidity risk is a product of the Group's earnings, financial position and access to financing in the capital markets and is defined as the risk that the Group will not be able to meet its day-to-day financial obligations. The largest single factor affecting liquidity risk is represented by fluctuations in the price of salmon. There are covenants associated with the Group's borrowings, which at the close of 2019 Norway Royal Salmon meet with good margins. Overall, the Group's liquidity risk is at an acceptable level.

## Corporate Social Responsibility

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

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

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

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

## External environment

Norway Royal Salmon's farming operations are based on renewable resources and are located along the coast. Norway Royal Salmon's value chain is dependent on sustainability where natural resources are not consumed. This is a prerequisite, so Norway Royal Salmon can continue to farm fish. The desire and need for long-term solutions are the foundation for the company's approach to environmental issues. The Group invests to minimize its impact on the external environment and is well underway with the development of Arctic Offshore Farming, which will provide increased area utilisation.

## Anti-Corruption

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

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

## Work environment

At 31 December 2019, the Group had 175 full-time employees, 44 of whom are employed by the parent company Norway Royal Salmon ASA. The head office of Norway Royal Salmon is in Trondheim.

The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2019, women made up 22.3 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 38.6 per cent. The Group management is entirely made up of men. Three of the six members of the Group's board of directors are women. The Group aims to be a workplace in which women and men enjoy complete equality, and where there is no gender-based discrimination with respect to pay, promotion or recruitment. The Group aims to be a good and safe workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion, reduced functional capacity or in other areas. All employees have freedom of association.

The Group had a sickness absence rate of 2.6 per cent in 2019 (2018: 2.4 per cent). The corresponding

figure for the parent company was 1.2 per cent in 2019 (2018: 2.2 per cent). Eleven injuries which led to absence and five injuries which did not lead to absence have been registered, one of these was serious.

## The share and shareholders

As at 31 December 2019, Norway Royal Salmon ASA had 43 572 191 shares divided between 2 533 shareholders. At the close of the year, the Group held 140 811 treasury shares. The share price at the end of the year was NOK 239.2 (2018: NOK 179.0).

## Corporate Governance

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

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

## Market conditions and future outlook

2019 was another exiting year for Norway Royal Salmon and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 72.5 billion, a new record and an increase of NOK 4.7 billion from 2018. The export volumes increased 6 per cent and was 1 284 402 tonnes (round weight) in 2019. The spot price (FCA Oslo) was NOK 56.40 per kg in 2019 (2018: NOK 56.12). Mainly, the prices rose because of strong demand. With higher harvest volumes, exporters have worked well to develop the value of Norwegian salmon. This has led to that the customers never have paid more for Norwegian salmon than they did in 2019.

Norway Royal Salmon ASA sold 89 897 tonnes, an increase of 9.0 per cent. Most of this was fresh gutted salmon. The share of in-house produced salmon sold through the sales business totaled 34 per cent. Revenues were divided on 55 countries, of which 63 per cent were sold in Western Europe. Apart from this, the export was divided between Asia (14 per cent) and Eastern Europe (6 per cent), while the rest was sold in Norway.

Kontali Analyse expects harvest volumes in Norway in 2019 to be 3 per cent higher than in 2018. The harvest volumes of Atlantic salmon from Chile is expected to increase by 5 per cent and some growth is expected from other smaller producer nations, so that the global volume increase is expected to be around 4 per cent.

In the longer term, Norway Royal Salmon believes in a positive sales development in most countries. Historically it has been shown that economic downturns normally do not weaken demand for salmon significantly. Salmon is now established as a nutritious and good alternative for consumers.

The increase in global supply growth and an expected continuous demand growth provide good prospects for the market conditions for salmon products. The sale of salmon at the start of 2020 has been strong, both prices and volumes have been high so far in 2020. However, the market has also been affected by the outbreak of the Corona virus and its consequences. At the time of publication of the annual report, the world is facing a serious global pandemic that we do not know the consequences of. Potential consequences for Norway Royal Salmon are difficult to specify, but the company is monitoring the situation closely and will take corrective action when needed. With Norway Royal Salmon's solid financial foundation and highly competent staff, we are well positioned to get through these challenging times. Production and delivery of food is an activity critical to society and must be protected in every way. The Board of Directors and the company now give the highest priority to the work to take the necessary measures in a situation of

great uncertainty. NRS's operational goal of producing sustainable and healthy food is especially important in times like these. We will do everything we can to continue the company's production given the negative consequences of the pandemic, without compromising health and safety.

The Group's outlook for the future is generally positive. But a potential uncertainty about or increase in the total tax burden for Norwegian salmon farmers will increase the industry's total costs. In 2018, the Norwegian Aquaculture Tax Committee was appointed by the Norwegian government to assess whether the current taxation of the aquaculture industry should be increased. This will reduce the global competitiveness of the Norwegian aquaculture industry and potentially reduce the investment capacity of the Norwegian aquaculture industry.

## Allocation of profit for the year

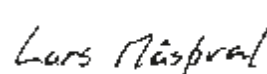
The parent company, Norway Royal Salmon ASA, made a net profit for the year of KNOK 1 390 260 in 2019. The Board of Directors proposes the following allocation of the net profit for the year:

Dividend	KNOK	217 861
Transferred to the reserve for valuation variances	KNOK	342 519
Transferred to other equity	KNOK	829 880
Total allocation of funds	KNOK	1 390 260


Trondheim, 2. April 2020

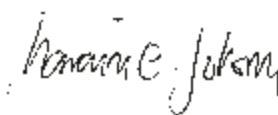
  
Helge Gåsø  
Chair

  
Eva Kristoffersen  
Vice Chair

  
Lars Måsøval

  
Tom Vidar Rygh

  
Trude Olafsen

  
Marianne E. Johnsen

  
Charles Høstlund  
Chief Executive Officer

# Corporate governance

Norway Royal Salmon ASA (NRS) is listed on the Oslo Stock Exchange. The board and management of NRS review the company's corporate governance procedures each year in order to be able to allocate roles between shareholders, the board and general management in an optimal fashion. NRS comply with the Norwegian Code of Practice for Corporate Governance of 17 October 2018. The Code of Practice can be found on **www.nues.no**. The report below explains how NRS comply with the Code, and deviations from the Code are commented on.

## 1 Implementation and reporting on corporate governance

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

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

## 2 Business

The company's object is to produce, process, sell and distribute farmed fish, and to invest in other companies in the seafood business.

The above is established in §3 of the company's Articles of Association. The company's corporate values are;

**Safe** – A safe workplace and a safe product are the most important value and essential for our business

**Engaged** – Committed employees are necessary to be able to develop work processes, product and the organisation

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

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

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

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

The board has adopted the following key strategic policies:

### NRS shall be:

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

### Through:

- Being a preferred employer
- Sustainable growth

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



### 3 Equity and dividends

#### Equity

As of 31 December 2019, the Group's total equity amounted to NOK 3 357 040, which represented 71.7 per cent of its total assets. The board deems this satisfactory. The board shall maintain a level of equity commensurate with the company's objectives, strategy and risk profile.

#### Dividend policy

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

The Annual General Meeting sets the annual dividend based on a proposal from the board, which represents the maximum possible dividend. For financial year 2019, the Board proposes that a dividend of NOK 5.00 per share is distributed.

#### Capital increase

At the Annual General Meeting of 6 June 2019, the board was authorised to issue up to 4 357 219 shares with a nominal value of NOK 1.00 per share, which corresponded to 10 per cent of the share capital at the time of authorisation. This mandate allows the board to vary the preference rights on share subscription. The board mandate covers consideration of the acquisition of other companies and the raising of capital to strengthen the company's position. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020.

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

#### Purchase of treasury shares

At the Annual General Meeting of 6 June 2019, the board was authorised to purchase up to 4 357 219 treasury shares with a nominal value of NOK 1.00, which corresponded to 10 per cent of the share capital at the time of authorisation. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1.00, and no higher than NOK 300.00 per share. The board may choose the exact method of acquisition or sale. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020.

### 4 Equal treatment of shareholders and related-party transactions

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

#### Share classes

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

#### Purchase/sale of treasury shares

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

#### Related-party transactions

Services were purchased from a company owned by the Chair and associated companies in 2019. Goods were purchased from companies controlled by shareholders and from associated companies. These were purchased on market terms and conditions. Further information on the transactions is found in Note 26 to the consolidated financial statements.

#### Guidelines for board members and senior executives on conflicts of interest

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

### 5 Freely negotiable shares

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

### 6 General meetings

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

#### Notice

All shareholders have the right to propose items for

the agenda, and to participate, speak and vote at the general meeting, provided that their shareholding is entered in the Norwegian Central Securities Depository (VPS) no later than the fifth business day before the general meeting (the record date). Shareholders or their representatives who wish to attend and vote at the AGM must notify the company within two days before the meeting.

The Annual General Meeting is held within six months of the end of the accounting year, and in 2020 is scheduled for Thursday 4 June. The financial calendar is published as a stock market notification and on the company's website. The convening of the general meeting shall be notified in writing to all shareholders whose address is known, no later than 21 days before the meeting is due to be held. Notification, agenda documents, proposed resolutions, the Nomination Committee's justified nominations and registration and mandate forms, are made available to the shareholders on the company's website and as a stock market notification, no later than 21 days prior to the date of the meeting. In accordance with the company's Articles of Association, a shareholder may also contact the company and request despatch of documents relating to the items to be considered by the general meeting. Agenda documents shall contain all information required by shareholders to form a considered opinion on all items to be reviewed. All shareholders who are registered in the VPS no later than the fifth business day before the general meeting (the record date) have the right to vote directly or via proxy. Shareholders or their representatives who wish to attend and vote at the AGM must notify the company within two days before the meeting. Shareholders may register for the general meeting in writing or by post or email. Shareholders who are unable to attend in person may vote by proxy. An individual proxy is required for each item that is to be considered.

### Implementation

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

## 7 Nomination Committee

The structure of the Nomination Committee is established in the company's Articles of Association. Rules of procedure have been established for the committee's work. The Nomination Committee's

remit is to nominate board members to be elected by shareholders to the general meeting. The Board Chair shall be specifically nominated. The Nomination Committee also provides recommendations on fees paid to elected board members.

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

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

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

## 8 The board's composition and independence

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

### Election of the board and the composition of the board

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

### **The board's independence**

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

### **Board competence and shareholdings**

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

## **9 The work of the board of directors**

### **The board's duties**

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

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

### **Rules of procedure for the board**

The board's rules of procedure were adopted at the board meeting of 20 May 2019. The rules cover the following areas: the board's remit, convening of and matters to be reviewed at meetings, the board's decisions, duty of confidentiality and incapacity, the board's self-assessment and the CEO's obligations to the board.

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

### **Board committees**

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

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

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

### **Rules of procedure for the CEO**

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

### **Frequency of meetings**

A minimum of six board meetings shall be held each year. Where required, extra board meetings are held to consider urgent items that need to be reviewed before the next board meeting. Twelve board meetings were held in 2019.

### **Financial reporting**

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

### **The board's evaluation of its own work**

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

## **10 Risk management and internal control**

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

The management of the company's operations is based on predetermined financial targets.

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

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

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

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

All Group units report their financial statements monthly, based on a common chart of accounts. The accountant of the unit is responsible for the accuracy of the reported figures and that the financial reporting complies with the Group's accounting principles. In addition, general and analytical controls of the reported figures together with consolidation are performed at corporate level. The reports are analysed on group, company and project level by the group management. Reporting covers both financial and non-financial parameters. Focus is placed on profitability and risk within each business area. Performance monitoring is given high priority, and measures are implemented in areas that do not have the desired development. Disclosures are reported in connection with the quarterly and the annual reporting. Extended controls are carried out in the quarterly and the year-end reporting processes.

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

The purpose of risk management and internal controls is to manage risks associated with the business and to enhance the quality of financial reporting. Effective risk management and sound internal controls help to safeguard shareholders' investments and the company's assets. The board believes that NRS has a sound

internal control and risk management system, which is tailored to suit the needs of the business. The board's annual plan includes an annual review of the company's risk areas and internal control systems, as well as values and ethical guidelines.

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

### **Ethical guidelines**

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

## **11 Remuneration of the board of directors**

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

The Group Chair has performed services for the Group through his family company Frøy Gruppen. The board is aware of these services, which are priced on market terms and conditions. The relationship is discussed in Note 26 to the consolidated financial statements.

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

## **12 Remuneration paid to senior executives**

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

responsible for the determination of the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of the Group.

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

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

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

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

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

For additional information on the different elements, reference is made to the board's statement on establishment of salaries and other remuneration for senior executives and to note 18 in the consolidated financial statements.

## 13 Information and communication

NRS shall ensure that all shareholders receive accurate, clear, relevant and timely information relating to all matters of financial significance to shareholders. NRS publishes financial information on its website and in press releases. Interim and annual financial statements were published in both Norwegian and English in 2019.

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

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

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

## 14 Take-overs

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

## 15 Auditor

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

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

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



# The board's statement

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

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

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

## 1. Senior executives remuneration policy in 2019

In addition to their fixed salary, the following benefits were paid to Group management in 2019:

### Yearly bonus

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

### Share-based incentive schemes

A share-based bonus program for senior executives and key employees was introduced in 2017. The scheme was continued in both 2018 and 2019. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange and shall not exceed a year's salary. The scheme introduced in 2017 was disbursed in 2019. The scheme introduced in 2018 runs until 20 March 2020 and the scheme introduced in 2019 until 20 March 2021.

### Pension schemes

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

### Notice period and severance pay

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

### Benefits in kind

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

## 2. Principles on remuneration for the 2020 financial year

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

### Basic salary

The basic salary shall be based on job content, responsibility levels, competency and length of service. Regular measurements against relevant markets are carried out to ensure that the total compensation is competitive.

### Annual bonus

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

### Benefits in kind

Senior executives will normally be awarded benefits in kind which is common for comparable positions such as communication, newspaper and car. There are no special restrictions on the nature of which benefits in kind that can be agreed upon.

### Share-based incentive schemes

The Group has a share-based bonus scheme for the Group Management and key personnel. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange. The scheme introduced in 2018 runs until 20 March 2020, the scheme from 2019 until 20 March 2021. These schemes shall not exceed a year's salary.

The scheme introduced on 20 March 2020 has a vesting period until March 20 2021 and is paid 50% in March 2022 and 50% in March 2023. This scheme shall not exceed 0.25 of an annual salary.

### Pension schemes

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

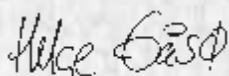
### Notice period and severance pay

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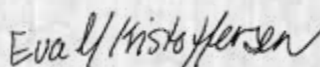
### Other variable remuneration components

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

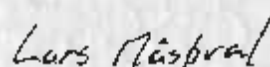
Trondheim, 2 April 2020



Helge Gåsø  
Chair



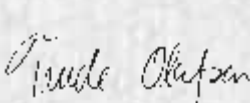
Eva Kristoffersen  
Vice Chair



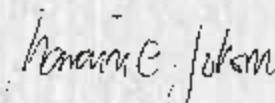
Lars Måsøval



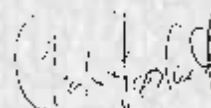
Tom Vidar Rygh



Trude Olafsen



Marianne E. Johnsen



Charles Høstlund  
Chief Executive Officer











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# Consolidated income statement

(NOK 1 000)	Note	2019	2018*
<b>Operating revenues</b>	2	<b>5 586 670</b>	<b>5 080 806</b>
Cost of materials		4 586 500	4 132 850
Personnel expenses	18,19	154 466	139 279
Depreciation	7	86 804	76 550
Other operating expenses	6,12,24,25	216 098	167 790
<b>Total operating expenses</b>		<b>5 043 868</b>	<b>4 516 469</b>
<b>Operational EBIT</b>		<b>542 802</b>	<b>564 337</b>
Fair value adjustments	14	-132 023	176 851
Write down of assets	7	-4 379	0
Income from associates	10	16 901	14 713
<b>Net operating result</b>		<b>423 301</b>	<b>755 901</b>
<b>Financial items</b>			
Gain financial assets	16,20	78 375	82 030
Net interest expenses	20	-17 986	-13 992
Net other financial expenses	20	-8 915	-5 368
<b>Net financial items</b>		<b>51 474</b>	<b>62 670</b>
<b>Result before tax</b>		<b>474 775</b>	<b>818 571</b>
Tax	13	-84 278	-149 398
<b>Profit after tax from continuing operations</b>		<b>390 497</b>	<b>669 173</b>
Profit after tax on discontinued operations incl. profit from sale	27	922 600	39 917
<b>Net profit/loss</b>		<b>1 313 097</b>	<b>709 091</b>
<b>Profit attributable to:</b>			
Owners of the parent company		1 306 721	705 311
Non-controlling interests		6 376	3 780
<b>Net result for the year</b>		<b>1 313 097</b>	<b>709 091</b>
Earnings per share, continuing operations (NOK)	22	8.86	15.31
Earnings per share, continuing operations - diluted	22	8.86	15.31
Earnings per share (NOK)	22	30.14	16.21
Earnings per share - diluted	22	30.14	16.21

\* The consolidated income statement 2018 is adjusted for discontinued operations. See note 27 for further information.

# Consolidated statement of comprehensive income

(NOK 1 000)	Note	2019	2018
<b>Net result for the year</b>		<b>1 313 097</b>	<b>709 091</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss</b>			
Translation differences from associated companies		-2 182	-15 859
Cash flow hedges (net of tax)	16	18 424	-2 699
<b>Total items that may be reclassified to profit or loss</b>		<b>16 242</b>	<b>-18 557</b>
<b>Items not to be reclassified to profit or loss:</b>			
Actuarial losses on defined benefit plans (net of tax)	19	-7 686	-1 154
<b>Total items not to be reclassified to profit or loss</b>		<b>-7 686</b>	<b>-1 154</b>
<b>Comprehensive income for the year</b>		<b>1 321 653</b>	<b>689 379</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent company		1 315 276	685 600
Non-controlling interests		6 376	3 780
<b>Comprehensive income for the year</b>		<b>1 321 653</b>	<b>689 379</b>

# Consolidated balance sheet

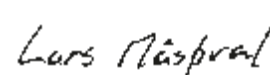
ASSETS (NOK 1 000)	Note	31.12 2019	31.12 2018
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Licences	3,9	713 947	846 807
<b>Total intangible assets</b>		<b>713 947</b>	<b>846 807</b>
<b>Property, plant and equipment</b>			
Land, buildings and other real estate	7,9	55 085	37 780
Machinery and equipment	7,9	799 625	313 584
Boats and fleets	7,9	302 586	299 614
Fixtures, office equipment, etc.	7,9	18 272	21 599
<b>Total property, plant and equipment</b>		<b>1 175 568</b>	<b>672 577</b>
<b>Non-current financial assets</b>			
Investments in associates	10	607 886	568 443
Other financial assets		463	367
Other long-term receivables	6,15,26	68 374	87 191
<b>Total non-current financial assets</b>		<b>676 723</b>	<b>656 001</b>
<b>Total non-current assets</b>		<b>2 566 238</b>	<b>2 175 385</b>
<b>Current assets</b>			
Inventories	9,23	80 123	81 376
Biological assets	5,9,14	1 231 662	1 240 393
<b>Total inventory</b>		<b>1 311 784</b>	<b>1 321 769</b>
<b>Receivables</b>			
Accounts receivables	6,9,15	416 910	369 030
Other short-term receivables and prepayments	6,15,16	233 289	68 997
<b>Total short-term receivables</b>		<b>650 199</b>	<b>438 027</b>
Cash and cash equivalents	8,15,17	152 317	155 653
<b>Total current assets</b>		<b>2 114 300</b>	<b>1 915 449</b>
<b>Total assets</b>		<b>4 680 537</b>	<b>4 090 833</b>

<b>EQUITY AND LIABILITIES</b> (NOK 1 000)	Note	<b>31.12 2019</b>	<b>31.12 2018</b>
<b>Equity</b>			
Share capital	21,22	43 572	43 572
Treasury shares	21,22	-141	-58
Retained earnings	21,22	3 267 659	2 235 729
<b>Total equity attributable to owners of the parent company</b>		<b>3 311 090</b>	<b>2 279 243</b>
Non-controlling interests		45 949	41 542
<b>Total equity</b>		<b>3 357 040</b>	<b>2 320 785</b>
<b>Non-current liabilities</b>			
Pension liabilities	19	27 638	19 005
Deferred tax liabilities	13	358 208	385 754
Non-current interest bearing debt	8,9,15	200 933	551 054
<b>Total non-current liabilities</b>		<b>586 780</b>	<b>955 813</b>
<b>Current liabilities</b>			
Current interest bearing debt	8,9,15	47 927	102 514
Accounts payables	15	575 895	446 993
Tax payable	13	42 537	134 777
Other current liabilities	11,15,16	70 359	129 952
<b>Total current liabilities</b>		<b>736 717</b>	<b>814 235</b>
<b>Total liabilities</b>		<b>1 323 498</b>	<b>1 770 048</b>
<b>Total equity and liabilities</b>		<b>4 680 537</b>	<b>4 090 833</b>

Trondheim, 2 April 2020

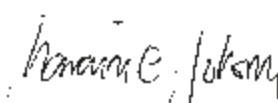
  
Helge Gåsø  
Chair

  
Eva Kristoffersen  
Vice Chair

  
Lars Måsøval

  
Tom Vidar Rygh

  
Trude Olafsen

  
Marianne E. Johnsen

  
Charles Høstlund  
Chief Executive Officer



# Consolidated statement of cash flow

(NOK 1 000)	Note	31.12 2019	31.12 2018**
<b>Operational EBIT</b>		<b>542 802</b>	<b>641 726</b>
Adjusted for:			
Taxes paid	13	-138 290	-112 223
Depreciation	7	86 804	89 299
Share based payment		-1 413	-297
Pension costs with no cash effect		-1 199	798
Change in inventories/biological assets	5	-260 491	81 527
Change in account receivables and accounts payables		17 974	74 678
Change in other current assets and other current liabilities		-22 897	31 190
<b>Net cash flow from operating activities</b>		<b>223 291</b>	<b>806 696</b>
<b>Cash flow from investing activities</b>			
Payments for purchase of fixed assets and licenses (MAB)	7	-584 237	-412 941
Payments for acquisition of associated company		-43 738	0
Proceeds from realisation of current financial assets (TRS)	16,20	-3 809	47 282
Proceeds from investments in non-current financial assets	10	19 950	11 458
Net cash proceeds from discontinued operations*	27	1 125 700	0
Change in loans to associates and others		-22 270	-57 617
<b>Net cash flow from investing activities</b>		<b>491 595</b>	<b>-411 818</b>
<b>Cash flow from financing activities</b>			
Receipts from new non-current debt		48 841	241 189
Non-current debt repayment		-400 404	-156 471
Net change in bank overdraft		-51 611	-235 008
Net proceeds from sale of treasury shares and payments for purchase of treasury shares		-25 035	3 887
Net interest payments		-29 785	-19 918
Dividend payment		-260 229	-224 684
<b>Net cash flow from financing activities</b>		<b>-718 223</b>	<b>-391 005</b>
Net increase in cash and cash equivalents		-3 336	3 874
Cash and cash equivalents as of 1 January		155 653	151 779
<b>Cash and cash equivalents as of 31 December</b>		<b>152 317</b>	<b>155 653</b>

\* Net cash flow discontinued operations includes net cash flow from operations in the discontinued operation, Region South, as well as net paid sales price for the sold business. See Note 27 for specification.

\*\* All items in the cash flow statement for 2018 include cash flows from the discontinued operation's operating, investing and financing activities.

# Consolidated statement of changes in equity

## Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Cashflow hedges reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity as of 1 January 2019</b>		<b>43 572</b>	<b>-58</b>	<b>-13 147</b>	<b>5 231</b>	<b>2 243 644</b>	<b>2 279 243</b>	<b>41 542</b>	<b>2 320 785</b>
Net result for the year		0	0	0	0	1 306 721	1 306 721	6 376	1 313 097
Actuarial losses on defined benefit plans		0	0	0	0	-7 686	-7 686	0	-7 686
Foreign currency translation		0	0	0	-2 182	0	-2 182	0	-2 182
Cash flow hedges (net of tax)		0	0	18 424	0	0	18 424	0	18 424
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>18 424</b>	<b>-2 182</b>	<b>1 299 035</b>	<b>1 315 276</b>	<b>6 376</b>	<b>1 321 653</b>
<b>Transactions with shareholders</b>									
Dividend	21	0	0	0	0	-258 259	-258 259	-1 969	-260 228
Share based payment	18	0	0	0	0	-1 412	-1 412	0	-1 412
Other equity transactions in the Group		0	0	0	0	1 278	1 278	0	1 278
Net purchase and sale of treasury shares	21	0	-83	0	0	-24 952	-25 035	0	-25 035
<b>Total transactions with shareholders</b>		<b>0</b>	<b>-83</b>	<b>0</b>	<b>0</b>	<b>-283 346</b>	<b>-283 428</b>	<b>-1 969</b>	<b>-285 398</b>
<b>Equity as of 31 December 2019</b>		<b>43 572</b>	<b>-141</b>	<b>5 277</b>	<b>3 049</b>	<b>3 259 333</b>	<b>3 311 090</b>	<b>45 949</b>	<b>3 357 040</b>

## Consolidated statement of changes in equity cont.

## Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Cashflow hedges reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity as of 1 January 2018</b>		<b>43 572</b>	<b>-82</b>	<b>-10 448</b>	<b>21 090</b>	<b>1 759 136</b>	<b>1 813 268</b>	<b>37 762</b>	<b>1 851 030</b>
Net result for the year		0	0	0	0	705 311	705 311	3 780	709 091
Actuarial losses on defined benefit plans		0	0	0	0	-1 154	-1 154	0	-1 154
Foreign currency translation		0	0	0	-15 859	0	-15 859	0	-15 859
Cash flow hedges (net of tax)		0	0	-2 699	0	0	-2 699	0	-2 699
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>-2 699</b>	<b>-15 859</b>	<b>704 157</b>	<b>685 600</b>	<b>3 780</b>	<b>689 379</b>
<b>Transactions with shareholders</b>									
Dividend	21	0	0	0	0	-224 710	-224 710	0	-224 710
Share based payment	18	0	0	0	0	-297	-297	0	-297
Other equity transactions in the Group		0	0	0	0	1 496	1 496	0	1 496
Net purchase and sale of treasury shares	21	0	24	0	0	3 863	3 887	0	3 887
<b>Total transactions with shareholders</b>		<b>0</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>-219 649</b>	<b>-219 624</b>	<b>0</b>	<b>-219 624</b>
<b>Equity as of 31 December 2018</b>		<b>43 572</b>	<b>-58</b>	<b>-13 147</b>	<b>5 231</b>	<b>2 243 644</b>	<b>2 279 243</b>	<b>41 542</b>	<b>2 320 785</b>

# Notes to the annual financial statements

## Note 1. Accounting principles

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### 1.1 General information

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

The consolidated financial statements for 2019 include the parent company, subsidiaries and the Group's shareholdings in associates. The Group's core business is linked to fish farming and sales.

The annual financial statements were approved by the board on 2 April 2020.

### 1.2 Basis of preparation

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

#### Statement of compliance

The consolidated financial statements of Norway Royal Salmon ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and relevant interpretations that are mandatory for annual financial statements presented as of 31 December 2019.

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

#### Basis for measurement

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

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

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

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

### 1.3 Introduction of new and amended standards

Norway Royal salmon has applied the following standards for the first time in 2019:

#### IFRS 16 Leases

The standard is mandatory from 1 January 2019 and the Group applied IFRS 16 based on the «modified retrospective method» on 1 January 2019, which is a retrospective application of IFRS 16 without restating the comparative figures. The standard replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under model similar to the accounting for finance leases under IAS 17. The standard is mandatory from 1 January 2019. IFRS 16 contains an option to not recognize the right of use and the related lease obligation for a lease when the lease is short term or for the lease of assets with low value.

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

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

### Transition to IFRS 16 Leases

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

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

Leases related to the machines, equipment, service boats, fleets and offices are recognised, measured and presented according to IFRS 16 Leases. See note 24.

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

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

In summary, the Group has leases related to:

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

## 1.4 Summary of important accounting principles

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the company. Control over a company arises when the Group is exposed to variability in the return of a company and has the ability to influence this return through its influence over the company. Annual financial

statements of subsidiaries are included in the consolidated financial statements from the date control is achieved until the date control ceases. All transactions relating to the discontinued operations, Region South, are presented as discontinued operations. This is presented as «Profit after tax discontinued operations incl. profit from sale», in the income statement and includes Region South's pre-tax profit for the period as well as the gain from the sale. See Note 27 for further information.

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

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

### Eliminations

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

### Non-controlling interests

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

If the Group no longer has control, any remaining interest is valued at fair value with changes in value being recognised through profit or loss. Fair value then represents the cost in subsequent recognition, either as an investment in associates, joint ventures or as a financial asset. Amounts previously recognised in



comprehensive income relating to this company are treated as if the Group had disposed of the underlying assets and liabilities. This could mean that amounts previously recognised in comprehensive income are reclassified to the income statement.

### **Associates**

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

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

### **Classification of accounting items**

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

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

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

### **Statement of cash flow**

The statement of cash flow has been prepared using

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

### **Segment reporting**

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

### **Revenues**

#### ***Sale of goods***

The Group's operating revenues derive mainly from the sale of fish. Revenues from the sale of goods are recognised in income when control has been transferred to the customer. This is normally the delivery date. The timing of the transfer of risk to the customer depends on the delivery terms specified in the sales contract and varies from customer to customer. The normal credit term is 30 days net. The transaction price is the consideration that Norway Royal Salmon expects to be entitled to in exchange for the transfer of agreed goods to the customer, except for amounts received on behalf of third parties. The consideration agreed upon in a contract with a customer may include fixed amounts, variable amounts or both.

#### ***Interest income***

Interest income is recognised when the income is earned.

#### ***Dividends***

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

### **Fish-farming licences**

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

Below is a detailed description of the Group's assessments in situations where the Group has

established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum.

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

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

Licenses are limited in number, i.e. the enterprises are only granted new licenses (more production volume) subsequent to politically adopted allocation rounds.

Section 5, second paragraph of the Aquaculture Act reads: «The Ministry may prescribe detailed provisions relating to the content of the aquaculture licenses, including the scope, time limitations, etc., by administrative decision or regulations.» In the legislative background to the Aquaculture Act, White Paper no. 61 2004-2005, the following statement can be found on page 59: «It will remain the case that licenses are normally allocated without any specific time limitation. Implementation of such limitations should be reserved for those issues where a time limitation, based on

the specific situation, provides for a more complete fulfilment of the Act than if the license were to be allocated without a time limitation.» The duration of licenses is also specified by the Aquaculture Act, which in its most recent revision underlined ownership of licenses by allowing the licenses to be mortgaged to the benefit of the lender.

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

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

### Write-downs

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

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

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

### Biological assets

Biological assets comprise live fish stocks. Under IAS 41, biological assets are recognized and measured at

fair value. Fair value is determined in accordance with IFRS 13. There are no efficient markets for the sale of live fish, and valuing live fish involves estimating their fair value in a theoretical live fish market. Norway Royal Salmon recognises the production cost incurred at the balance sheet date.

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

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

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

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

The principle of highest and best use, according to IFRS 13 is the basis for the valuation and classification.

In the fair value calculation, optimal harvest weight is defined as harvest weight according to harvest plans. Changes in fair value adjustments are recognised in the income statement on a separate line for fair value adjustments. Fair value adjustments are included in the consolidated net operating results.

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

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

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

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

### Financial instruments

Financial instruments are classified in three measurement categories: hedge accounting, fair value through P&L and amortised cost. The measurement categories are decided when recognising the assets

for the first time. The basis of classification depends on Norway Royal Salmon's business model and the contractual cash flow characteristics of the financial asset.

#### **Financial liabilities at fair value through P&L**

##### ***Forward currency contracts***

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

##### ***Total Return Swaps***

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

##### ***Fish Pool – sales operations***

The Group also derivatives to hedge margins connected to deliveries in the sales department. In cases where fixed-price contracts have been entered into and the sales department does not wish to hedge the Group's volume from the farming operations, agreements are made to purchase financial Fish Pool contracts to hedge the margins. The derivatives are measured at fair value at the time they are entered into with subsequent changes in value recognised on a separate line for fair value adjustment. Fair value adjustments are included in the consolidated operating results. Realised gains and losses are recognised in cost of sales.

##### ***Fish Pool – farming operations***

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

#### **Hedge accounting**

##### ***Forward currency contracts -hedge accounting***

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

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

There is adequate documentation when the hedge is entered into that the hedge is effective. The hedge is expected to be highly effective in that it counteracts changes in cash flows from an identified object. For cash flow hedges, the forthcoming transaction must be highly probable, and the effectiveness of the hedge can be reliably measured. The hedge is evaluated regularly.

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

#### **Financial liabilities at amortised cost**

##### ***Liabilities***

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

#### **Financial assets at amortised cost**

##### ***Loans and receivables***

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

**Accounts receivables**

Accounts receivable are amounts outstanding from customers as a result of ordinary sales of goods as part of ordinary activities. Accounts receivable have ordinary credit time between 30 and 60 days and are classified as current assets. Accounts receivable are initially recognized at the transaction price as defined in IFRS 15. After initial recognition, trade receivables are measured at amortized cost, less any impairment losses. Accounts receivable are valued at face value less any expected losses.

**Cash and cash equivalents**

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

**Property, plant and equipment**

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

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

**Financial Leasing 2018**

Lease agreements with terms which transfer economic rights and liabilities to the Group are classified as financial leasing. Assets acquired by means of finance leases are recognised at the start of the leasing period at a value corresponding to the lower of the fair value of the asset and the present value of the minimum leasing cost, less cumulative depreciation and impairments. Associated leasing obligations are capitalised as liabilities. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term interest-bearing debt. The interest element of lease payment is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. All leases are signed on standard terms. Leases which were classified as operational leases in 2018 was expensed during the period.

**Onerous contracts**

Physical fixed-price sales contracts whose price is less than the price used as the basis for adjusting the fair value of the biomass are recognised as liabilities in the financial statements. The amount recognised as

a liability is the difference between the market price at the balance sheet date plus costs to sell and the contract price. Changes in provisions are recognised in a separate line for fair-value adjustment. Fair value adjustments are included in the consolidated operating results.

**Tax**

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

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

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

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

**Pensions****Defined contribution pension schemes**

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

**Defined benefit pension schemes**

Pension schemes that are not defined contribution schemes are defined benefit schemes. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting



period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a linear accrual method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

### **Share price-based bonus scheme**

The Group has a share price-based bonus scheme for senior executives and key personnel in the Group. The bonus program is a share-based scheme that entitles the employees to receive shares in NRS based on the price development in Norway Royal Salmon ASA's average share price for a predetermined period. Each employee can at most be granted rights to shares for a value in the interval between 25 per cent to 100 per cent of annual salary. The exercise price will be adjusted for dividends and changes in holdings of treasury shares.

The fair value of bonus scheme is calculated at the time of allocation and is recognised linearly in the vesting period.

### **Equity**

#### ***Purchase of treasury shares***

On the repurchase of treasury shares, the purchase price including directly attributable costs is recognised as a change in equity. Treasury shares are recognised as a reduction in equity. When treasury shares are sold, any consideration received is included in equity attributable to the company's equity holders.

#### ***Dividends***

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

### **Inventory**

Inventory comprise raw materials of which is mainly feed for the fish farming business, finished goods in

transit and stocks of finished goods, largely frozen salmon for sale.

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

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

### **Foreign currency**

#### ***Presentation currency***

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

#### ***Transactions and balance-sheet items***

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

### **Exceptional items**

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

### **Events after the balance sheet date**

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

### Accounting standards and interpretations issued but not applied

There are no IFRSs or IFRIC interpretations that are not yet effective for the financial year ending 31 December 2019 that would be expected to have a material impact on the Group.

## 1.5 Important accounting estimates and judgments

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

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

### *Valuation of the biological assets*

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

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

The prices are subject to change and this estimate contains considerable uncertainty. The forward prices used to calculate the fair value of the biomass can

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

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

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

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

## 1.6 Financial risk

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

### Foreign exchange risk

The bulk of the Group's transaction risk is linked to sales in currencies other than the functional currency of its sales business. The exposure is largely connected

to EUR, USD and GBP. Hedging of contracted currency revenues is managed through forward currency contracts. Hedging of the currency exposure deriving from trade receivables is managed through forward currency contracts and by drawing on the overdraft facility in the same currency. Details of the Group's exposure in foreign currency can be found in Notes 6 and 8. Forward currency contracts, see Note 16. Given the financial instruments in effect on 31 December 2019, a 2 per cent reduction in the value of the NOK towards USD would decrease the Group's profit by KNOK 1 693 and a 2 per cent reduction in the value of the NOK towards EUR would decrease the Group's profit by KNOK 2 444. The contractual future revenues that the instrument hedge (hedged items) are not recognized in the accounts.

### Interest rate risk

The Group's interest-bearing debt is currently exposed to variable interest rates. This means that the Group is exposed to changes in interest rates. The Group's interest bearing debt is capitalised at amortised cost. Given the financial instruments in effect on 31 December 2019, an increase of 100 basis points in the interest rates level would decrease the Group's profit by KNOK 331, assuming all other variables are constant.

### Credit risk

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

### Price/liquidity risk

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

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

The farming business, to a certain extent, enters fixed price contracts with the aim to hedge fluctuations in the spot price. If the sales business concludes fixed-price contracts, the margin is closed at the same time by concluding financial contracts to buy fish to an equivalent volume at Fish Pool or possible physical contracts with suppliers. In 2018 Norway Royal Salmon entered into agreements to secure the price of self-produced fish in the Group. 19 per cent of harvested volume were hedged. The Group had a no exposure on Fish Pool contracts for sale at 31 December 2019 (2018 net exposure on sale of 300 tonnes).

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

Norway Royal Salmon entered into a TRS-agreement on own shares. The Company is therefore exposed to changes in the share price of NRS. Given the financial instruments in effect on 31 December 2019, a NOK 1.00 reduction in the share price of NRS would reduce the Group's profit by KNOK 994 (2018: 1 486).

### Capital structure and equity

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

The company's main borrowing covenants are important indicators for measuring risk of the capital structure. The Group's main borrowing covenants are based on standard ratios relating to solvency. The group's finance agreement has one financial covenant requiring an equity ratio of at least 30 per cent and another requiring that the short-term credit facility shall not exceed 75 per cent of the carrying value of inventory and accounts receivables adjusted for IFRS 16 effects. At the end of 2019, the company keeps covenants under the loan agreement.

The Group's principal financial liabilities apart from bank liabilities consist of trade payables and derivatives. These financial liabilities constitute the majority of the Group's debt financing. The Group has various financial assets such as cash, accounts receivable and shares. The Group also uses financial derivatives, principally

forward currency contracts. The purpose is to manage currency risks arising from the operations of the Group. Derivatives of this type are not entered into for speculation purposes.

Equity not considered necessary for further growth will be returned to shareholders through dividends. At 31 December 2019, the Group had equity of NOK 3 357 million. The equity ratio, defined as equity divided by total assets, was at the same time 71.7 per cent. Net interest-bearing debt, defined as total debt less cash and cash equivalents and interest-bearing receivables were NOK 33 million at year-end.

The Company's dividend policy is to distribute at least 60% of profit after tax, provided that the Group's equity ratio is above 40 per cent and that the Group's own capital requirements have been satisfied. The shareholders should obtain a current yield directly correlated with the results. The board has proposed a dividend of NOK 217 860 955 (NOK 5.00 per share) based on the financial statements of 2019. The resolution is passed at the Annual General Meeting on 4 June 2020.

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

The board is authorised to purchase up to 4 357 219 treasury shares with a face value of NOK 4 357 219. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1.00, and no higher than NOK 300.00 per share. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020. The Group owns 140 811 treasury shares at the end of 2019. The group also owns TRS agreements to 994 609 shares with a contractual right to buy.

The board is authorised to issue up to 4 357 219 shares. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2020.

## Note 2. Segment reporting

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

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

Region South, which consisted of fish farming business in the border region of Hordaland and Rogaland. Region South was sold on 16 December 2019, but is presented as a segment for information purposes. Transactions between the segments are made at market terms.

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

(NOK 1 000)	Sales		Fish farming				Total	
	2019	2018	Region North		Region South		2019	2018
			2019	2018	2019	2018		
Total segment revenues	5 586 475	5 074 610	1 540 978	1 718 358	178 128	317 660	7 305 581	7 110 628
Revenues between segments	0	0	-1 540 978	-1 718 358	-178 128	-317 660	-1 719 106	-2 036 018
<b>Revenues from external customers</b>	5 586 475	5 074 610	0	0	0	0	5 586 475	5 074 610
Cost of materials	5 477 903	5 015 371	638 389	803 547	110 838	177 041	6 227 130	5 995 959
Depreciation	153	151	86 581	76 346	12 519	12 749	99 253	89 246
Other costs	38 853	36 245	280 255	222 222	52 365	48 482	371 473	306 950
<b>Operating result before fair value adjustments</b>	69 566	22 842	535 753	616 243	2 406	79 388	607 725	718 473
Fair value adjustments	-4 116	25 968	-127 907	150 883	2 487	-24 591	-129 536	152 260
Write down of assets	0	0	-4 379	0	0	0	-4 379	0
Share of income from associates	0	0	0	0	-1 087	-2 960	-1 087	-2 960
<b>Operating result</b>	65 450	48 810	403 467	767 126	3 806	51 837	472 723	867 773
Interest income	0	2 877	3 962	809	0	498	3 962	4 183
Interest expenses	0	0	-25 633	-11 934	-2 823	-1 068	-28 456	-13 002
Other financial items	-3 806	-1 932	20	30	0	0	-3 786	-1 902
<b>Segment result before tax</b>	61 643	49 756	381 815	756 031	983	51 268	444 443	857 053
<b>Total assets*</b>	841 529	634 930	2 537 749	2 332 785	0	349 784	3 379 277	3 317 500

\* All segment assets are located in Norway.



**Note 2. cont.****Reconciliation of reported segment result before tax with Group result before tax:**

(NOK 1 000)	2019	2018
Segment result before tax for operating segments	444 443	857 053
<i>Unallocated income statement items:</i>		
Profit before tax NRS Settefisk AS	-3 964	0
Unallocated expenses (operations)	-50 719	-42 380
Unallocated non-recurring items	-11 000	-34 000
Income from associates	16 901	16 713
Gain on realisation of financial assets	-3 809	47 282
Unrealised gains (+)/losses (-) on financial assets	82 184	34 748
Unallocated interest (finance)	1 721	-9 579
Profit before tax discontinued operations	-983	-51 267
<b>Result before tax</b>	<b>474 775</b>	<b>818 571</b>

**Reconciliation of reported segment assets to total assets:**

(NOK 1 000)	2019	2018
Segment assets for reportable segments:	3 379 277	3 317 500
<i>Unallocated assets:</i>		
Investments in associates	607 886	568 443
Investments in other shares	1	1
Assets in NRS Settefisk AS	231 554	0
Assets in Arctic Offshore Farming AS	374 845	0
Other long-term receivables	63 470	78 217
Unrealised losses/gains on financial assets	8 680	29 331
Bank deposits related to TRS agreements	14 825	97 344
<b>Total assets in the balance sheet</b>	<b>4 680 537</b>	<b>4 090 833</b>

**Geographical market sales:**

(NOK 1 000)	2019	2018
Norway	733 524	741 288
Western Europe	3 503 415	3 302 684
Eastern Europe & Russia	336 281	256 435
Asia & Middle East	1 004 067	745 999
Other countries	9 382	34 399
<b>Total operating revenues</b>	<b>5 586 670</b>	<b>5 080 806</b>

**Countries that generates more than 10 % of total operating revenues:**

(NOK 1 000)	2019	2018
Spain	725 059	725 828

## Note 3. Intangible assets

Cost: (NOK 1 000)	Fish farming licenses	
	2019	2018
Acquisition cost as of 1 January	846 807	648 887
Additions during the year	0	197 920
Disposals discontinued operations, Region South	-132 860	0
Acquisition cost as of 31 December	713 947	846 807

### Specification of fish farming licenses by region:

(NOK 1 000)	Licenses	Cost	Book value
			31.12.2019
Troms and Finnmark	34 746	713 947	713 947
Total	34 746	713 947	713 947

### Licenses

NRS has licenses equivalent to a MAB of 34 746 tonnes. All licenses are in Norway and are managed by the Department of trade, industry and fisheries.

The main condition for ordinary licenses is that they shall be operated in accordance with current laws and regulations.

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

### Annual impairment test

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

Impairment testing is performed for each cash flow generating unit (CGU). After the sale of Region South the Group has one CGU, Region North. All current fish farming operations are situated in Region North and production management, evaluation of harvesting plans, etc. are treated as one within the region.

The impairment test is carried out by calculating the present value of estimated future cash flows (estimated value in use) for the cash flow generating unit and

comparing this with the book value of the unit's net assets. Impairments are recognised if the book value exceeds the estimated value in use.

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

The impairment test did not give indications for write-downs of the book value of the licenses at 31 December 2019. There are significant positive differences between estimated recoverable amounts and book values in Region North.

### Key assumptions

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

#### EBIT margin per kg

EBIT per kilo is highly volatile due to the fluctuations in the price of salmon. Costs can under normal circumstances be forecasted with a relatively high level of accuracy. Due to expectations of continued high salmon prices the next four years, a lower EBIT margin per kg than achieved in the period between 2017 and 2019. After this period, the margin has been reduced to a normalized EBIT per kg of approximate NOK 15.00 (2018: NOK 15.00). Necessary investments to meet anticipated growth has been taken into consideration. In the latter part of the forecast period the investments will equal the depreciations and represents maintenance investments.

**Discount rate**

The estimated value in use is based on a discount rate after tax of 8.0 per cent (2018: 8.0 per cent). The discount rate is an estimated average capital cost for the Group (WACC). Capital costs are calculated by considering the risk-free interest rate, the market risk premium in the equity market and the company's average interest rate on borrowing. Capital costs are adjusted to reflect conditions at individual cash flow generating units, such as particular risks and interest rate differentials.

**Harvest volume**

Future production are estimated on the basis of current production and harvest plan, adjusted for expected increases in future output given current licenses. In the calculation it is assumed a production capacity of about 42 500 tonnes (2018: 50 000 tonnes).

**Sensitivity analysis**

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

	Region North	
	2019	2018
EBIT margin per kg (NOK)	-8.66	-12.16
Discount rates after tax	+16.53 %	+21.05 %
Harvest volume	-47.0 %	-74.0 %

## Note 4 . Companies in Group

The consolidated financial statements for 2019 include the following companies:

(NOK 1 000)	Registered Office	Nominal share capital	Share holding %	
			2019	2018
<b>Parent company</b>				
Norway Royal Salmon ASA	Trondheim	43 572		
<b>Subsidiaries</b>				
NRS Farming AS	Alta	9 429	100.00 %	100.00 %
NRS Settefisk AS	Trondheim	1 000	100.00 %	100.00 %
Arctic Offshore Farming AS	Trondheim	50 000	100.00 %	100.00 %
Nor Seafood AS	Senja	205	82.50 %	82.50 %
Norway Royal Salmon UK Ltd *	Leeds, UK	0	100.00 %	

\* Norway Royal Salmon UK Ltd is a subsidiary established in December 2019. The share capital had not been paid at 31 December 2019.

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

**Note 4. cont.****Summarised financial information on subsidiaries with material non-controlling interests**

<b>Summarised balance sheet</b>	<b>Nor Seafood AS</b>	
	<b>2019</b>	<b>2018</b>
<b>Current</b>		
Assets	238 804	224 238
Liabilities	-45 163	-50 872
<b>Total current net assets</b>	<b>193 641</b>	<b>173 366</b>
<b>Non-current</b>		
Assets	116 877	120 286
Liabilities	-47 950	-56 270
<b>Total non-current net assets</b>	<b>68 927</b>	<b>64 016</b>
<b>Net assets</b>	<b>262 568</b>	<b>237 382</b>

<b>Summarised income statement</b>	<b>Nor Seafood AS</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	151 678	197 406
Operational EBIT	47 826	48 166
Result before tax	46 730	26 291
Tax	10 294	5 350
<b>Total comprehensive income</b>	<b>36 436</b>	<b>20 941</b>
Total comprehensive income allocated to non-controlling interests	6 376	3 667
Dividends paid to non-controlling interests	1 969	0

<b>Summarised cash flows</b>	<b>Nor Seafood AS</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	88 467	136 669
Interest paid	1 111	-308
Income tax paid	-14 766	0
Net cash generated from operating activities	74 812	136 361
Net cash used in investing activities	-2 564	-13 617
Net cash used in financing activities	-19 926	-47 230
<b>Net increase in cash and cash equivalents and bank overdrafts</b>	<b>52 322</b>	<b>75 514</b>
Cash, cash equivalents and bank overdrafts at beginning of year	75 514	0
<b>Cash and cash equivalents and bank overdrafts at end of year</b>	<b>127 837</b>	<b>75 514</b>

## Note 5. Biological assets

### Specification of biological assets:

(NOK 1 000)	31.12.2019	31.12.2018
Biological assets valued at cost	1 013 394	887 123
Fair value adjustments of the biological assets	218 268	353 270
<b>Total biological assets</b>	<b>1 231 662</b>	<b>1 240 393</b>
Of which discontinued operations	0	138 810
<b>Continued operations</b>	<b>1 231 662</b>	<b>1 101 583</b>

### Specification of changes in book value of biological assets:

(NOK 1 000)	2019	2018
Biological assets as of 1 January	1 240 393	1 177 678
Increase due to production in the period	1 377 738	1 144 418
Non-recurring event at cost	-11 000	-34 000
Reduction due to harvesting in the period	-1 055 101	-1 175 113
Fair value adjustments of the biological assets	-125 420	156 716
Fair value adjustments of the biological assets due to non-recurring events	0	-29 306
Discontinued operations	-194 947	0
<b>Biological assets as of 31 December</b>	<b>1 231 662</b>	<b>1 240 393</b>
Of which discontinued operations	0	138 810
<b>Continued operations</b>	<b>1 231 662</b>	<b>1 101 583</b>

### Specification of biological assets – tonnes (ungutted weight):

	2019	2018
Biological assets as of 1 January	24 675	29 071
Increase due to smolt releases in the period	1 555	1 371
Increase due to production in the period	43 252	41 490
Reduction due to mortality in the period	-2 733	-3 011
Reduction due to harvesting in the period	-36 320	-42 827
Non-recurring event	-68	-1 419
Discontinued operations	-4 327	0
<b>Biological assets as of 31 December</b>	<b>26 033</b>	<b>24 675</b>
Of which discontinued operations	0	2 885
<b>Continued operations</b>	<b>26 033</b>	<b>21 790</b>



**Note 5. cont.****Specification of biological assets  
status on the balance sheet date  
31 December 2019**

	<b>Number of fish (1000)</b>	<b>Biomass (tonnes)</b>	<b>Acquisition costs</b>	<b>Fair value adjustments</b>	<b>Accounted value</b>
Smaller than 1 kg	6 757	3 515	261 098	22 868	283 967
1-4 kg	5 357	12 734	454 350	78 241	532 591
Larger than 4 kg	2 154	9 784	297 945	117 158	415 103
<b>Biological assets</b>	<b>14 268</b>	<b>26 033</b>	<b>1 013 393</b>	<b>218 268</b>	<b>1 231 662</b>

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

	<b>Number of fish (1000)</b>	<b>Biomass (tonnes)</b>	<b>Acquisition costs</b>	<b>Fair value adjustments</b>	<b>Accounted value</b>
Smaller than 1 kg	4 658	1 762	142 015	39 535	181 550
1-4 kg	7 814	14 164	529 821	156 556	686 377
Larger than 4 kg	1 593	8 749	215 289	157 179	372 468
<b>Biological assets</b>	<b>14 065</b>	<b>24 674</b>	<b>887 125</b>	<b>353 270</b>	<b>1 240 393</b>
Of which discontinued operations	1 858	2 885	131 715	7 095	138 810
<b>Continued operations</b>	<b>12 207</b>	<b>21 790</b>	<b>755 410</b>	<b>346 175</b>	<b>1 101 583</b>

**Fair value of biological assets:**

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

**Valuation model:**

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

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

The fair value of fish in the sea is calculated in the present value model as a function of the expected biomass at the time of harvest multiplied by the expected sales price. For fish that are not harvestable, estimated remaining costs to breed the fish to its harvestable weight are deducted. Cash flows are discounted monthly using a discount factor. The discount factor consists of three main components:

- 1) risk for events that affect cash flow,
- 2) hypothetical license and site rent and
- 3) the time value of money.

Expected biomass (volume) is based on the estimated number of individuals in the sea, adjusted for expected mortality until harvesting and multiplied by the expected harvest weight per individual at the time of harvest. The measuring unit is the individual fish, but for practical reasons the calculation is made on site level. Live weight of fish in the sea is translated into gutted weight to get the same measurement unit as the prices are set in.

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

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

The valuation model uses the following forward prices:

<b>Fish Pool forward prices 31.12.2019</b>	<b>NOK/kg</b>	<b>Fish Pool forward prices 31.12.2018</b>	<b>NOK/kg</b>
Q1-20	66.20	Q1-19	64.02
Q2-20	66.80	Q2-19	65.00
Q3-20	54.90	Q3-19	59.52
Q4-20	56.30	Q4-19	61.48
Q1+Q2-21	59.50	Q1+Q2-20	64.51
Y2021	59.00	Y2020	61.50

The following discount factor is used in the valuation model:

	<b>31.12.2019</b>	<b>31.12.2018</b>
Discount factor	6 %	6 %

#### Sensitivity analysis:

Based on the Group's biomass at 31 December 2019, a change in some factors will affect the book value of the biomass in the following manner:

	<b>Increase</b>	<b>Effect on biomass value at 31.12.2019</b>	<b>Reduction</b>	<b>Effect on biomass value at 31.12.2019</b>
Change in price	NOK 5,- pr kg	164 118	NOK -5,- pr kg	-164 122
Change in production cost on finished projects, gutted weight	NOK 1,- pr kg	-39 078	NOK -1,- pr kg	39 074
Change in discount factor	0,5 %	-47 901	-0,5 %	50 865
Change in discount factor	1 %	-93 048	-1 %	104 933
Change in time of harvest	1 month earlier	150 189	1 month later	-94 987
Biomass at 31 December 2019	1 %	5 950	-1 %	-5 954
Biomass at 31 December 2019	5 %	29 758	-5 %	-29 762

<b>Non-recurring events recognised in the income statement <sup>1)</sup></b>	<b>2019</b>			<b>2018</b>		
	<b>Cost</b>	<b>Fair value adjustments</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
Culling of fish due to sores NOR Seafood AS	11 000	0	11 000	0	0	0
Fish disease ISA Region South	0	0	0	32 000	28 476	60 476
Extraordinary mortality when delousing	0	0	0	2 000	830	2 830
<b>Biological assets</b>	<b>11 000</b>	<b>0</b>	<b>11 000</b>	<b>34 000</b>	<b>29 306</b>	<b>63 306</b>

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

## Note 6. Accounts receivables, other receivables and prepayments

### Specification of accounts receivables, other receivables and prepayments:

(NOK 1 000)	31.12.2019	31.12.2018
Account receivables	419 533	374 846
Provision for bad debts	-2 623	-5 816
Net accounts receivables	416 910	369 030
Other short-term receivables and prepayments	233 289	68 997
Other long-term receivables	4 904	8 974
Other long-term interest-bearing receivables	63 470	78 217
<b>Total accounts receivables, other receivables and prepayments</b>	<b>718 573</b>	<b>525 218</b>

### Other short-term receivables and prepayments comprise:

(NOK 1 000)	31.12.2019	31.12.2018
Fair value derivatives	64 070	0
Prepayments	62 361	24 044
Value added tax repayable	68 068	41 530
Other receivables	38 790	3 423
<b>Total other short-term receivables</b>	<b>233 289</b>	<b>68 997</b>

At 31 December 2019, accounts receivables of KNOK 144 298 (2018: KNOK 144 669) were past their due date but not impaired. These relate to a number of different customers that have not previously defaulted on their obligations to the group. The age distribution of these receivables are:

(NOK 1 000)	31.12.2019	31.12.2018
Less than 1 month	129 198	133 426
Between 1 and 3 months	9 769	11 199
More than 3 months	5 331	44
<b>Accounts receivables past due date, but not impaired</b>	<b>144 298</b>	<b>144 669</b>

### Change in provision for bad debts

(NOK 1 000)	2019	2018
Provision for bad debts as of 1 January	-5 816	-5 969
Bad debts recorded in the year	207	1 724
Change in provision for bad debts	2 986	-1 570
<b>Provision for bad debts as of 31 December</b>	<b>-2 623</b>	<b>-5 816</b>

**Note 6. cont.**

At 31 December 2019 was nominal accounts receivables of KNOK 17 704 (2018: KNOK 7 720) written down. The size of the provision was KNOK 2 623 at 31 December 2019 (2018: KNOK 5 816). The individually impaired receivables relate to customers who have had financial problems and the provision covers both realised and expected losses. Accounts receivables are insured with a deductible mainly between 10 and 20 per cent. The age distribution of the written down receivables are:

(NOK 1 000)	31.12.2019	31.12.2018
2 to 6 months	136	1 188
More than 6 months	17 568	6 532
<b>Accounts receivables written down</b>	<b>17 704</b>	<b>7 720</b>

**Foreign currency exposure on receivables:**

(NOK 1 000)	31.12.2019	31.12.2018
CHF	59	0
EUR	231 876	239 062
GBP	26 661	0
JPY	7 943	5 182
PLN	0	1 010
USD	56 254	36 192
NOK	94 117	87 584
<b>Total book value trade receivables</b>	<b>416 910</b>	<b>369 030</b>

## Note 7. Property, plant and equipment

(NOK 1 000)	Land and buildings	Machin- ery and equip- ment	Boats and fleets	Other oper- ating assets	Total	Of which right-of-use assets*
<b>Acquisition cost as of 1 January 2018</b>	<b>42 240</b>	<b>427 697</b>	<b>366 159</b>	<b>36 864</b>	<b>872 958</b>	<b>446 307</b>
Reclassification of long-term receivables	0	3 533	0	0	3 533	0
Additions	8 764	140 004	53 717	11 890	214 375	41 190
Disposals	0	-46 243	-9 082	-6 188	-61 513	-42 071
<b>Acquisition cost as of 31 December 2018</b>	<b>51 004</b>	<b>524 992</b>	<b>410 795</b>	<b>42 565</b>	<b>1 029 352</b>	<b>445 426</b>
<b>Acquisition cost as of 1 January 2019</b>	<b>51 004</b>	<b>524 992</b>	<b>410 795</b>	<b>42 565</b>	<b>1 029 352</b>	<b>445 426</b>
Implementation IFRS 16 1.1.2019	0	0	16 793	0	16 793	16 793
Reclassification	0	0	0	0	0	1 230
Discontinued operations	-5 186	-92 977	-73 344	-6 050	-177 557	-65 531
Additions	23 367	573 239	67 907	9 735	674 247	76 669
Disposals	0	-1 778	-1 963	-118	-3 859	-47 526
<b>Acquisition cost as of 31 December 2019</b>	<b>69 185</b>	<b>1 003 475</b>	<b>420 188</b>	<b>46 132</b>	<b>1 538 977</b>	<b>427 061</b>
<b>Accumulated depreciation as of 1 January 2018</b>	<b>11 615</b>	<b>202 927</b>	<b>95 315</b>	<b>19 095</b>	<b>328 953</b>	<b>115 285</b>
Depreciation for the year	1 388	45 916	21 782	7 464	76 550	26 677
Depreciation discontinued operations	220	8 806	3 129	593	12 749	2 349
Disposals	0	-46 243	-9 044	-6 188	-61 474	-20 876
<b>Accumulated depreciation as of 31 December 2018</b>	<b>13 224</b>	<b>211 406</b>	<b>111 182</b>	<b>20 965</b>	<b>356 777</b>	<b>123 435</b>
<b>Accumulated depreciation as of 1 January 2019</b>	<b>13 224</b>	<b>211 406</b>	<b>111 182</b>	<b>20 965</b>	<b>356 777</b>	<b>123 435</b>
Discontinued operations	-2 053	-52 736	-24 159	-1 755	-80 703	-34 140
Depreciation for the year	2 930	46 957	28 160	8 757	86 804	49 132
Impairments	0	0	4 379	0	4 379	0
Disposals	0	-1 778	-1 962	-110	-3 851	-28 367
<b>Accumulated depreciation as of 31 December 2019</b>	<b>14 100</b>	<b>203 849</b>	<b>117 600</b>	<b>27 857</b>	<b>363 406</b>	<b>110 060</b>
Book value as of 1 January 2018	30 624	224 770	270 845	17 767	544 007	331 023
Of which right-of-use assets at 1 January 2018	0	101 676	229 347	0	331 023	
<b>Book value as of 31 December 2018</b>	<b>37 780</b>	<b>313 584</b>	<b>299 614</b>	<b>21 599</b>	<b>672 577</b>	<b>321 991</b>
Of which right-of-use assets at 31 December 2018	0	87 273	234 718	0	321 991	
<b>Book value as of 31 December 2019</b>	<b>55 085</b>	<b>799 625</b>	<b>302 586</b>	<b>18 272</b>	<b>1 175 568</b>	<b>317 001</b>
Of which right-of-use assets at 31 December 2019	3 538	71 758	241 706	0	317 001	

\* Disposal right-of-use assets relate to the purchase of these.

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



## Note 8. Interest bearing debt

### Non current interest bearing debt:

(NOK 1 000)	31.12.2019	31.12.2018
Debt to financial institutions	0	350 000
Non current liabilities for right-of-use assets	200 933	201 054
<b>Total non current interest bearing debt</b>	<b>200 933</b>	<b>551 054</b>

### Current interest bearing debt:

(NOK 1 000)	31.12.2019	31.12.2018
Liabilities to financial institutions	0	51 611
First year's instalment liabilities for right-of-use assets	47 927	50 903
<b>Total current interest bearing debt</b>	<b>47 927</b>	<b>102 514</b>
<b>Total interest bearing debt</b>	<b>248 860</b>	<b>653 568</b>
Other non current interest bearing receivables	63 470	78 217
Cash and bank deposits	152 317	155 653
<b>Net interest bearing debt</b>	<b>33 073</b>	<b>419 698</b>
Unused credit facility long-term debt	1 400 000	450 000
Limit credit facility	600 000	600 000
Drawn upon credit facility	0	-51 611
<b>Unutilised drawing rights</b>	<b>2 000 000</b>	<b>998 389</b>

#### Group loan agreements

Norway Royal Salmon ASA has an agreement with Danske Bank where the Group's credit facilities totals NOK 2 000 million. NOK 1 000 million of this is a long-term credit facility that is instalment-free and expires 2025, the agreement has an annual credit review for a further extension of 5 years. NOK 400 million is granted as green financing and is instalment-free and expires 30 June 2022. NOK 600 million is a short-term multi-currency overdraft facility. The agreement covers all companies in the Group.

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

#### Liabilities for right-of-use assets

At 31 December 2019 the book value of the Group's liabilities for right-of-use assets amounted to KNOK 248 860. Interest rates on these liabilities are three-month NIBOR plus a margin.

#### Financial covenants

The Group's loan covenants are based on standard ratios. The Group shall have an equity ratio of at least 30 per cent adjusted for IFRS 16 effects and the short-term credit facility shall not exceed 75 per cent of the inventory and accounts receivables. At the end of 2019 the Group is in compliance with the terms of its loan agreements.

**Note 8. cont.****Foreign currency exposure in connection with company's interest bearing debt at 31 December 2019:**

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Andre	Total
Non current liabilities for right-of-use assets	200 933	0	0	0	0	0	200 933
Liabilities to financial institutions *	108 191	-54 186	-18 716	-28 226	-7 301	238	0
First year's instalment for right-of-use assets	47 927	0	0	0	0	0	47 927
<b>Total interest bearing debt</b>	<b>357 051</b>	<b>-54 186</b>	<b>-18 716</b>	<b>-28 226</b>	<b>-7 301</b>	<b>238</b>	<b>248 860</b>

\* Liabilities to financial institutions specifies the various currencies in the multi-currency overdraft facility in Danske bank.

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

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

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Andre	Total
Non current liabilities	350 000	0	0	0	0	0	350 000
Non current liabilities for right-of-use assets	201 054	0	0	0	0	0	201 054
Liabilities to financial institutions *	-61 885	109 193	-3 701	241	5 619	2 145	51 611
First year's instalment for right-of-use assets	50 903	0	0	0	0	0	50 903
<b>Total interest bearing debt</b>	<b>540 072</b>	<b>109 193</b>	<b>-3 701</b>	<b>241</b>	<b>5 619</b>	<b>2 145</b>	<b>653 568</b>

\* Liabilities to financial institutions specifies the various currencies in the multi-currency overdraft facility in Danske bank.

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

**Maturity structure of Group's interest-bearing debt:**

(NOK 1 000)	31.12.2019	2020	2021	2022	2023	2024	After 2024
Non current liabilities for right-of-use assets	200 933	0	40 157	33 154	27 791	22 522	77 308
Interest on non current liabilities for right-of-use assets	25 763	7 398	5 919	4 685	3 678	2 846	1 237
Current liabilities for right-of-use assets	47 927	47 927	0	0	0	0	0
<b>Total interest bearing debt</b>	<b>274 623</b>	<b>55 325</b>	<b>46 077</b>	<b>37 839</b>	<b>31 469</b>	<b>25 369</b>	<b>78 545</b>

**Maturity structure of Group's interest-bearing debt:**

(NOK 1 000)	31.12.2018	2019	2020	2021	2022	2023	After 2023
Non current liabilities to financial institutions*	350 000	0	300 000	0	0	50 000	0
Interest on non current liabilities	30 705	9 345	9 345	9 345	1 335	1 335	0
Non current liabilities for right-of-use assets	201 054	0	43 407	36 002	29 103	23 524	69 018
Interest on non current liabilities for right-of-use assets	20 906	6 166	4 882	3 802	2 916	2 200	940
Current liabilities	51 611	51 611	0	0	0	0	0
Current liabilities for right-of-use assets	50 903	50 903	0	0	0	0	0
<b>Total interest bearing debt</b>	<b>705 179</b>	<b>118 025</b>	<b>357 634</b>	<b>49 149</b>	<b>33 354</b>	<b>77 059</b>	<b>69 958</b>

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

## Note 9. Pledges and guarantees etc.

### Reported liabilities secured by pledge:

(NOK 1 000)	31.12.2019	31.12.2018
Non current liabilities to financial institutions	0	350 000
Non current liabilities for right-of-use assets	200 933	201 054
Current liabilities for right-of-use assets	47 927	102 514
<b>Total liabilities secured by pledges</b>	<b>248 860</b>	<b>653 568</b>
Guarantee obligations and guarantor liabilities	1 392	1 662

### Book value of assets pledged:

(NOK 1 000)	31.12.2019	31.12.2018
Licenses	713 947	846 807
Property, plant and equipment	1 175 568	672 577
Inventories and biological assets	1 311 784	1 321 769
Trade receivables	416 910	369 030
<b>Total book value of pledged assets</b>	<b>3 618 209</b>	<b>3 210 183</b>

## Note 10. Investments in associates

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

2019 (NOK 1 000)	Business local authority	Share- holding	Book value 31.12.2019	Share of result for the year	Dividend received	Equity changes	Book value 31.12.2019
<b>Company</b>							
Wilsgård Fiskeoppdrett AS	Senja	37.50 %	156 909	27 217	-3 188	0	180 939
Måsøval Fishfarm AS	Frøya	36.10 %	28 244	9 280	-11 732	390	26 182
Hellesund Fiskeoppdrett AS	Lillesand	33.50 %	92 390	22 022	-5 030	2 329	111 711
Arctic Fish*	Isafjörður	50.00 %	253 394	-23 461	0	-2 182	227 750
Hardanger Fiskeforedling AS	Kvam	31.10 %	10 944	855	0	0	11 799
Espevær Laks AS**	Bømlo	33.33 %	1 785	0	0	-1 785	0
Ranfjord Fiskeprodukter AS****	Rana	37.75 %	19 255	-16 612	0	0	2 643
Skardalen Settefisk AS	Kåfjord	30.00 %	5 477	-908	0	0	4 569
Nordnorsk Smolt AS***	Hasvik	50.00 %	0	-1 491	0	43 738	42 247
Other			48	0	0	0	48
<b>Total associates</b>			<b>568 443</b>	<b>16 901</b>	<b>-19 950</b>	<b>42 490</b>	<b>607 886</b>

\* The change directly against equity is translation differences.

\*\* The investment in Espevær Laks is part of discontinued operations.

\*\*\* Equity changes of KNOK 43 490 in Nord Norsk Smolt AS is mainly due to previously given debt KNOK 42 420 which has been converted to equity.

\*\*\*\* A sales agreement has been signed for NRS's shares in Ranfjord Fiskeprodukter AS. The book value is written down so the balance sheet value at 31 December 2019 is equal to the sales price of KNOK 2 643.

**Note 10. cont.**

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

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 27 996 as of 31 December 2019. The fair value adjustments at the start of the year were KNOK 45 303. The decrease of KNOK 17 307 less tax is included in income from associates.

**Associates that own shares in NRS as of 31 December 2019:**

(NOK 1 000)	Shareholding	Number of shares	Fair value 31.12.2019	NRS' share of fair value adjustment 31.12.2019
Måsøval Fishfarm AS	36.10 %	259 606	62 098	22 417
Hellesund Fiskeoppdrett AS	33.50 %	1 665 843	398 470	133 487
<b>Total</b>		<b>1 925 449</b>	<b>460 567</b>	<b>155 905</b>

2018 (NOK 1 000)	Business local authority	Share-holding	Book value 31.12.2017	Share og result for the year	Dividend received	Equity changes	Book value 31.12.2018
<b>Selskap</b>							
Wilsgård Fiskeoppdrett AS	Senja	37.50 %	152 875	4 035	0	0	156 910
Måsøval Fishfarm AS	Frøya	36.10 %	18 932	15 883	-6 931	360	28 244
Hellesund Fiskeoppdrett AS	Lillesand	33.50 %	79 630	16 149	-4 527	1 137	92 389
Arctic Fish*	Isafjörður	50.00 %	287 272	-18 019	0	-15 859	253 394
Hardanger Fiskeforedling AS	Kvam	31.10 %	10 369	575	0	0	10 944
Espevær Laks AS**	Bømlo	33.33 %	2 745	0	0	-960	1 784
Ranfjord Fiskeprodukter AS	Rana	37.75 %	22 935	-3 680	0	0	19 256
Skardalen Settefisk AS	Kåfjord	30.00 %	5 707	-230	0	0	5 477
Other			48	0	0	0	48
<b>Total associates</b>			<b>580 513</b>	<b>14 713</b>	<b>-11 458</b>	<b>-14 362</b>	<b>568 443</b>

\* The change directly against equity is translation differences.

\*\* Result from Espevær Laks AS is part of discontinued operations and is not included in the income statement for 2018.

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 45 303 as of 31 December 2018. The fair value adjustments at the start of the year were KNOK 36 095. The increase of KNOK 9 208 less tax is included in income from associates.

**Note 10.** cont.**Associates that own shares in NRS as of 31 December 2018:**

	Shareholding	Number of shares	Fair value 31.12.2018	NRS' share of fair value adjustment 31.12.2018
Måsøval Fishfarm AS	36.10 %	257 295	46 056	16 626
Hellesund Fiskeoppdrett AS	33.50 %	1 651 015	295 532	99 003
<b>Total</b>		<b>1 908 310</b>	<b>341 587</b>	<b>115 629</b>

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

2019 (NOK 1 000)	Wilsgård Fiskeoppdrett AS	Måsøval Fish farm AS	Hellesund Fiske- oppdrett AS	Arctic Fish	Other
Operating revenues	403 510	59	200 590	163 708	152 470
Depreciation	15 574	77	5 703	1 220	11 258
Net interest expenses	362	-6	2 177	-23 114	-1 329
Result before tax	128 238	33 241	101 447	-46 922	545
Net result for the year	72 579	25 707	65 736	-46 922	-615
<b>Translation differences and OCI posts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>72 579</b>	<b>25 707</b>	<b>65 736</b>	<b>-46 922</b>	<b>-615</b>
Current assets	408 394	86 232	345 007	351 960	91 992
Non-current assets	307 304	14 202	32 343	497 187	204 530
Current liabilities	121 561	26 211	69 529	83 250	81 613
Non-current liabilities	157 514	20 989	-3 596	513 533	88 378
<b>Net assets</b>	<b>436 622</b>	<b>53 233</b>	<b>311 417</b>	<b>252 364</b>	<b>126 532</b>
<b>Net interest bearing debt</b>	<b>-6 802</b>	<b>-18 508</b>	<b>-189 279</b>	<b>504 278</b>	<b>87 301</b>

**Note 10.** cont.

<b>2018</b> (NOK 1 000)	<b>Wilsgård Fiskeoppdrett AS</b>	<b>Måsøval Fish farm AS</b>	<b>Hellesund Fiske- oppdrett AS</b>	<b>Arctic Fish</b>	<b>Other</b>
Operating revenues	300 303	92	118 234	5 878	111 752
Depreciation	15 482	77	4 806	0	7 079
Net interest expenses	-867	236	7 716	-8 133	-2 352
Result before tax	18 512	56 927	71 574	-36 038	-10 367
Net result for the year	10 759	43 998	48 207	-36 038	-8 664
<b>Translation differences and OCI posts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>10 759</b>	<b>43 998</b>	<b>48 207</b>	<b>-36 038</b>	<b>-8 664</b>
Current assets	369 693	96 724	239 554	195 338	79 646
Non-current assets	220 327	13 957	45 387	403 699	90 822
Current liabilities	99 914	26 425	26 414	43 438	46 584
Non-current liabilities	117 559	26 066	3 950	253 690	51 871
<b>Net assets</b>	<b>372 547</b>	<b>58 190</b>	<b>254 577</b>	<b>301 909</b>	<b>72 013</b>
<b>Net interest bearing debt</b>	<b>-46 176</b>	<b>-38 469</b>	<b>-120 006</b>	<b>245 160</b>	<b>35 196</b>

Added value in the Arctic Fish ehf Group are linked to land property and fish farming licenses.

Approved farming licenses are considered an intangible asset. Applications for fish farming licenses are not considered an intangible asset as the assets are not controlled by the company before the licenses are approved.

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

Fish farming licenses are normally granted with a 10-year lifetime. The license regulation on Iceland is new and under continuous development, it aims to ensure sustainable development. Arctic Fish ehf is therefore subject to requirements, and the company is liable to penalties, sanctions or revocation of the licenses if the company fails to comply with the licensing requirements. The licensing requirements for the production licenses means that the company must, annually, report production volume for each

site, location of the site, feeding, origin of the fish, diseases and other events affecting production or other conditions that the company sees relevant for the authorities to ensure its surveillance responsibilities to the Icelandic Food and Veterinary Authority (IFVA). A production diary shall always be available to the authorities.

The licensing requirements for an operating license means that the company is required to have established internal control related to environmental threats in the operations, such as pollution or emissions of chemicals. Information about the controls and possible incidents shall be recorded and be available for review by the Environmental Agency of Iceland (EAI).

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



## Note 11. Other current liabilities

### Specification of other short-term liabilities:

(NOK 1 000)	31.12.2019	31.12.2018
Official taxes due	10 596	24 213
Accrued option costs	0	3 447
Holiday pay	14 508	13 928
Forward currency contracts	0	12 122
Provision for onerous sales contracts*	3 860	1 463
Provision for unrealised derivatives - Total return swap (TRS)	0	29 331
Other short-term liabilities and accruals	41 396	45 449
<b>Total other short-term liabilities</b>	<b>70 359</b>	<b>129 952</b>

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

## Note 12. Operating expenses

### Specification of other operating expenses:

(NOK 1 000)	2019	2018
Short term rental of equipment and offices	41 038	32 601
Maintenance	69 904	40 295
Fuel	17 615	7 481
External fees	23 531	17 675
Off-balance sheet equipment	13 435	14 558
Insurance	5 025	6 022
Bad debts	2 266	1 531
Other	43 285	47 627
<b>Total other operating expenses</b>	<b>216 098</b>	<b>167 790</b>

## Note 13. Taxation

### Tax on the result is as follows:

(NOK 1 000)	2019	2018
Tax payable	50 295	140 028
Change in deferred tax	-30 574	22 283
Deferred tax discontinued division	64 010	-11 351
Corrections from previous years	546	-1 563
<b>Tax</b>	<b>84 278</b>	<b>149 398</b>

### Tax on items recognised in comprehensive income:

(NOK 1 000)	2019			2018		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Cash flow hedges	23 620	-5 196	18 424	-3 454	760	-2 699
Actuarial losses on benefits pension scheme	-9 854	2 168	-7 686	-1 479	325	-1 154
<b>Total</b>	<b>13 766</b>	<b>-3 027</b>	<b>10 737</b>	<b>-4 933</b>	<b>1 086</b>	<b>-3 853</b>

### Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2019	2018
Result before tax	474 775	818 571
Tax calculated at nominal tax rate (22 % in 2019 and 23 % in 2018)	104 451	188 271
Permanent differences:		
Equity method associates	-3 718	-3 163
Gain/Loss Total Return Swap (TRS)	-18 081	-18 867
Expenses not deductible for tax purposes	1 080	1 814
Changes in deferred tax caused by changed tax rate	0	-17 534
Corrections from previous years	546	-1 123
<b>Tax on the result</b>	<b>84 278</b>	<b>149 398</b>
<b>Effective tax rate</b>	<b>18 %</b>	<b>18 %</b>

**Note 13 . cont.****Deferred tax liabilities****Breakdown of deferred tax and basis for deferred tax:**

(NOK 1 000)	31.12.2019	31.12.2018	Change
Intangible assets	311 376	339 325	-27 949
Property, plant and equipment	39 280	160 793	-121 513
Property, plant and equipment under financial leasing	317 002	321 991	-4 990
Debt under financial leasing	-248 860	-251 958	3 097
Current assets	1 230 573	1 233 869	-3 296
Pension liabilities	-27 638	-19 005	-8 634
Short-term liabilities	7 356	-28 943	36 299
Other temporary differences	-867	-2 649	1 781
<b>Basis for deferred tax</b>	<b>1 628 220</b>	<b>1 753 424</b>	<b>-125 204</b>
Tax rate	22 %	22 %	
<b>Estimated deferred tax liabilities</b>	<b>358 208</b>	<b>385 754</b>	<b>-27 547</b>

**Change in deferred tax liabilities in balance sheet:**

(NOK 1 000)	2019	2018
Book value as of 1 January	385 754	364 557
Deferred tax posted in income statement	-30 574	39 818
Tax posted directly over OCI	3 027	-1 086
Changes in deferred tax caused by changed tax rate	0	-17 534
<b>Book value 31 December</b>	<b>358 208</b>	<b>385 754</b>

**Specification of tax payables:**

(NOK 1 000)	2019	2018
Tax payable «Skattefunn»	-7 759	-5 251
Tax payable basis for tax expense	50 295	140 028
<b>Tax payable</b>	<b>42 537</b>	<b>134 777</b>

## Note 14. Fair value adjustments

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

### Specification of fair value adjustments in the income statement:

(NOK 1 000)	Note	2019	2018
Change in fair value adjustments of biomass	5	-127 907	150 883
Change in provision for sales contracts	11	-2 399	-1 462
Change in fair value on financial Fish Pool contracts	16	-1 717	27 429
<b>Total fair value adjustments</b>		<b>-132 023</b>	<b>176 851</b>

### Specification of fair value adjustments in the balance sheet:

(NOK 1 000)		31.12.2019	31.12.2018	Change
Fair value adjustments biomass (biological assets)	5	218 268	346 175	-127 907
Provision for onerous sales contracts (other current liabilities)	11	-3 860	-1 462	-2 399
Fair value of financial Fish Pool contracts (other current receivables/liabilities)	16	0	1 717	-1 717
<b>Total fair value adjustments</b>		<b>214 408</b>	<b>346 431</b>	<b>-132 023</b>

## Note 15. Financial instruments by category

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

### As of 31 December 2019

(NOK 1 000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedge accounting	Total
Cash flow hedging	16	0	0	6 765	6 765
Fair value hedging	16	0	4 451	0	4 451
Total return swap	16	0	52 854	0	52 854
Trade and other receivables*	6	656 212	0	0	656 212
Cash and cash equivalents	17	152 317	0	0	152 317
<b>Total</b>		<b>808 529</b>	<b>57 305</b>	<b>6 765</b>	<b>872 599</b>

\* Trade and other receivables exclude prepayments

**Note 15 . cont.**

(NOK 1 000)	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedge accounting	Total
Finance leases	8	248 860	0	0	248 860
Trade and other payables*	11	646 254	0	0	646 254
<b>Total</b>		<b>895 114</b>	<b>0</b>	<b>0</b>	<b>895 114</b>

\* Trade and other payables excluding statutory liabilities

**As of 31 December 2018**

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

\* Trade and other receivables exclude prepayments

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

(NOK 1 000)	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedge accounting	Total
Loans (excluding finance leases)	8	401 611	0	0	401 611
Finance leases	8	251 957	0	0	251 957
Cash flow hedging	16	0	0	17 077	17 077
Fair value hedging	16	0	12 122	0	12 122
Total return swap	16	0	29 331	0	29 331
Trade and other payables*	11	547 614	0	0	547 614
<b>Total</b>		<b>1 201 182</b>	<b>41 453</b>	<b>17 077</b>	<b>1 259 712</b>

\* Trade and other payables excluding statutory liabilities

**Fair value of financial instruments*****Fair value of financial instruments recognised at amortised cost***

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

***Fair value measurement of financial instruments***

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

**Level 1:** Listed price in an active market for an identical asset or liability

**Level 2:** Valuation based on other observable factors either directly (price) or indirectly (price-derived) than listed price (used in level 1) for assets or liabilities

**Level 3:** Valuation based on factors not taken from observable markets (non-observable assumptions)

**Note 15 . cont.**

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2019:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Total Return Swap	0	52 854	0	52 854
- Forward currency contracts	0	4 451	0	4 451
Hedge accounting				
- Forward currency contracts	0	6 765	0	6 765
<b>Total assets</b>	<b>0</b>	<b>64 070</b>	<b>0</b>	<b>64 070</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Total Return Swap	0	0	0	0
- Forward currency contracts	0	0	0	0
Hedge accounting				
- Forward currency contracts	0	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2018:

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



## Note 16. Derivatives

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

### As of 31 December 2019

(NOK 1 000)	Other short-term receivables	Other current liabilities
Forward currency contracts	11 216	0
Total return swap	52 854	0
<b>Total</b>	<b>64 070</b>	<b>0</b>

### As of 31 December 2018

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

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

### Derivatives used to reduce risk

The Group uses forward currency contracts to hedge against currency fluctuations. The Sales Operations use derivatives to hedge margins related to deliveries. In those cases where it is entered into fixed-price contracts with customers without being hedged by physical contracts, the Sales Operations enter into agreements to purchase financial Fish Pool contracts to hedge margins. The Farming Operations enter into financial Fish Pool contracts to hedge prices for future deliveries.

### Forward currency contracts

Forward currency contracts are recognised at fair value at the balance sheet date. At 31 December 2019 forward currency contracts were nominated in EUR, USD and JPY. These contracts mature between 2 January 2020 and 21 December 2020 and are used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables.

## Note 16 . cont.

## As of 31 December 2019

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	12 413	15.01.20-15.12.20	10.114-10.477	5 278
Forward currency contracts – cash flow hedging	Sale	USD	9 650	06.01.20-21.12.20	8.944-9.174	1 855
Forward currency contracts – cash flow hedging	Sale	JPY	101 250	15.01.20-16.03.20	0.0776-0.0778	-368
Total forward currency contracts - cash flow hedging						6 765
Forward currency contracts – fair value hedging	Sale	USD	5 000	02.01.20	9.057	1 387
Forward currency contracts – fair value hedging	Sale	EUR	27 000	03.01.20	9.974	3 064
<b>Total forward currency contracts - fair value hedging</b>						<b>4 451</b>
<b>Total forward currency contracts</b>						<b>11 216</b>

## As of 31 December 2018

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	33 947	15.01.19-20.07.20	9.488-10.064	-10 559
Forward currency contracts – cash flow hedging	Sale	USD	15 444	04.01.19-10.12.19	8.044-8.528	-5 915
Forward currency contracts – cash flow hedging	Sale	GBP	1 554	15.01.19-15.03.19	10.829-11.128	-458
Forward currency contracts – cash flow hedging	Sale	JPY	83 100	20.02.19-17.04.19	0.0736-0.0752	-145
Total forward currency contracts - cash flow hedging						-17 077
Forward currency contracts – fair value hedging	Sale	USD	5 000	04.01.19	8.113	-2 886
Forward currency contracts – fair value hedging	Sale	EUR	20 000	03.01.19	9.488	-9 236
<b>Total forward currency contracts - fair value hedging</b>						<b>-12 122</b>
<b>Total forward currency contracts</b>						<b>-29 199</b>

The cash flow hedging satisfy the demands for hedge accounting and the changes in unrealised value are recognised in other comprehensive income, inefficient hedge is recorded as a finance post in the P&L. Realised profit/loss on the contracts are recognised in revenues. The change in value of the fair value hedge is recognised in the P&L in operating revenues.

## Specification of cash flow hedges over OCI

	Cash flow hedges per 01.01	Cash flow hedges per 31.12	Inefficiency	Gross change	Tax	Over OCI
<b>2019</b>	-17 077	6 765	-222	23 842	-5 196	<b>18 424</b>
<b>2018</b>	-13 620	-17 077	-3	-3 457	761	<b>-2 699</b>

**Note 16. cont.****Financial Fish Pool contracts**

The Group has no Fish Pool contracts at 31. December 2019. During 2019 the sales department entered into contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition, the group had entered into one agreement to hedge the price of own-produced fish. Realised Fish Pool contracts are posted in the accounts in the

operational result and the unrealised value changes to the Fish Pool contracts are posted under fair value adjustments in the accounts. Realised Fish Pool contracts classified under the operational result amounted to a cost of KNOK 1 471 in 2019 (2018: gain of KNOK 24 088). Unrealised change in the value of Fish Pool contracts was KNOK -1 717 in 2019 (2018: Positive change of KNOK 27 429).

**As of 31 December 2019**

(NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase/Sale	NOK	0			0
<b>Total</b>						<b>0</b>

**As of 31 December 2018**

(NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	600	01.01.19-31.12.19	62.25	153
Fish Pool contracts	Sale	NOK	900	01.01.19-31.12.19	63.85	1 565
<b>Total</b>						<b>1 717</b>

**Derivatives that add desired risk exposure****Total return swap**

In 2019 the company entered into a TRS (Total Return Swap) agreement against own shares. The Group uses Total Return Swaps (TRS) agreements against own shares to get an economic exposure of an asset without having to acquire the asset. At 31 December 2019, Norway Royal Salmon's total underlying exposures through the TRS agreement is 994 609 shares, representing 2.28 per cent of the share capital of the company. The agreement expires 17.03.2020. The

exercise price is NOK 187.29. The agreement means that the group get a result and liquidity exposures that are linked to the value of the parent company's shares. The TRS-agreement is recognised at fair value and changes in fair value are recognised in financial items. The company realised previously entered into agreements in 2019. The loss on realisation amounts to KNOK 3 810 (2018: gain of KNOK 47 282) and is posted as a finance post in the accounts. Unrealised gains on the agreements in 2019 were KNOK 82 185 (2018: KNOK 34 748).

**As of 31 December 2019**

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS	994 609	187.29	17.03.2020	52 854
<b>Total</b>	<b>994 609</b>			<b>52 854</b>

**As of 31 December 2018**

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS	1 485 756	199.42	14.03.2019	-29 331
<b>Total</b>	<b>1 485 756</b>			<b>-29 331</b>

## Note 17. Cash and bank deposits

(NOK 1 000)	31.12.2019	31.12.2018
Bank deposits	152 317	155 653
<b>Cash and bank deposits</b>	<b>152 317</b>	<b>155 653</b>
Of which restricted bank deposits	21 289	105 486

Of the restricted deposits KNOK 4 357 (2018: KNOK 2 579) is pledged as collateral related to the company's trading at Fish Pool. KNOK 14 825 (2018: KNOK 97 344) is pledged as collateral related to its TRS agreements. The rest is related to guarantees and tax accounts.

## Note 18. Personnel expenses and benefits

### Wages and personnel expenses

(NOK 1 000)	2019	2018
Wages and salaries	121 916	109 772
Payroll tax	10 414	8 245
Pension costs defined contribution scheme	3 257	3 029
Pension costs defined benefit scheme	4 505	4 380
Other benefits	14 375	13 853
<b>Total wages and personnel expenses</b>	<b>154 466</b>	<b>139 279</b>
<b>Average full-time equivalents</b>	<b>176</b>	<b>158</b>

### REMUNERATION TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS:

#### Senior management:

2019 (NOK 1 000)	Salary	Fees <sup>1)</sup>	Bonus	Share-based payments	Payments in kind	Total	Accrued pension costs <sup>2)</sup>
Charles Høstlund, CEO	2 743	40	380	8 436	273	11 872	442
Ola Loe, CFO	2 234	20	288	357	48	2 947	718
Arve Olav Lervåg, COO Farming	1 665	0	215	279	39	2 198	0
Klaus Hatlebrekke, COO Business Development	1 847	0	238	300	37	2 422	566
Tore Evjen, COO Freshwater	1 422	0	0	0	62	1 484	0
<b>Total</b>	<b>9 911</b>	<b>60</b>	<b>1 120</b>	<b>9 373</b>	<b>459</b>	<b>20 923</b>	<b>1 725</b>

1) Fees are directors' fees paid by subsidiaries.

2) Accrued pension cost are entitlements under the defined benefits pension scheme for the year. The employees own share of 2 per cent of gross salary has not been deducted.

**Note 18. cont.**

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

1) Fees are directors' fees paid by subsidiaries.

2) Accrued pension cost are entitlements under the defined benefits pension scheme for the year. The employees own share of 2 per cent of gross salary has not been deducted.

**Directors fee:**

(NOK 1 000)	<b>2019</b>	<b>2018</b>
Helge Gåsø, Board Chair	440	411
Kristine Landmark, Vice Chair	306	299
Trude Olafsen	282	276
Marianne E. Johnsen	346	329
Lars Måsøval	320	313
Jon Hindar	320	313
<b>Total</b>	<b>2 103</b>	<b>1 942</b>

**Share-based incentive scheme**

Norway Royal Salmon ASA introduced 20 march 2018 and 20 march 2019 bonus programs based on options for senior executives and key personnel in the Group. The scheme has been approved by the Board. The scheme is divided into 4 different levels and has a 24 months' vesting period. The bonus program is a share-based scheme that entitles shareholders to receive shares in NRS based on the price development in Norway Royal Salmon ASA's average share price for a period prior to 20 March 2019 and 20 March 2020.

Each employee can at most be granted rights to shares for a value in the interval from 25 to 100 per cent of annual salary. The exercise price will be adjusted for dividends and changes in holdings of treasury shares. In 2019, a cost of KNOK 3 570 (2018: KNOK 2 723) related to the new option scheme was recognised in the accounts. The cost is calculated using av Black-Scholes model. None of the employees included in the schemes are entitled to exercise their options as at 31.12.2019.

<b>Change in number of options</b>	<b>Program introduced in 2017</b>	<b>Program introduced in 2018</b>	<b>Program introduced in 2019</b>	<b>All programs</b>
At 31 December 2018	352 318	393 286	0	745 604
Exercised in the year	-339 421	0	0	-339 421
Allocated during the year (new program)	0	0	366 223	366 223
Terminated	-12 897	-13 333	-34 239	-60 469
<b>Number of options at 31 December 2019</b>	<b>0</b>	<b>379 953</b>	<b>331 984</b>	<b>711 937</b>
Exercise price	149.26	150.51	197.48	
<b>Number of employees in the program at 31 December 2019</b>	<b>0</b>	<b>21</b>	<b>21</b>	<b>30</b>

## Note 19. Pension costs and liabilities

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

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

The parent company operates a defined benefits pension scheme and a defined contribution scheme. The defined benefits scheme covers 31 people. The pension scheme provides an entitlement to defined future benefits, the size of which is largely dependent on the number of years' entitlement, salary upon

retirement and state pension benefits. The scheme is financed externally through an insurance company.

As a result of the application of IAS 19R, the period's net interest expense is now calculated by applying the discount rate for the liability at the beginning of the period to the net liabilities. Net interest expense therefore consists of interest on the obligation and return on assets, both calculated at the same discount rate. The change in the net pension obligation as a result of premium payments and pension payments are taken into account. Actuarial losses on defined benefit plans (net of tax) is recognised in the consolidated statement of comprehensive income.

The Norwegian Accounting Standards Board has announced that the market interest rate for covered bonds (OMF) can be used as the discount rate when estimating the future pension liabilities. Norway Royal Salmon finds it appropriate to use the market interest rate for covered bonds as the discount rate for its pension liability. Norway Royal Salmon believes there is a deep market in covered bonds that satisfy the requirements of high quality. Norway Royal Salmon have in their calculations per 31.12.2019, used a discount rate of 1.8 per cent.



**Pension costs:**

(NOK 1 000)	2019	2018
Current service cost	3 813	3 792
Interest cost	463	384
Payroll tax	615	601
Administration cost	88	86
<b>Net pension costs service – defined benefit scheme</b>	<b>4 980</b>	<b>4 864</b>
Cost of defined benefit pension scheme	4 980	4 864
Cost of defined contribution pension scheme	3 257	3 029
Early retirement scheme	1 485	1 073
Employee contributions to scheme	-475	-484
<b>Total pension costs</b>	<b>9 247</b>	<b>8 482</b>

**Assumptions defined benefit scheme:**

	2019	2018
Discount rate	1.80 %	2.60 %
Future salary increases	2.25 %	2.75 %
Inflation rate	2.00 %	2.50 %
Future pension increase	0.70 %	0.80 %

**Demographic factors:**

Disability table	IR02	IR02
Mortality table	K2013 BE	K2013 BE

**Number of employees in the scheme**

Active	30	31
Pensioners	9	9
<b>Total</b>	<b>39</b>	<b>40</b>

	2019	2018
Paid into the scheme during the year	5 434	3 563
Forecast payment to the scheme next year	6 113	4 027

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

(NOK 1 000)	31.12.2019	31.12.2018
Present value of funded obligations	78 097	64 583
Fair value of plan assets	-50 458	-45 578
<b>Net pension liabilities in balance sheet</b>	<b>27 638</b>	<b>19 005</b>

**Change in present value pension liabilities:**

(NOK 1 000)	2019	2018
Pension liabilities as of 1 January	64 583	56 333
Current service cost	4 464	4 427
Interest expense	1 673	1 295
Payroll tax on this year's payment	-766	-502
Pension payments	-710	-599
Actuarial losses over other comprehensive income	8 854	3 629
<b>Pension liabilities as of 31 December</b>	<b>78 097</b>	<b>64 583</b>

**Change in estimated fair value of plan assets:**

(NOK 1 000)	2019	2018
Estimated fair value of plan assets as of 1 January	45 578	39 606
Return on plan assets	1 157	858
Contributions paid	6 200	4 065
Pension payments	-766	-502
Payroll tax on this year's payment	-710	-599
Actuarial losses/ (gain) over other comprehensive income	-1 000	2 150
<b>Plan assets as of 31 December</b>	<b>50 458</b>	<b>45 578</b>

**Pension funds are made up as follows:**

(NOK 1 000)	2019	2018
Shares	12.7 %	12.1 %
Short-term bonds	13.5 %	12.5 %
Money market fund	17.0 %	11.0 %
Long-term bonds	31.4 %	29.4 %
Loans and receivables	14.1 %	25.2 %
Property	11.1 %	9.1 %
Other	0.2 %	0.7 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

**Note 19.** cont.**Sensitivity calculations**

The Group's pension liabilities and costs are based on assumptions as described above. Changes in these assumptions will result in changes in liability. A 1 per cent increase in the discount rate would result in a gross pension liability of KNOK 10 374. Conversely, reducing the discount rate by 1 per cent would result

in a gross pension liability of KNOK 50 952. An 1 per cent increase in the future salary increases, would result in a gross pension liability of KNOK 39 790. Conversely, reducing the future salary increases by 1 per cent would result in a gross pension liability of KNOK 16 622.

**Note 20.** Financial income and financial expenses

(NOK 1 000)	2019	2018
Realised gains (+)/losses(-) on TRS agreements	-3 810	47 282
Unrealised gains on TRS agreements	82 185	34 748
<b>Loss/Gain financial assets</b>	<b>78 375</b>	<b>82 030</b>
Interest income	7 466	3 485
Interest expenses	-25 451	-17 476
<b>Net interest expenses</b>	<b>-17 986</b>	<b>-13 992</b>
Other financial income	62	80
Other financial expenses	-9 199	-5 452
Inefficiency cash flow hedging	222	3
<b>Net other financial expenses</b>	<b>-8 915</b>	<b>-5 368</b>
<b>Net financial items</b>	<b>51 474</b>	<b>62 670</b>

## Note 21. Share capital and shareholder information

Share capital in parent company as of 31 December 2019:	No. of shares	Nominal	Value
Ordinary shares	43 572 191	1.00	43 572 191

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

### Ownership structure – the 20 largest shareholders as of 31 December 2019:

Shareholder	No. of shares	Shareholding	Voting rights
GÅSØ NÆRINGSUTVIKLING AS	6 993 188	16.05 %	16.05 %
MÅSØVAL EIENDOM AS	5 255 360	12.06 %	12.06 %
NORWAY FRESH AS	5 000 000	11.48 %	11.48 %
HAVBRUKSINVEST AS	4 189 204	9.61 %	9.61 %
EGIL KRISTOFFERSEN & SØNNER AS	3 801 689	8.73 %	8.73 %
HELLESUND FISKEOPPDRETT AS	1 665 843	3.82 %	3.82 %
NYHAMN AS	1 460 340	3.35 %	3.35 %
DNB MARKETS AKSJEHANDEL/-ANALYSE	981 230	2.25 %	2.25 %
BNP PARIBAS SECURITIES SERVICES	525 000	1.20 %	1.20 %
HANDELSBANKEN NORDISKA SMABOLAG	432 918	0.99 %	0.99 %
STATE STREET BANK AND TRUST COMP	394 027	0.90 %	0.90 %
BROWN BROTHERS HARRIMAN & CO.	352 907	0.81 %	0.81 %
MP PENSJON PK	319 471	0.73 %	0.73 %
THE NORTHERN TRUST COMP, LONDON BR	311 898	0.72 %	0.72 %
FEDERATED INTERNATIONAL EQUITY FND	295 905	0.68 %	0.68 %
JPMORGAN CHASE BANK, N.A., LONDON	278 606	0.64 %	0.64 %
STATE STREET BANK AND TRUST COMP	272 213	0.62 %	0.62 %
MÅSØVAL FISHFARM AS	259 606	0.60 %	0.60 %
LOVUNDLAKS AS	252 821	0.58 %	0.58 %
STATE STREET BANK AND TRUST COMP	246 163	0.56 %	0.56 %
<b>Total 20 largest shareholders</b>	<b>33 288 389</b>	<b>76.40 %</b>	<b>76.40 %</b>
<b>Total other shareholders</b>	<b>10 283 802</b>	<b>23.60 %</b>	<b>23.60 %</b>
<b>Total no. of shares</b>	<b>43 572 191</b>	<b>100.00 %</b>	<b>100.00 %</b>

**Note 21. cont.****Shares held by members of the board, CEO and senior executives:**

	<b>Occupation</b>	<b>No. of shares</b>	<b>Shareholding</b>	<b>Voting rights</b>
Helge Gåsø v/ Gåsø Næringsutvikling AS	Chair	6 993 188	16.05 %	16.05 %
Lars Måsøval v/ Måsøval Eiendom AS and Måsøval Fishfarm AS	Board member	5 514 966	12.66 %	12.66 %
Eva Kristoffersen, v/ Egil Kristoffersen & Sønner AS	Vice chair	3 801 689	8.73 %	8.73 %
Ola Loe v/ Ramsfjell AS	CFO	229 695	0.53 %	0.53 %
Charles Høstlund v/ Høstlund Invest AS	CEO	172 837	0.40 %	0.40 %
Klaus Hatlebrekke v/ Hatlebrekke Invest AS	COO Business Development	142 690	0.33 %	0.33 %
Tore Evjen	COO Freshwater	101	0.00 %	0.00 %
Arve Olav Lervåg	COO Farming	694	0.00 %	0.00 %

**Treasury shares:**

The board is authorised to acquire treasury shares up to a total nominal value of NOK 4 357 219. This authority runs until the Annual General Meeting in 2020, however not later than 30 June 2020. On the acquisition of such shares, the purchase price per share may not be less than a nominal value of NOK 1.00 and not more than NOK 300.00. The group owns 140 811 treasury shares at the end of 2019, representing 0.32 per cent of the share capital in the company. In 2019 the company entered into a TRS (Total return swap) agreement against own shares. As at 31 December 2019 Norway Royal Salmon ASA's underlying exposure through TRS agreements is 994 609 shares, representing 2.28 per cent of the share capital in the company.

<b>Treasury shares</b>	<b>No. of shares</b>	<b>Payment (NOK '000)</b>
Book value as of 1 January	57 953	
Purchase of treasury shares	500 000	108 412
Distribution of dividend shares	-388 150	77 478
Sale of treasury shares	-28 992	-5 899
<b>Book value 31 December</b>	<b>140 811</b>	

**Board mandates:**

The board is authorised to increase the share capital by up to NOK 4 357 219. This authority runs until the Annual General Meeting in 2020, however not later than 30 June 2020.

**Dividend:**

The board has proposed a dividend of NOK 217 860 955 (NOK 5.00 per share) based on the annual accounts for the financial year 2019. The resolution will be adopted at the Annual General Meeting of 4 June 2020. In 2019 an ordinary dividend of NOK 261 433 146 (NOK 6.00 per share) was paid based on the annual accounts for the financial year 2018. The dividend was partly distributed in cash, 4.20 per share, totalling NOK 183 003 202 and partly by distribution of 388 100 shares. The dividend was transferred in June 2019.

## Note 22. Earnings per share

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

### Result allocated to majority shareholders:

(NOK 1 000)	2019	2018
<b>Majority share of net result for the year</b>	<b>1 306 721</b>	<b>705 311</b>
The majority's share of fair value adjustments on biomass after tax	97 526	-101 436
The majority's share of fair value adjustments on onerous contracts and Fish Pool contracts after tax	3 210	-19 735
<b>Majority share of value-adjusted result for the year</b>	<b>1 407 457</b>	<b>584 139</b>
Number of shares per 1 January	43 514 238	43 489 748
Effect of distribution of dividend of treasury shares	211 622	172 270
Effect of sale and purchase of treasury shares	-377 283	-163 269
<b>Weighted average number of ordinary shares outstanding</b>	<b>43 348 577</b>	<b>43 498 749</b>

<b>Earnings per share:</b>	2019	2018
Basis	30.14	16.21
Diluted	30.14	16.21
Earnings per share, continuing operations (NOK)	8.86	15.31
Earnings per share, continuing operations - diluted	8.86	15.31

Earnings per share shows the majority's share

<b>Earnings per share pre fair value adjustments</b>	2019	2018
Basis	32.47	13.43
Diluted	32.47	13.43

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

### Shares outstanding:

(NOK 1 000)	2019	2018
Shares outstanding as of 1 January	43 514 238	43 489 748
Effect of purchase of treasury shares	-500 000	-300 000
Effect of sale/distribution of dividend of treasury shares	417 142	324 490
<b>Shares outstanding as of 31 December</b>	<b>43 431 380</b>	<b>43 514 238</b>



## Note 23. Inventory

(NOK 1 000)	31.12.2019	31.12.2018
Raw materials	36 453	31 349
Goods in transit	26 504	22 449
Finished goods	17 166	27 578
<b>Total inventory</b>	<b>80 123</b>	<b>81 376</b>

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

## Note 24. Right-of-use assets

From 2019 Norway Royal Salmon ASA has implemented the new accounting standard regarding leases (IFRS 16). The Group applied IFRS 16 based on the «modified retrospective method» on 1 January 2019, which is a retrospective application of IFRS 16 without restating the comparative figures, but by recognising the same amount as right-of-use assets and lease liabilities per 1 January 2019. Consequently, the opening book value of equity has not been impacted, but both assets and liabilities increased by KNOK 16 793. Leases that are accounted for as financial leases under IAS 17 have been continued through the application of IFRS 16. The Group chooses to apply the exceptions proposed by the standard on leases where the leases are concluded within 12 months from the date of first use of the standard and on leases where the underlying asset is of low value.

The Group has leases related to offices, machines, equipment, boats and fleets. The duration of the leases is different, and upon expiry, the Group often carries out a purchase of the underlying asset. Purchase is not applicable for offices. Purchase options are included in the rental payments used to recognise assets and liabilities.

Information of leases in the Group related to:

Right-of-use assets	Land and buildings	Machinery and equipment	Boats and fleets	Total
<b>Book value as at 1 January 2019*</b>		<b>87 273</b>	<b>251 511</b>	<b>338 784</b>
Additions	3 725	18 712	55 462	<b>77 899</b>
Disposal from purchase	0	-9 308	-9 850	<b>-19 159</b>
Disposal from discontinued operations	0	-9 492	-21 899	<b>-31 391</b>
Depreciation	-186	-15 427	-33 519	<b>-49 132</b>
<b>Book value as at 31 December 2019</b>	<b>3 538</b>	<b>71 758</b>	<b>241 704</b>	<b>317 001</b>

\* Book value as at 1 January 2019 includes KNOK 16 793 as implementation impact of IFRS 16.

	Right-of-use assets	Liabilities right-of-use assets
Book value as at 1 January 2019	338 784	252 665
New contracts 2019	77 899	65 634
Disposal from purchase and discontinued operations	-50 550	-19 035
Depreciation 2019	-49 132	
Lease payments		-58 334
- of which interest expense		7 930
Book value as at 31 December 2019	317 001	248 860

Specification of liabilities right-of-use assets	2019	2018
Non-current liabilities	200 933	201 054
Current liabilities	47 927	51 611
<b>Book value liabilities right-of-use assets</b>	<b>248 860</b>	<b>252 665</b>

## Note 25. Auditor's fees

(NOK 1 000)	2019	2018
Statutory auditing services	771	672
Other attestation services	92	25
Tax advisory services	8	12
Other services	113	59
<b>Total auditor's fees</b>	<b>984</b>	<b>768</b>

All auditor's fees are exclusive VAT.

## Note 26. Related parties

### Group transactions with related parties:

#### Goods and services purchased:

(NOK 1 000)	2019	2018
Associates – products purchased	482 576	348 317
Associates – services purchased	33 209	66 218
Enterprise controlled by large shareholder – purchase of products	656 246	269 656
Enterprise controlled by board members – purchase of services	34 811	22 082
<b>Total goods and services purchased from related parties</b>	<b>1 206 842</b>	<b>706 273</b>

**Note 26. cont.**

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

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

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

**Trade payables due to goods and services purchased:**

(NOK 1 000)	2019	2018
Associates	35 597	13 919
Shareholders in Norway Royal Salmon ASA	3 737	1 755
<b>Total trade payables related parties</b>	<b>39 334</b>	<b>15 674</b>

**Loans to related parties:**

(NOK 1 000)	2019	2018
<i>Loans to associates:</i>		
Book value 1 January	49 474	0
Loans given during the year	11 420	47 740
Interest added to loan	2 576	1 734
<b>As of 31 December</b>	<b>63 470</b>	<b>49 474</b>

**Note 27. Discontinued operations**

On 26 September 2019, Norway Royal Salmon ASA signed an agreement with Tombre Fiskeanlegg AS, Lingalaks AS and Eidesvik Laks AS on the sale of all shares in Sør Farming AS (Region South), a wholly owned subsidiary of NRS, which after the completion of a demerger of NRS Farming AS owned Norway Royal Salmon ASA's farming operations in Region South. As consideration for the shares in Sør Farming AS, a purchase price of NOK 1 240 million was agreed on a debt and cash-free basis. In connection with the transaction, the parties have agreed on long-term cooperation on the purchase and sale of fish. The transaction was concluded 16 December 2019.

In the consolidated financial statements, the gain from the sale of the shares in Sør Farming AS is calculated as the difference between the book value in the Group and the consideration received. The results from Region South in the period leading up to the sale are presented as «Profit after tax discontinued operations, including profit from sale».

**Note 27.** cont.

(NOK 1 000)	2019	2018*
<b>Operating revenues**</b>	178 128	317 660
Cost of goods sold	110 838	179 041
Salaries	19 786	19 062
Depreciation and impairment	12 519	12 749
Other operating costs	32 579	29 420
<b>Operational EBIT</b>	<b>2 406</b>	<b>77 388</b>
Fair value adjustments	2 487	-24 591
Income from associates	-1 087	0
<b>EBIT</b>	<b>3 806</b>	<b>52 797</b>
Gain/loss on financial assets	0	-463
Net other financial items	-2 823	-1 068
Profit before tax	<b>983</b>	<b>51 267</b>
Taxes	-427	-11 350
<b>Profit after tax</b>	<b>556</b>	<b>39 917</b>

\* Reported figures for discontinued operations 2018 deviates with KNOK 2 000 compared to previously reported segment figures. The deviation is explained by an allocation of a non-recurring item from Q2-18.

\*\* The operating revenues for discontinued operations are towards group companies and eliminated in the Group accounts. See note 2 for further information.

**Statement of cash flow discontinued operations:**

(NOK 1 000)	2019
Net cash flow from operating activities Region South	-17 855
Net cash flow from investing activities Region South	-11 437
Net cash flow from financing activities Region South	48 384
Net cash flow from discontinued operations*	19 091
Net cashflow from sale of shares Sør Farming AS	1 106 609
<b>Total cash flow discontinued operations</b>	<b>1 125 700</b>

\* Statement of cash flow discontinued operations as at 31.12.2018 is not presented due to lack of historical balance sheet figures for the discontinued operations.

**Specification of profit after tax on discontinued operations incl. profit from sale:**

(NOK 1 000)	2019
Profit after tax discontinued operations	556
Net gain from sale of shares Sør Farming AS	922 044
<b>Profit after tax on discontinued operations incl. profit from sale</b>	<b>922 600</b>

## Note 28. Subsequent events

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### **COVID-19 pandemic**

Over the past month, the COVID-19 pandemic has spread throughout the world and significantly impacted the logistics and market for salmon. This situation creates significant unpredictability and uncertainty both in terms of consequences and duration. Potential consequences for Norway Royal Salmon are difficult to specify, but the company is monitoring the situation closely and will take corrective action when needed. With Norway Royal Salmon's solid financial foundation and highly competent staff, we are well positioned to get through these challenging times. NRS's operational goal of producing sustainable and healthy food is especially important in times like these. We will do everything we can to continue the company's production given the negative consequences of the pandemic, without compromising health and safety.

## Alternative performance measures

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

### Net interest-bearing debt

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

(NOK 1 000)	31.12.2019	31.12.2018
Reported long-term interest-bearing debt	200 933	551 054
Reported short-term interest-bearing debt	47 927	102 514
Reported long-term interest-bearing receivables	-63 470	-78 217
Reported bank deposits, cash	-152 317	-155 653
<b>Net interest bearing debt</b>	<b>33 073</b>	<b>419 698</b>

### Equity ratio

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

(NOK 1 000)	31.12.2019	31.12.2018
Reported equity	3 357 040	2 320 785
Reported total assets	4 680 537	4 090 834
<b>Equity ratio</b>	<b>71.7 %</b>	<b>56.7 %</b>

### Operational EBIT per kg

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



**Alternative performance measures** cont.**Operational EBIT per kg - Group**

(NOK 1 000)	2019	2018
Operational EBIT discontinued operations	542 802	564 337
Operational EBIT	2 406	77 388
Unallocated expenses	50 719	42 748
Non-recurring events (note 5)	11 000	34 000
Operational EBIT	606 927	718 159
Harvested volume	30 509	35 970
<b>Operational EBIT per kg</b>	<b>19.92</b>	<b>19.97</b>

**Operational EBIT per kg - Farming Region North**

(NOK 1 000)	2019	2018
Operational EBIT (note 2)	535 753	616 243
Harvested volume	27 297	30 384
<b>Operational EBIT per kg</b>	<b>19.63</b>	<b>20.28</b>

**Operational EBIT per kg - Farming Region South**

(NOK 1 000)	2019	2018
Operational EBIT (note 2)	2 406	79 388
Harvested volume	3 212	5 586
<b>Operational EBIT per kg</b>	<b>0.75</b>	<b>14.21</b>

**Value-adjusted earnings per share**

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

(NOK 1 000)	2019	2018
Majority share of net result for the period	1 306 722	705 311
Majority share of fair value adjustments of biomass after tax	97 526	-101 436
Majority share of fair value of sales contracts and Fish Pool contracts after tax	3 210	-19 735
<b>Majority share of value-adjusted result for the period</b>	<b>1 407 459</b>	<b>584 139</b>
Weighted average number of ordinary shares outstanding	43 348 577	43 498 749
<b>Value-adjusted earnings per share</b>	<b>32.47</b>	<b>13.43</b>









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# Income statement

(NOK 1 000)	Note	2019	2018
Sales revenues	2	5 586 474	5 074 610
Other operating revenues	2,13	10	9 411
<b>Total sales revenues</b>		<b>5 586 485</b>	<b>5 084 021</b>
Cost of goods sold	13	5 477 903	5 015 371
Personnel expenses	3,5	57 401	58 244
Depreciation	7	223	204
Other operating expenses	4	32 111	29 793
<b>Total operating expenses</b>		<b>5 567 639</b>	<b>5 103 612</b>
<b>Net operating result</b>		<b>18 846</b>	<b>-19 591</b>
<b>Financial items</b>			
Income from associates and subsidiaries	6,8	427 503	513 289
Gain from sale of subsidiary		936 654	0
Gain on financial assets	6,17	25 521	107 741
Net interest expenses	6,13,17	5 135	-2 465
Net other financial expenses	6,17	-17 114	-5 397
<b>Net financial items</b>		<b>1 377 699</b>	<b>613 168</b>
<b>Result before tax</b>		<b>1 396 545</b>	<b>593 577</b>
Tax	12	-6 285	-709
<b>Net result for the year</b>		<b>1 390 260</b>	<b>592 867</b>
<b>Allocations:</b>			
Allocated to dividend	11	217 861	261 433
Allocated from/to reserve for valuation variances	11	342 519	69 509
Allocated to other equity	11	829 880	261 925
<b>Total allocations</b>		<b>1 390 260</b>	<b>592 867</b>

# Balance sheet

ASSETS (NOK 1 000)	Note	31.12.2019	31.12.2018
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Deferred tax assets	12	4 209	12 870
<b>Total intangible assets</b>		<b>4 209</b>	<b>12 870</b>
<b>Property, plant and equipment</b>			
Other operating assets	7,15	37 051	35 071
<b>Total property, plant and equipment</b>		<b>37 051</b>	<b>35 071</b>
<b>Non-current financial assets</b>			
Investments in subsidiaries	8,15	1 040 135	864 655
Investments in associates	8,15	586 649	520 257
Investments in other shares		1	1
Other non-current receivables	9,15	65 374	80 191
<b>Total non-current financial assets</b>		<b>1 692 158</b>	<b>1 465 104</b>
<b>Total non-current assets</b>		<b>1 733 418</b>	<b>1 513 045</b>
<b>Current assets</b>			
Inventory	10,15	43 670	50 027
<b>Total inventory</b>		<b>43 670</b>	<b>50 027</b>
<b>Receivables</b>			
Accounts receivables	13,15	392 626	335 689
Other Group receivables		0	432 343
Other receivables	13,17	70 752	51 668
<b>Total receivables</b>		<b>463 378</b>	<b>819 680</b>
Bank deposits and cash	16	1 285 818	372 201
<b>Total current assets</b>		<b>1 792 866</b>	<b>1 241 907</b>
<b>Total assets</b>		<b>3 526 284</b>	<b>2 754 952</b>

<b>EQUITY AND LIABILITIES</b> (NOK 1 000)	Note	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Equity</b>			
Share capital	11	43 572	43 572
Treasury shares	11	-141	-58
Other paid-in equity	11	82 030	85 051
<b>Total paid-in capital</b>		<b>125 461</b>	<b>128 565</b>
<b>Retained earnings</b>			
Reserve for valuation variances	11	989 148	646 629
Other equity	11	1 622 413	802 814
<b>Total retained earnings</b>		<b>2 611 561</b>	<b>1 449 443</b>
<b>Total equity</b>		<b>2 737 023</b>	<b>1 578 009</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Pension liabilities	5	27 638	19 005
<b>Total provisions</b>		<b>27 638</b>	<b>19 005</b>
<b>Other non-current liabilities</b>			
Debt to credit institutions	14,15	0	350 000
<b>Total other non-current liabilities</b>		<b>0</b>	<b>350 000</b>
<b>Current liabilities</b>			
Accounts payables	13	524 032	465 841
Public charges payable		5 391	5 474
Tax payable	12	652	0
Dividend	11	217 861	261 433
Other current liabilities	13	13 687	75 191
<b>Total current liabilities</b>		<b>761 623</b>	<b>807 939</b>
<b>Total liabilities</b>		<b>789 261</b>	<b>1 176 944</b>
<b>Total equity and liabilities</b>		<b>3 526 284</b>	<b>2 754 952</b>
<b>Guarantee liabilities</b>	15	1 392	1 662

Trondheim, 2 April 2020

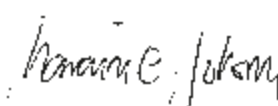
  
Helge Gåsø  
Chair

  
Eva Kristoffersen  
Vice Chair

  
Lars Måsøval

  
Tom Vidar Rygh

  
Trude Olafsen

  
Marianne E. Johnsen

  
Charles Høstlund  
Chief Executive Officer

# Cash flow

(NOK 1 000)	Noter	2019	2018
Operating result		18 846	-19 591
Taxes paid		4 792	-15 492
Depreciation and write-downs	7	223	204
Pension costs with no cash effect		-1 220	798
Share based payment		-1 412	-297
Change in inventories		6 357	11 393
Change in accounts receivables		-56 937	160 813
Change in accounts payables		58 191	-94 226
Change in other current assets and other liabilities		-34 391	8 007
<b>Net cash flow from operating activities</b>		<b>-5 552</b>	<b>51 609</b>
<b>Cash flow from investing activities</b>			
Payments for purchase of property, plant and equipment	7	-2 134	-38 563
Payments and proceeds from investments in current financial assets (TRS)	8	-3 809	47 282
Proceeds from sale of subsidiary		1 125 700	0
Payments for investing in subsidiaries	8	0	-50 000
Payments for acquisition of associated companies	8	-43 738	0
Dividend from subsidiaries and associated companies	8	29 229	11 458
Group contribution from subsidiaries		432 322	408 000
Change in loans to associates and others		20 148	-59 617
<b>Net cash flow from investing activities</b>		<b>1 557 719</b>	<b>318 560</b>
<b>Cash flow from financing activities</b>			
New non-current borrowings		0	100 000
Non-current debt repayments		-350 000	0
Net change in overdraft		0	-17 884
Net proceeds from sale of treasury shares and payments for purchase of treasury shares		-25 035	3 887
Net interest payments		-2 082	-7 916
Dividend payment		-261 433	-224 710
<b>Net cash flow from financing activities</b>		<b>-638 550</b>	<b>-146 623</b>
Net increase/reduction in cash and cash equivalents		913 617	223 546
Cash and cash equivalents as of 1 January		372 201	148 655
<b>Cash and cash equivalents as of 31 December</b>		<b>1 285 818</b>	<b>372 201</b>

# Notes to the Financial Statements

## Note 1 . Accounting principles

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

### Principle for valuation and classification of assets and liabilities

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

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

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

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

### Revenues

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

### Expenses

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

### Functional and presentation currency

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

Monetary items in foreign currency are translated to NOK at the rate in effect at the balance sheet date.

### Assets and liabilities in foreign currencies

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

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

### Derivatives

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

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

### Property, plant and equipment

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

**Shares in subsidiaries and associates selskap**

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

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

**Other investments in shares classified as non-current assets**

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

**Inventory**

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

**Receivables**

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

**Bank deposits, cash and cash equivalents**

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

**Pensions*****Defined contribution pension schemes***

A defined contribution plan is a pension plan under which the group pays fixed contributions. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In a defined contribution scheme, the company pays what they have committed in accordance with an agreement,

committed by law or voluntarily contributes. The company has no further obligations beyond this payment. Liabilities to pay contributions to defined contribution pension schemes are recognised as costs in the income statement as they accrue.

***Defined benefit pension schemes***

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

**Statement of cash flow**

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

**Tax**

The tax expenses are matched to the result before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable and any change in net deferred tax. Deferred tax liabilities and assets are presented net in the balance sheet.



## Note 2. Sales revenues

### Specification of sales by region:

(NOK 1 000)	2019	2018
Norway	733 339	744 518
Western Europe	3 503 415	3 302 673
Eastern Europe & Russia	336 281	256 435
Asia & Middle East	1 004 067	745 996
Other countries	9 382	34 399
<b>Total operating revenues</b>	<b>5 586 485</b>	<b>5 084 021</b>

## Note 3. Personnel expenses and benefits

(NOK 1 000)	2019	2018
Wages and salaries	42 103	45 531
Payroll tax	9 149	7 117
Pension costs – defined benefits scheme	5 283	5 050
Other benefits	866	546
<b>Total salary and personnel expenses</b>	<b>57 401</b>	<b>58 244</b>
<b>Average number of full-time-equivalents</b>	<b>44</b>	<b>44</b>

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

## Note 4. Auditor's fees

(NOK 1 000)	2019	2018
Statutory auditing services	406	414
Other attestation services	79	25
Tax advisory services	0	28
Other services	0	60
<b>Total auditor's fees</b>	<b>484</b>	<b>527</b>

All auditing costs are exclusive of VAT.

## Note 5. Pension costs and pension liabilities

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

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

The company's defined benefit scheme entitles the 30 members to defined future benefits. These are mainly dependent on the number of years of entitlement, level of salary upon reaching retirement age and the size of the pension benefits paid by the National Insurance Scheme. The liability is

funded through an insurance company. The defined contribution scheme includes 16 employees.

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

### Pension costs:

(NOK 1 000)	2019	2018
Current service cost	3 813	3 792
Interest expenses	463	384
Payroll tax	615	601
Administrational expenses	88	86
<b>Net pension cost – defined benefit scheme</b>	<b>4 980</b>	<b>4 864</b>
Employee contributions to scheme	-475	-484
Costs of defined contribution pension scheme	778	671
<b>Total pension costs</b>	<b>5 283</b>	<b>5 050</b>

Assumptions	2019	2018
Discount rate	1.80 %	2.60 %
Future salary increases	2.25 %	2.75 %
Inflation rate	2.00 %	2.50 %
Future pension increase	0.70 %	0.80 %

### Demographic factors:

Disability table	IR02	IR02
Mortality table	K2013 BE	K2013 BE

### Number of people covered by the defined benefit scheme:

In work	30	31
Pensioners	9	9
<b>Total</b>	<b>39</b>	<b>40</b>

	2019	2018
Paid into scheme during the year	5 434	3 563
Forecast payment to scheme next year	6 113	4 027

**Net pension liabilities:**

(NOK 1 000)	31.12.2019	31.12.2018
Pension liabilities	78 097	64 583
Fair value of plan assets	-50 458	-45 578
<b>Pension liability</b>	<b>27 638</b>	<b>19 005</b>

**Change in present value pension liabilities:**

(NOK 1 000)	2019	2018
Pension liabilities as of 1 January	64 583	56 333
Current service cost	4 464	4 427
Interest expense	1 673	1 295
Payroll tax on this year's payment	-766	-502
Pension payments	-710	-599
Actuarial losses over equity	8 854	3 629
<b>Pension liabilities as of 31 December</b>	<b>78 097</b>	<b>64 583</b>

**Change in estimated fair value of plan assets:**

(NOK 1 000)	2019	2018
Estimated fair value of plan assets as of 1 January	45 578	39 606
Return on plan assets	1 157	858
Contributions paid	6 200	4 065
Payroll tax on this year's payment	-766	-502
Pension payments	-710	-599
Actuarial losses/ (gain) over equity	-1 000	2 150
<b>Plan assets as of 31 December</b>	<b>50 458</b>	<b>45 578</b>

**Pension funds are made up as follows:**

(NOK 1 000)	2019	2018
Shares	12.7 %	12.1 %
Short-term bonds	13.5 %	12.5 %
Money market fund	17.0 %	11.0 %
Long-term bonds	31.4 %	29.4 %
Loans and receivables	14.1 %	25.2 %
Property	11.1 %	9.1 %
Other	0.2 %	0.7 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Note 6. Financial income and financial expenses

### Financial items included in the income statement:

(NOK 1 000)	2019	2018
Income from associates and subsidiaries	427 503	513 289
Gain on sale of subsidiary (see specification below)	936 655	0
Writedown of financial assets*	-6 400	0
<b>Net result from investment in associates and subsidiaries</b>	<b>1 357 758</b>	<b>513 289</b>
Realised losses (-)/gains (+) on TRS-agreements	-3 810	47 282
Reversal of unrealised losses on TRS-agreements	29 331	34 748
Reversal of unrealised losses on Fish Pool contracts	0	25 712
<b>Gain on financial assets</b>	<b>25 521</b>	<b>107 741</b>
Interest income	19 867	9 485
Interest expenses	-14 732	-11 951
<b>Net interest expenses</b>	<b>5 135</b>	<b>-2 465</b>
Other financial expenses	-10 937	-5 400
Inefficiency cash flow hedging	222	3
<b>Net financial expenses</b>	<b>-10 715</b>	<b>-5 397</b>
<b>Net financial items</b>	<b>1 377 699</b>	<b>613 168</b>

\* A sales agreement has been signed for NRS's shares in Ranfjord Fiskeprodukter AS. The book value of the shares has been written down so the balance sheet value as at 31. December 2019 is equal to the sales amount KNOK 2 643, see note 8.

### Gain from sale of subsidiary

On 26 September 2019, Norway Royal Salmon ASA entered into an agreement with Tombre Fiskeanlegg AS, Lingalaks AS and Eidesvik Laks AS on the sale of all shares in Sør Farming AS (Region Sør), a wholly owned subsidiary of NRS which, following the completion of a demerger of NRS Farming AS, owned Norway Royal Salmon ASA's farming operations Region Sør. As consideration for the shares in Sør Farming AS, a purchase price of NOK 1 240 million was agreed on a debt and cash-free basis. In connection with the transaction, the parties have entered into a long-term cooperation on the purchase and sale of fish. The transaction was completed on 16 December 2019.

In the consolidated financial statements, the gain from the sale of the shares in Sør Farming AS is calculated as the difference between the book value of the group and the consideration received. The results from Region South in the period leading up to the sale are presented as «Profit after tax sold business, including gain on sale».

For Norway Royal Salmon ASA (the parent company) the gain is presented as «Gain from sale of subsidiary» and is calculated below:

### Gain from sale of subsidiary

(NOK 1 000)	2019
Net proceeds for the shares of Sør Farming AS	1 138 304
Book value according to the equity method Sør Farming AS	-192 893
Transaction costs	-8 757
<b>Total gain from sale of subsidiary</b>	<b>936 654</b>

## Note 7. Property, plant and equipment

(NOK 1 000)	Other operating assets
Acquisition cost 1 January 2019	35 319
Additions	2 203
<b>Acquisition cost 31 December 2019</b>	<b>37 523</b>
Accumulated depreciation 1 January 2019	248
Depreciation for the year	223
<b>Accumulated depreciation 31 December 2019</b>	<b>471</b>
<b>Book value 31 December 2019</b>	<b>37 051</b>

Useful economic life	5 years
Depreciation method	Straight-line

(NOK 1 000)	Other operating assets
Acquisition cost 1 January 2018	937
Additions	34 383
<b>Acquisition cost 31 December 2018</b>	<b>35 319</b>
Accumulated depreciation 1 January 2018	44
Depreciation for the year	204
<b>Accumulated depreciation 31 December 2018</b>	<b>248</b>
<b>Book value 31 December 2018</b>	<b>35 071</b>

Useful economic life	5 years
Depreciation method	Straight-line

## Note 8. Subsidiaries and associated companies

Firma	Consolidated	Registered office	Last acquisition date	Voting and shareholding	Book value
Nor Seafood AS	Yes	Senja	10.08.2007	82.50 %	196 820
NRS Farming AS	Yes	Alta	01.08.2008	100.00 %	794 650
NRS Settefisk AS	Yes	Trondheim	01.12.2016	100.00 %	1 000
Arctic Offshore Farming AS	Yes	Trondheim	01.08.2018	100.00 %	47 665
Norway Royal Salmon UK Ltd*	Yes	Leeds, UK		100 %	0
<b>Total investment in subsidiaries</b>					<b>1 040 135</b>

\* Norway Royal Salmon UK Ltd is a subsidiary established in December 2019. The share capital had not been paid as at 31 December 2019.

Arctic Fish ehf.	No	Iceland	03.10.2016	50.00 %	227 750
Wilsgård Fiskeoppdrett AS	No	Senja	19.08.2008	37.50 %	170 026
Måsøval Fishfarm AS	No	Frøya	03.01.2003	36.10 %	20 653
Hellesund Fiskeoppdrett AS	No	Lillesand	21.02.2004	33.50 %	111 481
Ranfjord Fiskeprodukter AS	No	Rana	30.09.2012	37.75 %	2 643
Hardanger Fiskeforedling AS	No	Kvam	16.05.2011	31.10 %	11 799
Nordnorsk Smolt AS	No	Hasvik	25.11.2019	50.00 %	42 247
Other	No				48
<b>Total investment in associates</b>					<b>586 649</b>



**Note 8. cont.****Subsidiaries:**

(NOK 1 000)	Nor Seafood AS	Sør Farming AS	NRS Farming AS	NRS Settefisk AS	Arctic Offshore Farming AS	Total
Acquisition cost	23 691	173 217	166 611	988	50 000	
Paid excess value	14 045	18 162	102 297	0	0	
Opening balance 1 January 2019	174 998	0	637 428	2 167	50 061	864 654
Demerger of subsidiary	0	191 379	-191 379	0	0	0
Sale of subsidiary	0	-192 893	0	0	0	-192 893
Share of profit/loss for the year	31 101	1 514	351 637	-3 092	-2 396	378 783
Group contribution between subsidiaries	0	0	-1 925	1 925	0	0
Equity adjustments and dividend	-9 280	0	-1 111	0	0	-10 390
<b>Closing balance 31 December 2019</b>	<b>196 820</b>	<b>0</b>	<b>794 650</b>	<b>1 000</b>	<b>47 665</b>	<b>1 040 135</b>

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

(NOK 1 000)	NRS Troms AS	Nor Seafood AS	NRS Feøy AS	NRS Farming AS	NRS Settefisk AS	Arctic Offshore Farming AS	Total
Acquisition cost	41 019	23 691	81 198	247 809	988	50 000	
Paid excess value	24 473	14 045	18 162	120 459	0	0	
Opening balance 1 January 2018	128 919	144 003	113 161	349 267	903	0	736 254
Combination following merger of subsidiaries	-128 919	0	-113 161	242 080	0	0	0
Foundation of company	0	0	0	0	0	50 000	50 000
Share of profit/loss for the year	0	30 995	0	473 018	-462	86	503 637
Group contribution between subsidiaries	0	0		-1 726	1 726	0	0
Group contribution from subsidiary	0	0	0	-425 211	0	0	-425 211
Equity adjustments and dividend	0	0	0	0	0	-25	-25
<b>Closing balance 31 December 2018</b>	<b>0</b>	<b>174 998</b>	<b>0</b>	<b>637 428</b>	<b>2 167</b>	<b>50 061</b>	<b>864 655</b>

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

**Note 8. cont.****Associated companies:**

(NOK 1 000)	Arctic Fish ehf	Wilsgård Fiske- oppdrett AS	Måsøval Fishfarm AS	Hellesund Fiske oppdrett AS	Nordnorsk Smolt AS	Other*	Total
Acquisition cost at 31.12.2019	269 487	25 011	10 977	17 472	19 241	21 777	
Paid excess value	102 519	17 205	7 699	11 807	17 022	12 211	
Of which amortisable excess value/goodwill	0	0	0	0	17 022	11 211	
Excess value and goodwill as of 31 December 2019	102 519	17 205	7 699	11 807	16 171	1 404	
Opening balance 1 January 2019	253 393	135 705	22 362	89 760	0	19 037	520 257
Additions	0	0	0	0	43 738	0	43 738
Share of profit/loss for the year	-23 461	37 510	9 633	24 696	-1 491	1 853	48 740
Impairment	0	0	0	0	0	-6 400	-6 400
Conversion differences	-2 182	0	0	0	0	0	-2 182
Dividend	0	-3 188	-11 733	-5 035	0	0	-19 955
Equity adjustments	0	0	390	2 060	0	0	2 450
<b>Closing balance 31 December 2019</b>	<b>227 750</b>	<b>170 027</b>	<b>20 653</b>	<b>111 481</b>	<b>42 247</b>	<b>14 490</b>	<b>586 649</b>

\* A sales agreement has been entered into for NRS's shares in Ranfjord Fiskeprodukter AS. The book value is written down so the balance sheet value at 31 December 2019 is equal to the sale price of TNOK 2 643.

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

- Ranfjord Fiskeprodukter AS. KNOK 11 211 out of a total excess value of KNOK 12 211 has been allocated to goodwill. All the goodwill has been amortised.
- Nordnorsk Smolt AS. Total excess value is allocated to the facility and is depreciated over 10 years.

(NOK 1 000)	Arctic Fish ehf	Wilsgård Fiske- oppdrett AS	Måsøval Fishfarm AS	Hellesund Fiske oppdrett AS	Ranfjord Fiske- produkter AS	Other	Total
Acquisition cost at 31.12.2018	269 487	25 011	10 977	17 472	19 241	2 536	
Paid excess value	102 519	17 205	7 699	11 807	12 211	0	
Of which amortisable excess value/goodwill	0	0	0	0	11 211	0	
Excess value and goodwill as of 31 December 2018	102 519	17 205	7 699	11 807	1 404	0	
Opening balance 1 January 2018	287 271	133 264	14 899	80 712	11 724	10 418	538 287
Share of profit/loss for the year	-15 859	2 441	14 035	12 140	-3 680	575	9 652
Conversion differences	-18 019	0	0	0	0	0	-18 019
Dividend	0	0	-6 931	-4 527	0	0	-11 458
Equity adjustments	0	0	360	1 435	0	0	1 795
<b>Closing balance 31 December 2018</b>	<b>253 393</b>	<b>135 705</b>	<b>22 362</b>	<b>89 760</b>	<b>8 044</b>	<b>10 993</b>	<b>520 257</b>

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

**Note 8.** cont.

Income from subsidiaries and associates	2019
Share of profit/loss for the year in associated companies and subsidiaries	427 503
Gain on sale of subsidiary	936 654
Impairment Ranfjord Fiskeprodukter AS *	-6 400
<b>Total revenue recognised subsidiaries and associates</b>	<b>1 357 757</b>

\* A sales agreement has been entered into for NRS's shares in Ranfjord Fiskeprodukter AS. The book value is written down so the balance sheet value at 31 December 2019 is equal to the sale price of TNOK 2 643.

**Note 9.** Receivables due in more than one year

(NOK 1 000)	31.12.2019	31.12.2018
Loans to smolt supplier	0	28 742
Loan to associates	63 470	49 474
Other long-term receivables	1 904	1 974
<b>Total receivables due in more than one year</b>	<b>65 374</b>	<b>80 191</b>

**Note 10.** Inventory

(NOK 1 000)	31.12.2019	31.12.2018
Goods in transit	26 504	27 449
Finished goods	17 166	22 578
<b>Total inventory</b>	<b>43 670</b>	<b>50 027</b>

**Note 11.** Share capital and shareholders

Share capital as at 31 December 2019 comprises the following classes of share:	Number of shares	Nominal value	Book value
Ordinary shares	43 572 191	1.00	43 572 191

Norway Royal Salmon ASA had 2 533 shareholders as at 31 December 2019. All shares afford the same rights in the company.

The board has proposed a dividend of NOK 5.00 per share for the year 2019.

For details of the largest shareholders and shares owned by board members, the CEO and other senior executives, see Note 21 to the consolidated financial statements.

**Note 11.** cont.

(NOK 1 000)	Share capital	Treasury shares	Other paid-in equity	Reserve for valuation variances	Other equity	Total
Equity as of 31 December 2018	43 572	-58	85 051	646 629	802 814	1 578 009
<i>Change in the year:</i>						
Net result for the year	0	0	0	462 698	927 561	1 390 259
Dividend associates and subsidiaries	0	0	0	-29 229	29 229	0
Other changes from subsidiaries and associates	0	0	0	0	-848	-848
Excess provision of dividends	0	0	0	0	3 175	3 175
Cash flow hedges	0	0	0	0	18 424	18 424
Share based payment	0	0	-3 021	0	1 608	-1 413
Actuarial gains	0	0	0	0	-7 686	-7 686
Dividend	0	388	0	0	- 217 861	-217 473
Adjustment of reserve for valuation from sale of subsidiary	0	0	0	-90 949	90 949	0
Net purchase and sale of treasury shares	0	-471	0	0	-24 952	- 25 423
<b>Equity as of 31 December 2019</b>	<b>43 572</b>	<b>-141</b>	<b>82 030</b>	<b>989 148</b>	<b>1 622 413</b>	<b>2 737 023</b>

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

**Note 12.** Taxation

(NOK 1 000)	2019	2018
Tax payable	652	0
Change in deferred tax	5 633	7 714
Tax on group contributions	0	-7 111
Adjustments from previous years	0	107
<b>Tax related to profit/loss for the year</b>	<b>6 285</b>	<b>709</b>

**Tax payable in the balance sheet:**

(NOK 1 000)	31.12.2019	31.12.2018
Tax payable	652	0
<b>Tax payable</b>	<b>652</b>	<b>0</b>

**Note 12.** cont.**Specification of temporary differences and deferred tax:**

(NOK 1 000)	31.12.2019	31.12.2018	Change
Property, plant and equipment	307	5 118	-4 811
Inventories and trade receivables	2 579	6 524	-3 945
Long term receivables and liabilities in foreign currency	-1 490	0	-1 490
Financial instruments	-11 216	29 199	-40 415
Pensions	27 638	19 005	8 634
Other temporary differences	1 311	3 447	-2 136
Basis for deferred tax	19 130	63 293	-44 163
Differences not included in calculation of deferred tax	0	-4 792	
<b>Basis for deferred tax calculation</b>	<b>19 130</b>	<b>58 501</b>	
<b>Deferred tax assets</b>	<b>4 209</b>	<b>12 870</b>	<b>-8 662</b>

**Tax on items recognised directly in equity:**

(NOK 1 000)	31.12.2019	31.12.2018
Actuarial losses	-9 854	-1 479
Cash flow hedging	23 620	-3 460
<b>Basis deferred tax</b>	<b>13 766</b>	<b>-4 939</b>
<b>Deferred tax on items recognised directly against equity (22 % in 2019 and 22 % in 2018)</b>	<b>3 028</b>	<b>-1 087</b>

**Reconciliation of nominal and actual tax rates:**

(NOK 1 000)	2019	2018
Result before tax	1 396 545	593 577
Expected tax after nominal tax rate (22 % in 2019 and 23 % in 2018)	307 240	136 523
Actual tax	6 285	709
<b>Difference</b>	<b>-300 955</b>	<b>-135 813</b>
<b>Explanation of difference</b>		
Non-deductible expenses	1 580	146
Permanent differences related to the equity method	-94 051	-118 057
Realised and unrealised TRS gains/losses	-5 615	-18 867
Profit from sale of discontinued operations	-205 294	0
Share-based share of the option scheme	-215	-2
Tax effect of items recognised directly in equity	2 641	
Change in deferred tax due to change in tax rate	0	0
<b>Tax on ordinary result</b>	<b>-300 955</b>	<b>-135 813</b>
<b>Effective tax rate</b>	<b>0.5 %</b>	<b>0.1 %</b>

## Note 13. Intra-group transactions and balances

### Intra-group balances:

#### Non-current receivables

(NOK 1 000)

	2019	2018
Group companies	0	0
Loan to associated companies	63 470	49 474
<b>Total non-current receivables</b>	<b>63 470</b>	<b>49 474</b>

#### Current Group receivables

(NOK 1 000)

	2019	2018
Trade receivables	0	21
Other Group current liabilities	0	432 322
<b>Total current Group receivables</b>	<b>0</b>	<b>432 343</b>

#### Group trade payables

(NOK 1 000)

	2019	2018
Group companies	179 828	219 827
Associated companies	32 165	2 915
<b>Total Group trade payables</b>	<b>211 993</b>	<b>222 742</b>

#### Transactions with group companies:

(NOK 1 000)

	2019	2018
Other operating revenues	0	3 504
Cost of goods sold	1 719 106	2 036 018
Other interest income	16 632	6 808



## Note 14. Non current liabilities

### Non current liabilities:

(NOK 1 000)	2019	2018
Debt to credit institutions, Danske Bank	0	350 000
<b>Total non current liabilities</b>	<b>0</b>	<b>350 000</b>

Norway Royal Salmon ASA has in 2019 repaid all long-term debt. The company has an agreement with Danske Bank where the Group's credit facilities totals NOK 2 000 million. NOK 1 000 million of this is a long-term credit facility that is instalment-free and expires 2025, the agreement has an annual credit review for a further extension of 5 years. NOK 400 million is granted as green financing and is instalment-free and expires 30 June 2022. NOK 600 million is a short-term multi-currency overdraft facility.

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

The Group's loan covenants are based on standard ratios. The Group shall have an equity ratio of at least 30 per cent adjusted for IFRS 16 effects and the short-term credit facility shall not exceed 75 per cent of the inventory and accounts receivables. At the end of 2019 the Group is in compliance with the terms of its loan agreements.

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

### Capitalised secured liabilities

(NOK 1 000)	31.12.2019	31.12.2018
Long-term debt to credit institutions	0	350 000
Short-term debt to credit institutions	0	0
<b>Total secured liabilities</b>	<b>0</b>	<b>350 000</b>

### Book value of assets pledged as security

(NOK 1 000)	31.12.2019	31.12.2018
Other operating assets	37 051	35 071
Inventories	43 670	50 027
Accounts receivables	392 626	335 689
<b>Total secured liabilities</b>	<b>473 347</b>	<b>420 787</b>

<b>Guarantee liabilities</b>	<b>1 392</b>	<b>1 662</b>
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*In addition to the above-mentioned guarantees, the company had the following liabilities as of 31 December 2019:*

- 1) Norway Royal Salmon ASA has given guarantees to credit institutions with respect to some of its subsidiaries' leasing liabilities. As of 31 December 2019 the total recognised leasing liabilities for which NRS has pledged security amounted to KNOK 248 860.
- 2) Norway Royal Salmon ASA has joint liability up to a maximum of KNOK 600 000 for the group overdraft arrangement.
- 3) In connection with Group funding the company's assets are pledged as security for the liabilities of the subsidiaries.

## Note 16. Liquidity

As at 31 December 2019 the company had restricted deposits of KNOK 21 290 (2018: KNOK 102 156). Of the funds, KNOK 4 357 (2018: KNOK 2 579) have been pledged as security for the company's trading activities on Fish Pool. KNOK 14 825 (2018: KNOK 94 344) is pledged as collateral related to its TRS agreements. The remaining amount is related to guarantees and tax accounts

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

## Note 17. Derivatives

### Forward currency contracts

Forward currency contracts are recognised at fair value at the balance sheet date. At 31 December 2019 forward currency contracts was nominated in EUR, USD and JPY. These contracts mature between 2 January 2020 and 21 December 2020 and are

used to hedge cash flows expected to arise during this period and reduce foreign currency exposure on receivables. The cash flow hedging satisfy the demands for hedge accounting and the changes in unrealised value are recognised directly against equity. Realised profit/loss on the contract are recognised in revenues.

As of 31 December 2019 (NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	12 413	15.01.20-15.12.20	10.114-10.477	5 278
Forward currency contracts – cash flow hedging	Sale	USD	9 650	06.01.20-21.12.20	8.944-9.174	1 855
Forward currency contracts – cash flow hedging	Sale	JPY	101 250	15.01.20-16.03.20	0.0776-0.0778	-368
Forward currency contracts – fair value hedging	Sale	USD	5 000	02.01.20	9.057	1 387
Forward currency contracts – fair value hedging	Sale	EUR	27 000	03.01.20	9.974	3 064
<b>Total forward currency contracts</b>						<b>11 216</b>

As of 31 December 2018 (NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	33 947	15.01.19-20.07.20	9.488-10.064	-10 559
Forward currency contracts – cash flow hedging	Sale	USD	15 444	04.01.19-10.12.19	8.044-8.528	-5 915
Forward currency contracts – cash flow hedging	Sale	GBP	1 554	15.01.19-15.03.19	10.829-11.128	-458
Forward currency contracts – cash flow hedging	Sale	JPY	83 100	20.02.19-17.04.19	0.0736-0.0752	-145
Forward currency contracts – fair value hedging	Sale	USD	5 000	04.01.19	8.113	-2 886
Forward currency contracts – fair value hedging	Sale	EUR	20 000	03.01.19	9.488	-9 236
<b>Total forward currency contracts</b>						<b>-29 199</b>

**Note 17. cont.****Financial Fish Pool contracts**

The Company has no Fish Pool contracts at 31. December 2019. During 2019 the sales department entered into contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition, the group had

entered into one agreement to hedge the price of own-produced fish. Realised Fish Pool contracts are posted in the accounts in the operational result. Realised Fish Pool contracts classified in the operational result amounted to a cost of KNOK 1 471 in 2019 (2018: gain of KNOK 24 088).

As of 31 December 2019 (NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase/Sale	NOK	0			0
<b>Total</b>						<b>0</b>

As of 31 December 2018 (NOK 1 000)	Type	Currency	Volume (tonnes)	Period	Price range	Book value
Fish Pool contracts	Purchase	NOK	600	01.01.19-31.12.19	62.25	153
Fish Pool contracts	Sale	NOK	900	01.01.19-31.12.19	63.85	1 565
<b>Total</b>						<b>1 717</b>

**Total return swap**

In 2019 the company entered into a TRS (Total Return Swap) agreement against own shares. At 31 December 2019, Norway Royal Salmon ASA's total underlying exposures through the TRS agreement is 994 609 shares, representing 2.28 per cent of the share capital of the company. The agreement expires 17.03.2020. The exercise price is NOK 187.29. The company realised previous agreements in 2019. The loss on realisation amounts to KNOK 3 810 (2018: gain of KNOK 47 282) and is posted as a finance post in the accounts. An unrealised gain on the agreement was recorded in 2019 of KNOK 29 331 (2018: KNOK 34 748).

As of 31 December 2019 (NOK 1 000)	No. of shares	Exercise price	Maturity	Fair value
TRS	994 609	187.29	17.03.2020	52 854
<b>Total</b>	<b>994 609</b>			<b>52 854</b>

As of 31 December 2018 (NOK 1 000)	No. of shares	Exercise price	Maturity	Fair value
TRS	1 485 756	199.42	14.03.2019	-29 331
<b>Total</b>	<b>1 485 756</b>			<b>-29 331</b>

**Note 18. Financial risk**

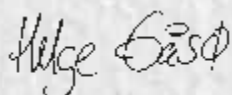
For further information relating to the management of financial risk in the parent company and group, see Note 1.6 to the consolidated financial statements.

# Responsibility statement from the Board of Directors and Chief Executive Officer

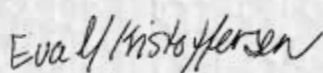
We confirm that, to the best of our knowledge, the consolidated financial statements for the period for 2019 have been prepared in accordance with IFRS and applicable additional disclosure requirements in the Norwegian Accounting Act, and that the financial statement of the parent company for 2019 have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards, and that the accounts give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of the operations per 31 December 2019.

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

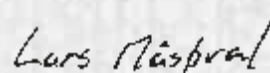
Trondheim, 2 April 2020



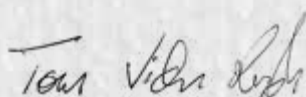
Helge Gåsø  
Chair



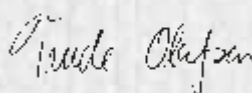
Eva Kristoffersen  
Vice Chair



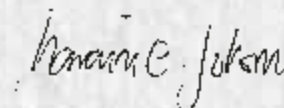
Lars Måsøval



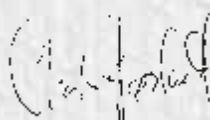
Tom Vidar Rygh



Trude Olafsen



Marianne E. Johnsen



Charles Høstlund  
Chief Executive Officer







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To the General Meeting of Norway Royal Salmon ASA

## Independent auditor's report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Norway Royal Salmon ASA, which comprise:

- The financial statements of the parent company Norway Royal Salmon ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norway Royal Salmon ASA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

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

#### Key Audit Matters

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

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansund	Stavanger	Alesund





Norway Royal Salmon ASA

### 1. Measurement and valuation of biological assets

Reference is made to Note 1.4 Summary of important accounting principles, Note 1.5 Important accounting estimates and judgements and Note 5. Biological assets.

The key audit matter	How the matter was addressed in our audit
<p>Norway Royal Salmon ASA measure biological assets at fair value in accordance with IAS 41. As per December 31 2019, the book value of biological assets is TNOK 1 231 662. This constitute 26 % of the Group's total assets.</p> <p>The book value of biological assets consist of biological assets measured at cost of TNOK 1 013 394, and a fair value adjustment of TNOK 218 268. The change in fair value in 2019 was TNOK – 127 907.</p> <p>Biological assets consist of the Group's live fish stock in the operating segment Fish Farming.</p> <p>In accordance with IAS 41, biological assets should be recognized and measured at fair value. Fair value is determined in accordance with IFRS 13. Effective markets for the sale of live fish stock do not exist, and the valuation of biological assets imply an estimation of fair value in a hypothetical market for live fish stock. This estimate is based on a number of assumptions, including:</p> <ul style="list-style-type: none"> <li>• The stock of biological assets</li> <li>• Future prices</li> <li>• Monthly discounting factor</li> <li>• Mortality and quality of the live fish stock</li> <li>• Estimated time of harvest</li> </ul> <p>The estimation of fair value of biological assets is complex and requires the exercise of judgement by management.</p> <p>Based on the size of biological assets, measurement of fair value, the exercise of judgement by management both of model and assumptions, and the impact of the fair value adjustment on the net result for the year, we consider the measurement and valuation of biological assets to be a key audit matter.</p>	<p>We have built up an understanding of the control environment and documented the Group's process for accounting for biological assets.</p> <p>We have reconciled the period's movement in the stock of live fish both in numbers and in biomass. For a sample of smolt releases, we controlled the number of fish registered in the biomass system against supporting documentation.</p> <p>We have assessed the accumulated feed factor on a project level with industry statistics. We have furthermore evaluated the Group's routines for the reconciliation of stock of feed, and controlled a selection of feed purchases in the period. We did this to support the reasonability of the period's growth in biomass.</p> <p>We assessed the accuracy of biomass estimates by comparing the actual harvested biomass on projects harvested in 2019 with estimated biomass. We found deviations to be within our expectation.</p> <p>We have performed a mathematical control of the Group's model for measurement and valuation of biological assets at fair value. Our assessment of the assumptions included a comparison of prices used with observable market prices on the estimated time of harvest. We have furthermore assessed the monthly discounting factor used against industry practice. Expected mortality and quality of live fish stock was evaluated against historical data. The estimated time of harvest was reconciled to the Group's budgets. We recalculated the Group's disclosed sensitivities of biological assets for changes in price, discounting factor and biomass. We found that the model made mathematical calculations as expected and the assumptions used were reasonable.</p> <p>We assessed the Group's notes related to measurement and valuation of biological assets, included in Note 1.4 Summary of important accounting principles, Note 1.5 Important accounting estimates and judgements and Note 5. Biological assets.</p>



Norway Royal Salmon ASA

### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Norway Royal Salmon ASA

- 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 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.



Norway Royal Salmon ASA

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

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

### Opinion on Registration and Documentation

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

Trondheim, 2 April 2020  
KPMG AS

Yngve Olsen  
*State Authorised Public Accountant*

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





# GRI Index

Norway Royal Salmon has based the report for 2019 on standards from the international reporting organisation Global Reporting Initiative, GRI Standards. The report mentions core elements, a selection of disclosures and other information. The GRI index below refers to the topics presented in the report. Norway Royal Salmon's report is not a complete GRI report.

GRI	TOPICS AND DISCLOSURES	REFERENCE
	<b>ORGANIZATIONAL PROFILE</b>	
102-1	Name of the organisation	Norway Royal Salmon ASA
102-2	Activities, brands, products and services	Production, processing, trade and distribution of seafood, as well as participation in other companies associated with the seafood industry. Furthermore, the company's purpose is to carry out quality assurance and chain activities for cooperating companies.
102-3	Location of headquarters	Ferjemannsveien 10, 7042 Trondheim, Norway
102-4	Location of operations	Our business, page 24-30, Board' statements page 81
102-5	Ownership and legal form	Norway Royal Salmon ASA is a public limited liability company listed on Oslo Stock Exchange. Further information, annual report 2019
102-6	Markets served	Sales with international focus and Market, page 31-33
102-7	Scale of organisation	Shareholder information, page 42-43, Consolidated financial statements note 2 page 120-121, note 18 page 146
102-9	Supply chain	Our business, page 24-25
102-10	Significant changes to the organisation and its supply chain	Important strategic milestones page 12-13, Highlights 2019 page 14-15, The board's statement page 81-82
102-11	Precautionary Principle or approach	Sustainable food production, Committed to people page 71
102-12	External initiatives	Sustainable food production, Committed to customers page 56
102-13	Membership og associations	Sjømat Norge, The Confederation of Norwegian Enterprise (NHO)
	<b>STRATEGY</b>	
102-14	Statement from senior decision-maker	Message from the CEO, page 20-21
102-15	Key impacts, risks and opportunities	The board's statement page 81-87
	<b>ETHICS AND INTEGRITY</b>	
102-16	Values, principles, standards and norms of behaviour	Strategy page 22-23, Sustainable food production page 70-74, Corporate governance page 90-91
	<b>GOVERNANCE</b>	
102-18	Governance structure	Sustainable food production page 48, Corporate governance page 90-95, Organisation page 39-41
102-19	Delegating authority	Sustainable food production page 48, Organisation page 39
102-20	Executive-level responsibility for economic, environmental and social topics	Sustainable food production page 48
102-21	Consulting stakeholders on economic, environmental and social topics	Sustainable food production page 48
102-22	Composition of the highest governance body and its committees	Corporate governance page 90-95, The Board of Directors page 41
102-23	Chair of the highest governance body	Corporate governance page 90-95, The Board of Directors page 41, Consolidated financial statements note 26 page 156-157
102-24	Nominating and selecting the highest governance body	Corporate governance page 90-95
102-25	Conflict of interest	Consolidated financial statements note 18 page 146-147, note 21 page 152-153 and note 26 page 156-157
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate governance page 90-95
102-27	Collective knowledge of highest governance body	The Board of Directors page 41
102-28	Evaluating the highest governance body's performance	Corporate governance page 90-95
102-35	Remuneration policies	The Board's statement on establishment of salaries and other remuneration for senior executives, page 96-97. Consolidated financial statements note 18 page 146-147

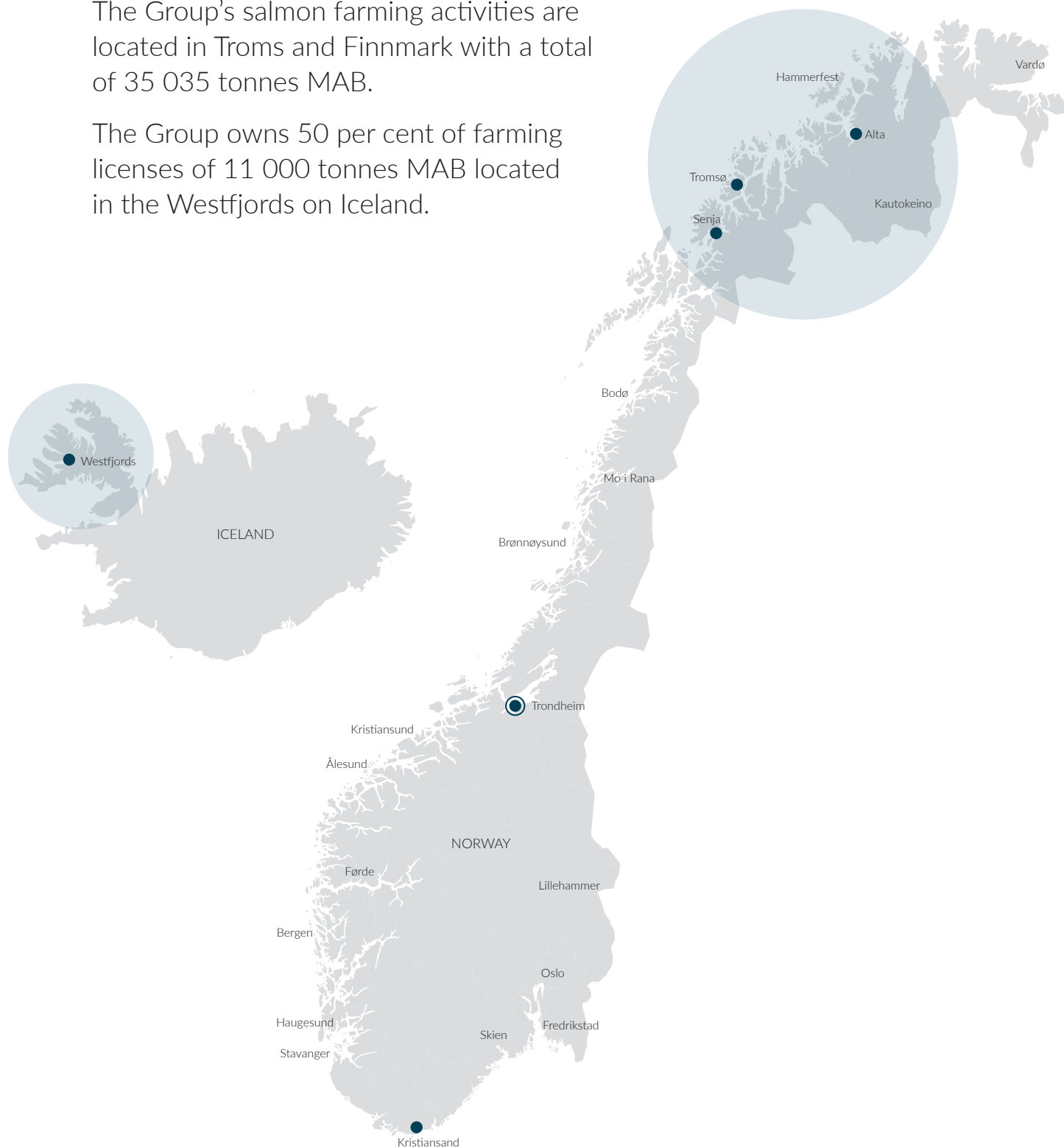


GRI	TOPICS AND DISCLOSURES	REFERENCE
	<b>STAKEHOLDER ENGAGEMENT</b>	
102-40	List of stakeholders groups	Sustainable food production page 48
102-41	Collective bargaining agreements	Employees in farming operations are part of collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainable food production page 48
	<b>REPORTING PRACTICE</b>	
102-45	Entities included in the consolidated financial statements	Consolidated financial statements note 4 page 123-124
102-46	Defining report content and topic boundaries	Sustainable food production page 48, GRI index page 196-197
102-47	List of material topics	Sustainable food production page 48-53
102-48	Restatements of information	Consolidated Financial Statements note 27, Emissions and energy page 62-63. Emissions and energy consumption are adjusted for minor mistakes in 2018 figures and adjusted for sold operations. Adjustments for energy consumption equals -14 TJ in 2018, -8 TJ in 2017 and -8 TJ in 2016. Adjustmenst for tCO <sub>2</sub> e equals -918 tCO <sub>2</sub> e in 2018, -546 tCO <sub>2</sub> e in 2017 og -555 tCO <sub>2</sub> e in 2016.
102-49	Changes in reporting	None
102-50	Reporting period	2019
102-51	Date of most recent report	2018
102-52	Reporting cycle	Annually
102-53	Contact point	Ola Loe
102-55	GRI content index	GRI index page 196-197
	<b>MANAGEMENT APPROACH</b>	
103-1	Explanation of the material topic and its Boundary	Sustainable food production page 48-53
103-2	The management approach and its components	Sustainable food production page 46-77
	<b>ECONOMIC PERFORMANCE</b>	
201-1	Direct economic value generated and distributed	Consolidated financial statement page 102-105
201-3	Defined benefit plan obligations and other retirement plans	Consolidated financial statements note 19 page 148-151
	<b>ANTI CORRUPTION</b>	
205-3	Confirmed incidents of corruption and actions taken	No reported incident of corruption
	<b>ENERGY</b>	
302-1	Energy consumption within the organisation	Sustainable food production, Committed to nature, Emissions and energy page 62-63
	<b>EMISSIONS</b>	
305-1	Direct (Scope 1) GHG emissions	Sustainable food production, Committed to nature, Emissions and energy page 63
305-2	Energy indirect (Scope 2) GHG emissions	Sustainable food production, Committed to nature, Emissions and energy page 63
305-4	GHG emissions intensity	Sustainable food production, Committed to nature, Emissions and energy page 63
	<b>EFFLUENTS AND WASTE</b>	
306-3	Significant spills	Sustainable food production, Committed to nature, Emissions of nutrient salts and Prevent escapes page 64
	<b>OCCUPATIONAL HEALTH AND SAFETY</b>	
403-1	Occupational health and safety management system	Sustainable food production, Committed to people page 70-73
403-2	Hazard identification, risk assessment and incident investigation	Sustainable food production, Committed to people page 70-73
403-4	Worker participation, consultation and communication on occupational health and safety	Sustainable food production, Committed to people page 70-73
403-5	Worker training on occupation health and safety	Sustainable food production, Committed to people page 70-73
403-9	Work-related injuries	Sustainable food production, Committed to people page 72-73
	<b>DIVERSITY AND EQUAL OPPORTUNITY</b>	
405-1	Diversity of governance bodies and employees	The Board of Directors page 88, Committed by name, Committed to customer page 54-59
	<b>CUSTOMER HEALTH AND SAFETY</b>	
416-1	Assessment of the health and safety impacts of product and service categories	Sustainable food production, Committed to customer page 54-59
	<b>CUSTOMER PRIVACY</b>	
418-1	Substantiated complaints concerning breaches of consumer privacy and losses of customer data	No complaints received



The Group's salmon farming activities are located in Troms and Finnmark with a total of 35 035 tonnes MAB.

The Group owns 50 per cent of farming licenses of 11 000 tonnes MAB located in the Westfjords on Iceland.



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