



Our fish | Your food



with sustainable development

*Annual Report 2013*

Layout and print: Skipnes Kommunikasjon AS



Photos: Elin Iversen, Øyvind Sætre and Jørn Adde  
Map page 16: Prokart/Kartverket

*Retrospective...*

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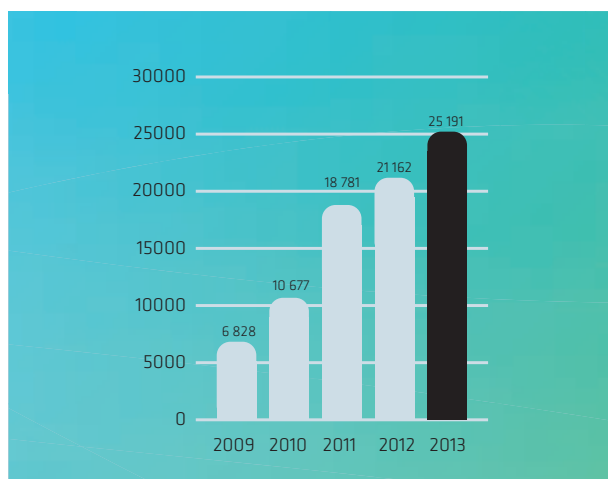
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” *The main issue for both NRS and the industry will be to search for improvements for efficient and sustainable production.*

*A statement from the Chief Executive Officer*



2013 was a record year for Norwegian salmon producers. Globally, there have never before been consumed larger volumes of salmon. In recent years has annual growth rates been more than 7 per cent. 2013 was also a record year for Norway Royal Salmon; we have never sold or produced more than we did in 2013. NRS produced over 25 000 tonnes of salmon and the company sold a total of 62 000 tonnes in 2013.

In the world market for Norwegian salmon, the growth in demand has been greater than the supply growth. Combined with low growth in Norway we consequently experienced a rapid price increase during the year. However, history shows that sustained high prices do not last forever. With 45 new green licenses and a possible adjustment of the current MAB regime, we believe there can be real growth in production capacity in Norway and in supply to the market.

The aquaculture industry has developed significantly in recent years and has become increasingly industrial. But in an industry with biological production there will always be factors that are difficult to control. Thus, we experience biological challenges of different nature in the various geographical areas in Norway. This applies in particular to the challenges of disease, sea lice and escapes. At the end of the year NRS had two escapes in a short time. Both escapes occurred during extreme weather conditions, yet this is something that should not happen. We believe we have taken measures to reduce the damage, and to reduce the likelihood that such an incident will happen again, but we apologize strongly that we have caused these undesirable events.

In the case of the green licenses that the government is about to allocate, both NRS and the rest of the industry have done a lot of creative work that we believe will influence future solutions in a more sustainable direction. We also believe that the new solutions that are successful will form the standard in the time to come.

The main issue for both NRS and the industry will be to search for improvements for efficient and sustainable production, and to minimize the negative biological challenges that we see today.

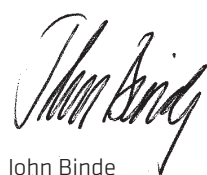
Based on this, the Global Salmon Initiative (GSI) was established almost two years ago. Norway Royal Salmon is a member of the Global Salmon Initiative. GSI consists of 15 global salmon producers from five different countries, representing 70 % of the global production of Atlantic salmon. The objective of the GSI is that the industry, through cooperation and transparency, shall achieve a significant improvement in sustainable production of Atlantic salmon at a time when the world needs a substantial increase in food production. All members of the GSI, including Norway Royal Salmon, have committed themselves to working towards full ASC certification by 2020. This is

a environmental certification that is the most difficult to acquire, and only the most sustainable producers will be able to satisfy the requirements' of the scheme. The initiative is fully supported by WWF and FAO.

The market outlook for Norwegian salmon has rarely been better. I think that the Norwegian Seafood council deserves praise for the work they do to promote salmon outside Norway. It is also appropriate to give credit to the first initiators of the scheme of generic marketing. I believe that this scheme and the Seafood Council's work over many years is a major reason for the success the industry now experiences with powerful demand outside Norway.

There has been considerable focus on organisational development during the last year, and going forward we expect this to be important both in our salmon production and in our trading activities. The main focus for all employees of NRS is daily improvements in our work. This applies to our pursuit of further efficiency of salmon production through reduction of the group's production costs, and in terms of sales and marketing of salmon in the best paying markets. This is hard work where we always must look for improvements.

I am proud of the work that all employees of NRS do in the best interests of the company, so that we emerge as a well run salmon company that creates significant value for the shareholders and for the communities in which we are located. I would therefore like to thank all employees, shareholders, the company's partners and last, but not the least, the various communities in which we operate.



John Binde  
CEO



# Important *Strategic*

**1992**

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

**1996**

- The Company took control of Reinhartsen Seafood AS with 90.1 %

**1998**

- Acquisition resulting in 31.1 % ownership of Hardanger Fiskeforedling AS

**2003**

- Acquisition resulting in 36.1 % ownership of Måsøval Fishfarm AS

**2004**

- Acquisition resulting in 48.0 % ownership of Larssen Seafood AS
- Acquisition resulting in 33.5 % ownership of Hellesund Fiskeoppdrett AS

**2006**

- Private placement in which the company raised gross proceeds of NOK 50 million
- Acquisition resulting in 37.5 % ownership in Espevær Laks AS

**2007**

- Acquisition resulting in 100 % ownership of Feøy Fiskeoppdrett AS (now named NRS Feøy AS)
- Acquisition resulting in 100% ownership of Åmøy Fiskeoppdrett AS (merged into NRS Feøy AS in 2009)
- Acquisition resulting in 82.5 % ownership of Nor Seafood AS



# *milestones*

## *2008/*

- Private placement in which the company raised gross proceeds of NOK 100 million
- Acquisition resulting in 100 % ownership of Altafjord Laks AS
- Acquisition resulting in 76.24 % ownership of AS Tri and Salmo Arctica AS (later merged into AS Tri)
- Acquisition resulting in 37.5 % ownership of Wilsgård Fiskeoppdrett AS

## *2009/*

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

## *2010/*

- Acquisition resulting in 66.67 % ownership of Nord Senja Laks AS
- The remaining 23.76 % of the shares in AS Tri were acquired, resulting in AS Tri becoming a 100 % owned subsidiary (subsequently merged into NRS Finnmark AS)
- Acquisition resulting in 27.65 % ownership of Ranfjord Fiskeprodukter AS
- The company was converted from a private to a public limited liability company

## *2011/*

- Public offering in which the company raised gross proceeds of NOK 46.1 million
- Norway Royal Salmon ASA is listed on Oslo Stock exchange
- Sold all shares (48 %) in Larssen Seafood AS

## *2012*

- Private placement and sale of treasury shares in which the company raised gross proceeds of NOK 43.4 million
- Acquisition resulting in 37.75 % ownership of Ranfjord Fiskeprodukter AS



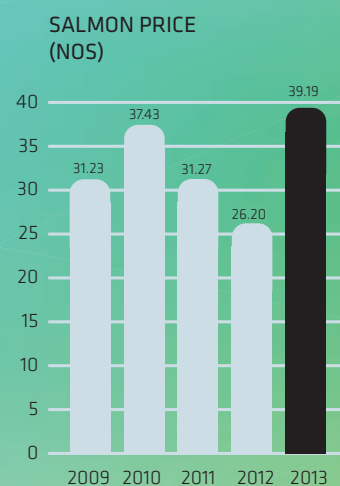
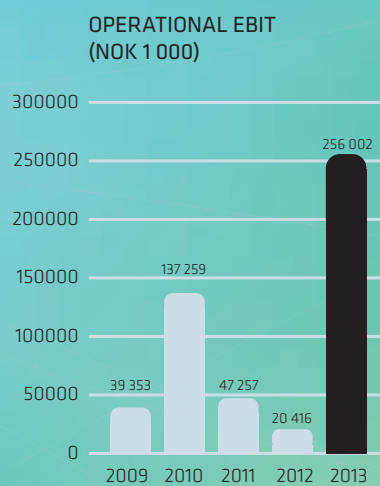
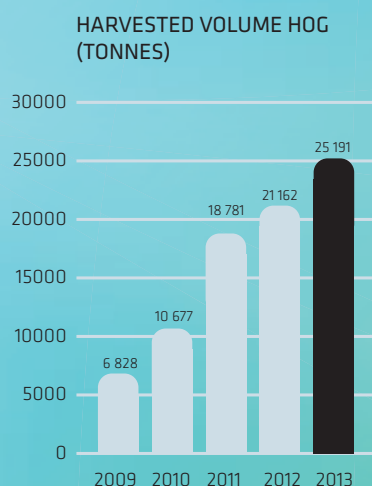


# Key figures

(NOK 1 000)	2013	2012	2011
Operating revenue	2 603 712	1 744 266	1 734 022
Volume sold (tonnes)	62 141	57 673	50 428
Volume of own fish harvested (tonnes gutted weight)	25 191	21 162	18 781
Operational EBITDA <sup>1)</sup>	289 729	50 866	70 800
Operational EBIT <sup>1)</sup>	256 002	20 416	47 257
EBIT	350 727	69 844	-25 870
EBT	396 292	40 748	-17 166
Result for the year	315 805	31 618	-1 618
EBITDA margin <sup>1)</sup>	11.1 %	2.9 %	4.1 %
Operational EBIT margin <sup>1)</sup>	9.8 %	1.2 %	2.7 %
ROACE <sup>2)</sup>	25.3 %	2.1 %	5.1 %
EBIT per kg - own production <sup>1)</sup>	11.71	1.23	2.19
Book value of biological assets	666 276	525 739	387 880
Total capital	2 051 612	1 675 526	1 467 292
Net interest bearing debt	453 883	566 075	531 734
Book equity	868 989	607 184	532 662
Equity ratio %	42.4 %	36.2 %	36.3 %
Net cash flow from operating activities	211 835	-2 828	-25 781
Net cash flow from investing activities	-24 348	-36 970	-56 602
Earnings per share	6.96	0.66	0.06
Number of shares as at 31 December	43 572 191	43 572 191	39 611 083
Number of employees (full-time equivalents)	114	103	89

1) Before fair value adjustments and income from associates

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



# *Highlights* 2013



## **Global Salmon Initiative (GSI)**

Launched, together with 15 CEOs of 15 global salmon producers, a major industry-led sustainability initiative – The Global Salmon Initiative (GSI). GSI commits the participating companies to work towards greater industry cooperation and transparency, in order to achieve significant and continuous progress in industry sustainability.

## **Applied for new licenses**

In the third quarter Norway Royal Salmon applied for 12 new green licenses.

## **Extraordinary dividend**

3. October Norway Royal Salmon distributed an extraordinary dividend of NOK 1.00 per share.

## **Escape**

In the fourth quarter, Norway Royal Salmon experienced two escapes from two separate localities. The escapes were discovered after storms had hit the localities. Counting revealed that approx. 71 000 salmon had escaped.





### **Record high operational EBIT**

The Group achieved an operational EBIT of NOK 256 million in 2013.

### **Record high result before tax**

The Group achieved a result before tax of NOK 396 million in 2013.

### **Record high harvest volume**

The farming business harvested 25 191 tonnes in 2013.

### **Record high sales volume**

The trading business sold 62 141 tonnes in 2013.

### **Refinancing the Group**

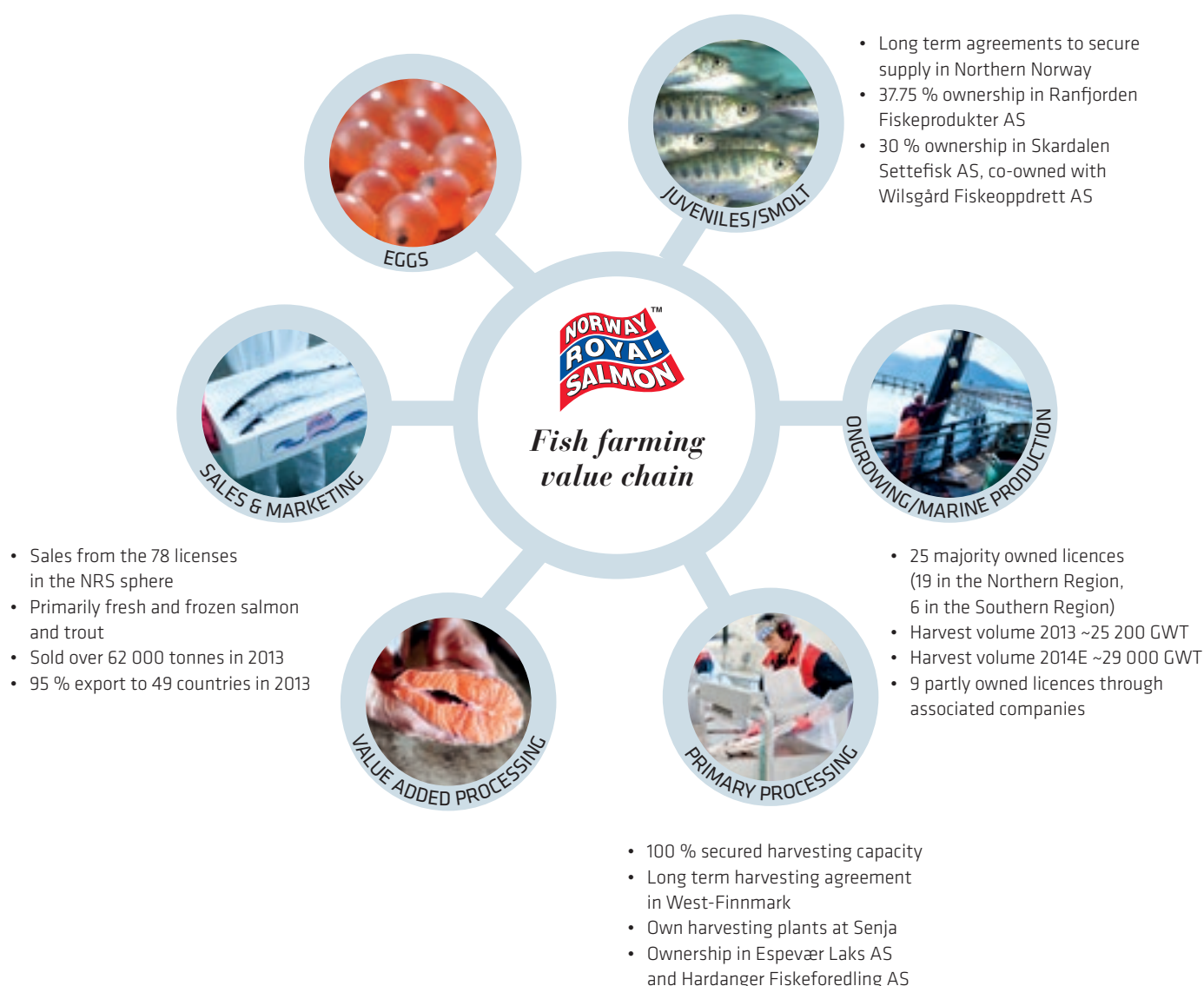
In January 2014 Group completed negotiations and signed a new agreement with Danske Bank, refinancing the Group's credit facilities of NOK 700 million over five years.

# *Norway Royal Salmon*

## *– an integrated fish farming*

Since the company was founded in 1992, Norway Royal Salmon (NRS) has developed from a sales and marketing company for farmed salmon into an integrated seafood company. The Group is now a fish farming company with activities in two main segments: fish farming and sales. In 2013, the Group's farming operation harvested 25 192 tonnes of fish, while the sales organisation sold over 62 000 tonnes of salmon. In addition to the sales organisation, the Group currently has four subsidiaries

that own a total of 25 licences. The Group also holds minority interests in seven companies, three of which are fish farming companies with a total of nine licences between them. There are also three harvesting plants and two smolt companies among these companies. The Group is thus involved in almost all links of the value chain, from smolt and salmon production, through harvesting and on to sales and marketing.



## Fish farming

In 2006, a strategic decision was made that the Group was to set itself up as a fish farmer, and from 2007 fish farming has been a part of the Group's activities. The fish farming operations comprise the farming of salmon and the associated harvesting activities.

The Group holds a total of 25 licences for edible fish production. 25 192 tonnes of fish were harvested in 2013 – a 19 per cent increase on the previous year. From utilising

36 per cent of the Group's capacity in existing licenses in 2010, the Group now estimate to have almost full utilisation of the capacity and harvest around 29 000 tonnes in 2014.

The Group's growth from 2009 to 2014 through utilisation of capacity in the existing licences is illustrated in the table below:

	REGION NORTH	REGION SOUTH	TOTAL	HARVEST VOLUME GROWTH (%)
Licenses *	19	6	25	
Harvest volume 2009 (HoG)	4 495	2 333	6 828	
Harvest volume 2010 (HoG)	6 000	4 677	10 677	56 %
Harvest volume 2011 (HoG)	12 871	5 910	18 781	76 %
Harvest volume 2012 (HoG)	13 944	7 218	21 162	13 %
Harvest volume 2013 (HoG)	20 491	4 700	25 191	19 %
Harvest volume 2014e (HoG)	29 000		29 000	15 %

(\*) Maximum allowable biomass (MAB) in the Northern Region is 945 tonn per license and 780 tonnes per license in the Southern Region.



## Fish farming with local management

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

### The Northern Region

The Northern Region covers the business in West Finnmark and on Senja. In all, the Group operates 19 licences in the Northern Region. The harvest volume in this region in 2013 totalled 20 491 tonnes, compared to 13 944 tonnes in 2012. In West Finnmark, the group is represented by its subsidiary NRS Finnmark AS. NRS Finnmark has 14 licences for salmon farming. The Group expects strong growth in harvested volume in 2014. In 2013, NRS Finnmark harvested 14 821 tonnes of fish, twice the 7 324 tonnes harvested in 2012. The total production capacity is approx. 17,000 tonnes. NRS Finnmark is attractively located in an area with only limited biological challenges and lice problems. In addition, the area provides good conditions for fish farming on account of its excellent water temperatures and limited algae growth on the nets, which translates into lower costs and profitable operations.

The subsidiaries Nor Seafood AS and Nord Senja Laks AS constitute the activities on Senja in Troms. These two





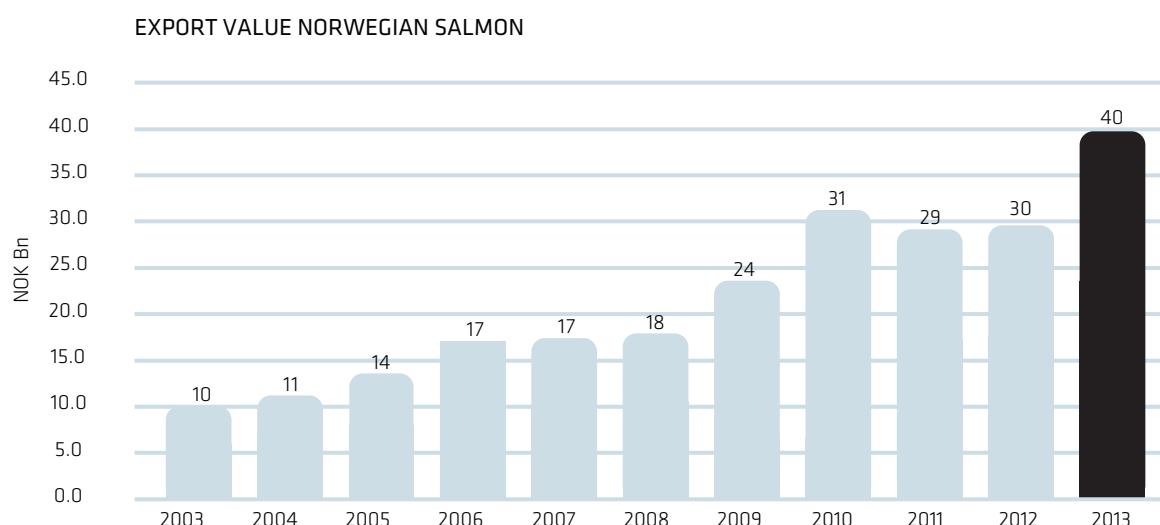


*Sold volume in the  
sales organisation*

# *Export value increased by NOK 10 billion in 2013*

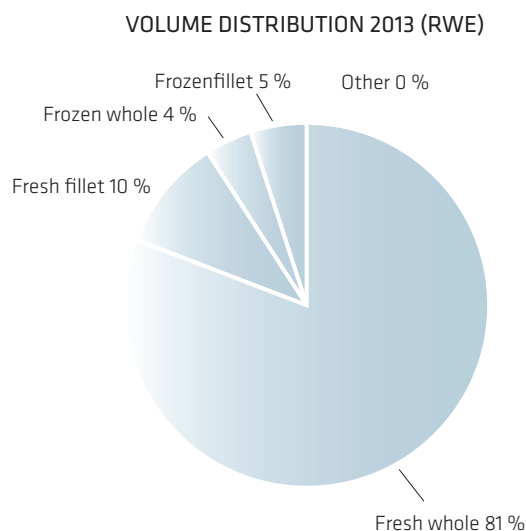
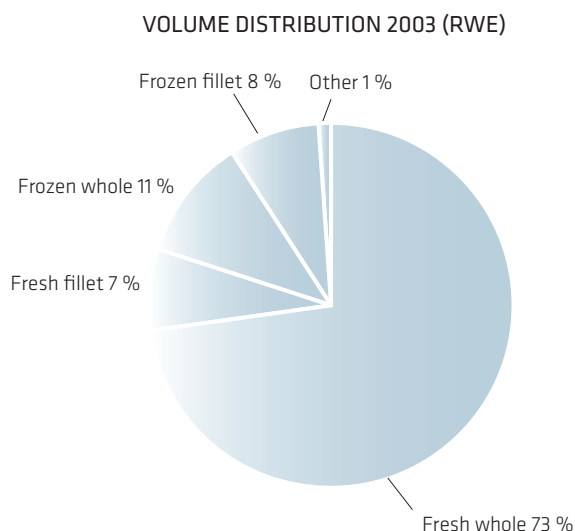
2013 was an exciting year for NRS and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 39.8 billion, an increase of NOK 10.2 billion from last year. In comparison; in 2003 the total value of the export was NOK 10 billion. Exported volume fell by 3 per cent to 1 099 904 tonnes (measured as round

weight), while the prices rose 39.4 per cent to NOK 36.16 per kg (round weight). This is the highest salmon prices in the last 25 years. In other words; 2013 was a year characterised by strong price growth and high prices.



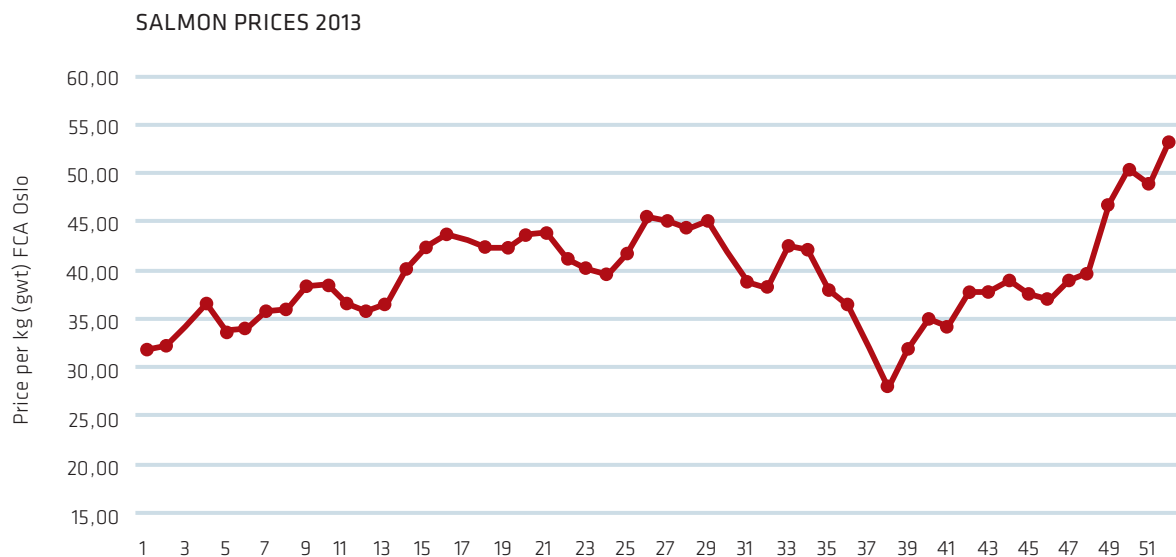
In terms of product development it is apparent that the focus in Norway from 2003 to 2013 has been on fresh salmon. Fresh whole fish increased its share of the export volume from 73 per cent to 81 per cent. Fresh fillet increased its share from 7 per cent to 10 per cent.

Frozen, smoked and other conserved and prepared products have reduced their volume and share of the total salmon exports in this period. We believe this trend will continue.



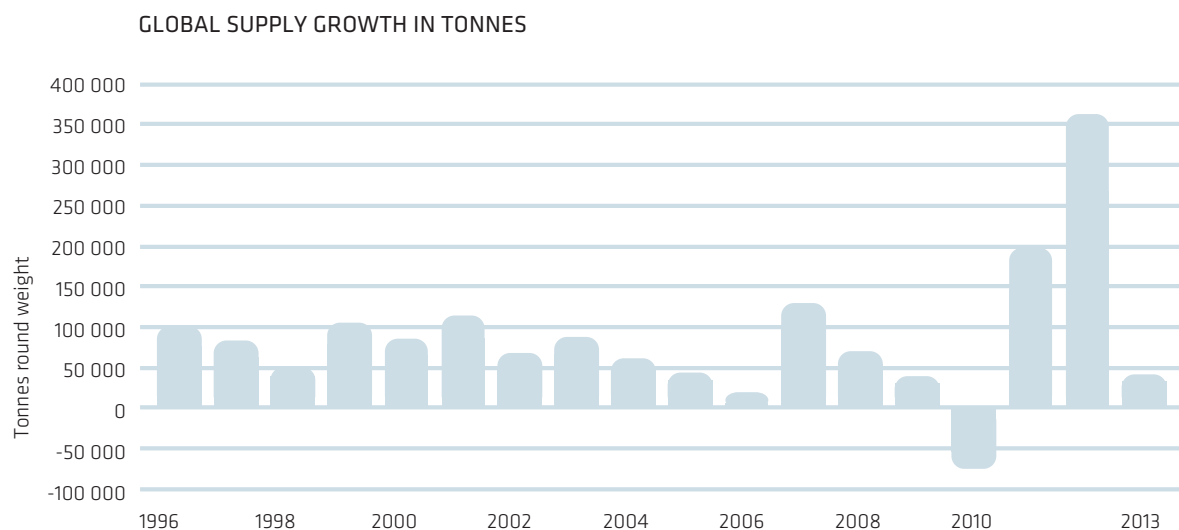
2013 was a year of large price fluctuations. The price was highest in the middle of the year and in December. The difference between the highest and lowest price in 2013 was more than NOK 25 per kg. The price fall in September was a result of a high increase in the supply of salmon from Norway in the period. When the volumes were stabilized, the prices rose quickly. Norway Royal Salmon experienced an extra strong demand from

the market in the periods when prices were below NOK 35 per kg. Average spot price (FCA Oslo) was NOK 39.42 per kg. This represents an increase of 50 per cent from the NOK 26.20 per kg in 2012. The highest spot price was recorded in the last week of the year at NOK 53.17 per kg. The lowest price was recorded at NOK 27.89 per kg in week 38.



The high price growth in 2013 was due to the demand of salmon being bigger than the supply. Supplied quantity of salmon rose only by 2 per cent from 2012, just over

40 000 tonnes. This global growth is significantly lower than the growth the industry has experienced in recent years, both when measured in percentage and tonnes.

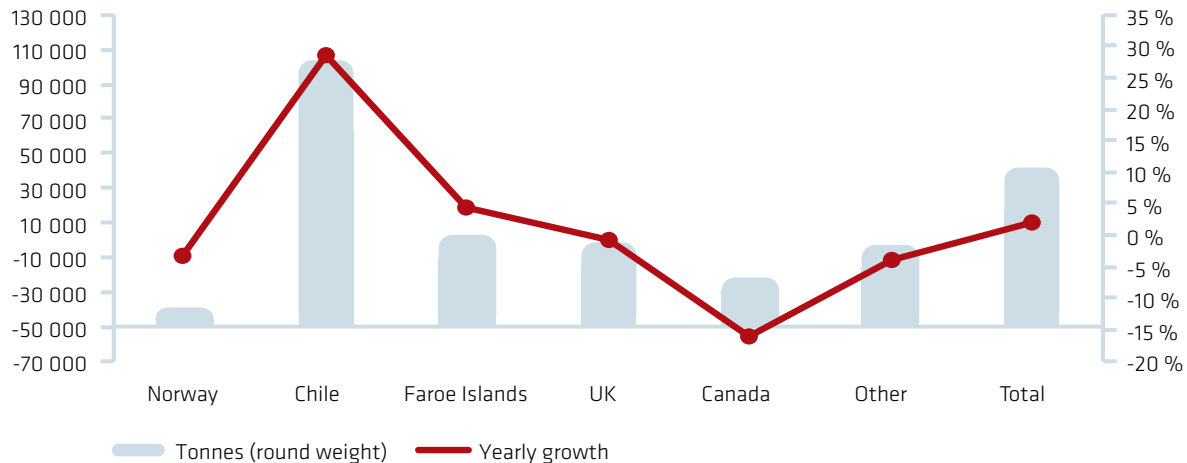




The production growth of 2 per cent was primarily due to a significant growth in Chile. In Norway, supply fell by 40 000 tonnes (3 per cent). The reduction in volume from Norway was mainly due to weaker growth during 2013. In the first six months of the year sea temperatures were significantly lower than in 2012, this was not fully offset by good growth in autumn. Chile is working hard to regain lost market shares and have in recent

years grown rapidly. In 2013 they came up at the level where they are expected to be in the coming years. The growth in 2013 was over 100 000 tonnes (29 per cent). The development of the Faroe Islands, the United Kingdom, Canada and other salmon producing countries had limited effect on the growth in the global salmon market in 2013.

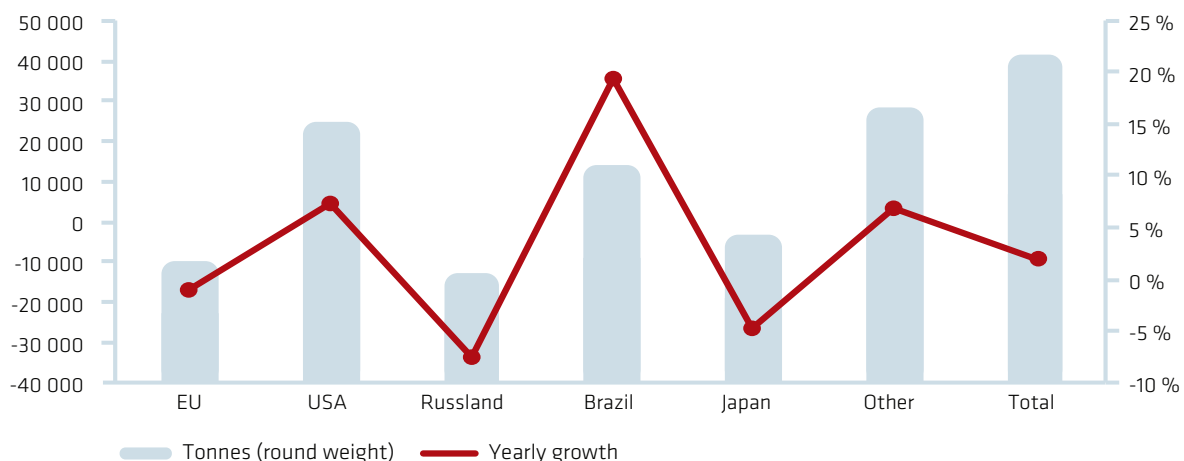
GLOBAL SUPPLY GROWTH PER COUNTRY IN 2013



The prices have been at a level that has led to unequal growth in demand for salmon. While the EU and Russia had a slight decrease in volume, growth has been positive in the U.S., Brazil and China/Hong Kong. In value, the growth has been positive in most markets. That the

customers use more money on salmon in 2013 than in 2012 is a very strong signal. 2013 has shown that the markets are hungry for more salmon. The strong underlying market growth gives rise to a huge market potential in the coming years.

GLOBAL DEMAND GROWTH IN SPECIFIC COUNTRIES IN 2013

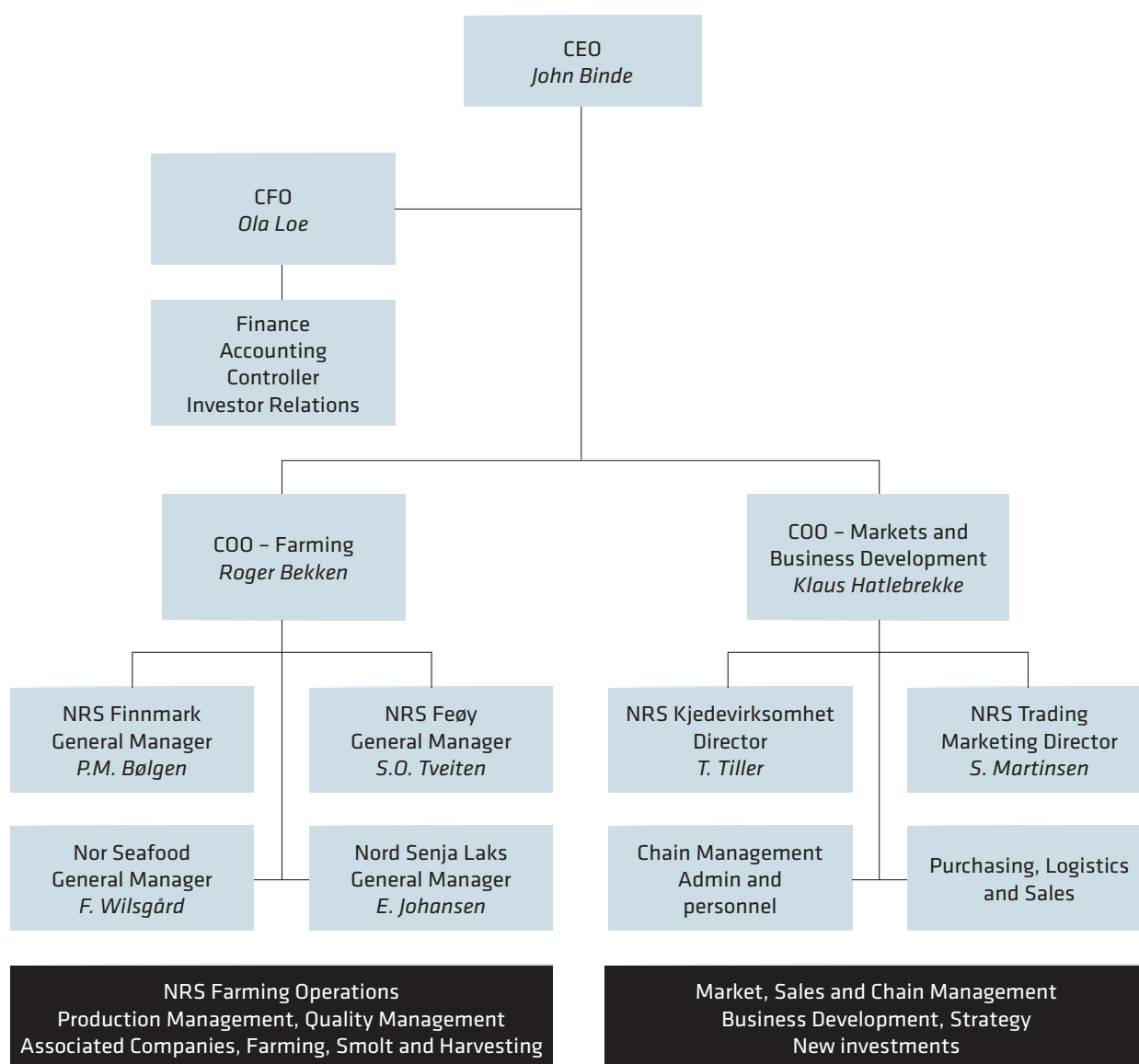


2013 was another eventful year for Norway Royal Salmon, Norwegian and global salmon industry. The underlying Consumption growth has been substantial

and the salmon industry now covers a market larger than ever before, providing even greater opportunities for the future.



# Organisation



NRS's internal organisation reflects the Group's company structure. The organization of the group is divided into two main parts where all farming operations are gathered under one area of responsibility and all other activities (including

marketing, sales, chain operations and business development) under one another. This organisation clarifies the Group's main business, and enhance focus on targeted development of these key areas.





# Management

**OLA LOE (1966)**  
Chief Financial Officer

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

**JOHN BINDE (1959)**  
Chief Executive Officer

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

**ROGER BEKKEN (1967)**  
Chief Operating Officer Farming Operations

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

**KLAUS HATLEBREKKE (1974)**  
Chief Operating Officer market and business development

Klaus Hatlebrekke holds a Master degree in Business and Economics from Norwegian School of Management. Mr. Hatlebrekke was an analyst of the seafood sector at DnB NOR Markets for more than 10 years. Hatlebrekke joined the Company in 2012. He resides in Trondheim, Norway.



# *The Board of Directors*



**HELGE GÅSØ (1961)**  
Chair

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



**KRISTINE LANDMARK (1954)**  
Vice Chairman

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



**ENDRE GLASTAD (1971)**  
Board member

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



**INGE KRISTOFFERSEN (1942)**  
Board member

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



**ÅSE MARIE VALEN OLSEN (1969)** Board member

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



**MARIANNE E. JOHNSEN (1963)** Board member

Marianne E. Johnsen graduated as a lawyer from University of Oslo before obtaining an MBA from Solvay Business School in Brussels. She is the founder and managing partner of X-lence Group AS, a management consulting and investment company. She has extensive experience from international executive positions, and holds currently a number of directorships in publicly listed companies. Mrs. Johnsen is a Norwegian citizen and resides in Oslo Norway.

# Shareholder information

*NRS had 713 shareholders at 31 December 2013 (649). The 20 largest shareholders owned 87.26 per cent of the shares at 31 December (85.54 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 2013. 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 22 May 2013, the board was authorised to purchase treasury shares up to a total nominal value of NOK 4 357 219. The lowest and highest price that can be paid for the shares is NOK 1 and NOK 45 respectively. The authority remains valid until 30 June 2014.

At the Annual General Meeting of 22 May 2013, 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. The board authority covers consideration of the acquisition of other companies and the raising of capital to strengthen the company's position. The authority remains valid until 30 June 2014.

## Option schemes

An option scheme for the senior management was established in connection with the listing of the company on Oslo Stock Exchange in 2011. Currently 6 employees are included in the programme. Detailed information is provided in note 5 to the group's annual accounts.

## Listing

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

## Share price development and liquidity

The share had a closing price at 31 December 2013 of NOK 37.00 per share (2012: NOK 15.30). A total of 16 706 896 shares were traded during the year (2012: 6 498 262). The NRS share price increased by 142 per cent during 2013. The main index at the Oslo Stock Exchange increased 23.6 per cent in the same period. The company's total market value at 31 December 2013 was NOK 1 611.1 million.

SHARE PRICE 2012/13  
NOK



**Ownership structure – the 20 largest shareholders as of 31 December 2013:**

Shareholder	No. of shares	Shareholding
Gåsø Næringsutvikling AS	6 309 752	14.48 %
Glastad Invest AS	5 487 861	12.59 %
Egil Kristoffersen og Sønner AS	4 451 450	10.22 %
Havbruksinvest AS	3 526 312	8.09 %
DNB Nor Markets	3 329 864	7.64 %
Måsøval Eiendom AS	2 883 022	6.62 %
SpareBank 1 Markets AS	2 335 013	5.36 %
Nyhamn AS	2 013 371	4.62 %
Kverva AS	1 549 810	3.56 %
Hellesund Fiskeoppdrett AS	1 541 450	3.54 %
Verdipapirfondet DNB SMB	1 080 000	2.48 %
Lovundlaks AS	1 000 000	2.30 %
Wilsgård Fiskeoppdrett AS	468 689	1.08 %
MP Pensjon PK	450 700	1.03 %
Mertoun Capital AS	340 000	0.78 %
Henden Fiskeindustri AS	339 502	0.78 %
Barbinvest As	252 850	0.58 %
Måsøval Fishfarm AS	240 219	0.55 %
State Street Bank and Trust Co.	218 163	0.50 %
Frewi AS	203 433	0.47 %

**The share in 2013**

Highest traded price	NOK	37.20
Lowest traded price	NOK	14.65
Share price at 31 December	NOK	37.00
Outstanding shares at 31 December	Number	43 542 106
Market value at 31 December	NOK	1 611 057 922

**Finance Calendar 2014:**

26.02.2014	Presentation of preliminary annual results 2013
12.05.2014	Presentation Q1 2014
27.05.2014	Annual General Meeting 2014
20.08.2014	Presentation Q2 2014
05.11.2014	Presentation Q3 2014

Please note that the financial calendar may be subject to change. Changes will be communicated.

**Dividend**

For financial year 2013, the Board proposes to the Annual General Meeting that a dividend of NOK 2.20 per share is distributed. During 2013 an extraordinary dividend of NOK 1.00 per share was distributed.

**Analyst coverage**

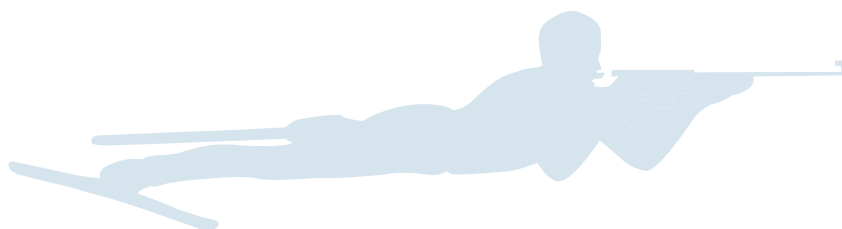
Stockbroker	Phone
Carnegie ASA	+47 22 00 93 57
DNB Bank ASA	+47 24 16 90 79
Fondsfinans ASA	+47 23 11 30 27
Nordea Markets	+47 22 48 79 83
Pareto Securities AS	+47 24 13 21 15
SpareBank 1 Markets	+47 24 14 74 18
Handelsbanken	+47 22 39 72 99



*Norway Royal Salmon supports*  
***the local***  
***communities***



*The NRS employee, Maria Sparboe, crosses the finish line in Finnmarkslopet.*



As a producer and distributor of healthy and nutritious foods NRS has as an objective to send a message where we can show the positive aspects of our products. We have chosen to support youth and sport.

We wish to support activities in the local communities where our businesses operate and therefore provide support to local sports clubs and other local organisations. In Finnmark we support, among others, the Team Nordlysbyen Ski, Alta IF, Alta Biathlon Club, the Alta Disability Club and Team Horisont. One of our employees, Maria Sparboe from Team Horisont, completed one of the toughest runs of the 1 000 km long Finnmarkløpet.

NRS also support a Senja boys football team, that this year became regional champions in their age group.

To have an insight into our markets and customers is also important. Biathlon is a popular sport not only in Norway but also in France, Germany and Russia which are big markets for us. We have for several years had a partnership with biathlete Tarjei Bø. He won three gold medals in the World Championship in Nové Město in 2013, but had more modest result in the Olympic Winter games in Sotsji in 2014.

It's about courage, knowledge, experience, endurance and decisiveness. Skills and values NRS wishes to be associated with.



*We support Alta IF.*



*The Senja boys football team became regional champions.*



# Corporate Governance

Norway Royal Salmon ASA (NRS) is listed on the Oslo Stock Exchange. The first trading date for the company's shares was 29 March 2011. The board and management of NRS review the company's corporate governance procedures each year in order to be able to allocate roles between shareholders, the board and general management in an optimal fashion. NRS comply with the Norwegian Code of Practice for Corporate Governance of 23 October 2012. The Code of Practice can be found on [www.nues.no](http://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](http://www.norwayroyalsalmon.com).

## 2 Business

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

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

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

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

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

## 3 Equity and dividends

### Equity

As of 31 December 2013 the Group's total equity amounted to KNOK 868 989, which represented 42.4 per cent of its total assets. The board deems this to be satisfactory. The board shall maintain a level of equity commensurate with the company's objectives, strategy and risk profile.

### Dividend policy

The company aims to provide a dividend level that reflects the company's value creation in the form of dividends, and increases in the company's share price. At least 60 per cent of the profit shall be distributed as dividends, provided that the company's equity ratio is above 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. At an Extraordinary General Meeting 19 September 2013 it was resolved to distribute an extraordinary dividend of NOK 1.00 per share. The dividend was distributed on 3 October 2013. For financial year 2013, the Board proposes that a dividend of NOK 2.20 per share is distributed.

### Capital increase

At the Annual General Meeting of 22 May 2013, 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 2014.

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

### Purchase of treasury shares

At the Annual General Meeting of 22 May 2013, the board was authorised to purchase up to 4,357,219 treasury shares with a nominal value of NOK 1.00, which corresponded to 10 per cent of the share capital at the time of authorisation. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1, and no higher than NOK 45 per share. The board may choose the exact method of acquisition or sale. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2014.

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

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

### Share classes

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

### Purchase/sale of treasury shares

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

### Related-party transactions

Services were purchased from a company owned by the Chair in 2013. These services were purchased on market terms and conditions. Further information on the transactions is found in Note 28 to the consolidated financial statements.

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

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

## 5 Freely negotiable shares

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

## 6 General meetings

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

### Notice

All shareholders have the right to propose items for the agenda, and to participate, speak and vote at the general meeting, provided that their shareholding is entered in the Norwegian Central Securities Depository (VPS). The Annual General Meeting is held within six months of the end of the accounting year, and in 2014 is scheduled for Tuesday 27 May. The financial calendar is published as a stock market notification and on the company's website. The convening of the general meeting shall be notified in writing to all shareholders whose address is known, no later than 21 days before the meeting is due to be held. Notification, agenda documents, proposed resolutions, the Nomination Committee's justified nominations and registration and mandate forms, are made available to the shareholders on the company's website and as a stock market notification, no later than 21 days prior to the date of the meeting. In accordance with the company's Articles of Association, a shareholder may also contact the company and request despatch



of documents relating to the items to be considered by the general meeting. Agenda documents shall contain all information required by shareholders to form a considered opinion on all items to be reviewed. All shareholders who are registered in the VPS receive notice of the meeting and have the right to propose motions and to vote directly or via proxy. Shareholders may register for the general meeting in writing or by post, email or fax. Shareholders who are unable to attend in person may vote by proxy. An individual proxy is required for each item that is to be considered.

### **Implementation**

The agenda is established by the board, where the main points are stated in § 8 of the Articles of Association. The Annual General Meeting shall approve the annual settlement and establish board members' fees. The general meeting elects a meeting chair. The Board Chair, the company's auditor and the company's management all participate in the general meeting. Minutes from the general meeting are displayed on the Group's website, 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: Martin Sivertsen (Committee Chair), Lars Måsøval 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. All the board members, including the Chair, are elected by the general meeting. In accordance with the company's Articles of Association, the board comprises three to nine members. At the most recent election at the Annual General Meeting a new representative was elected, and three of the representatives were re-elected, after which the board comprised six representatives, all elected by the shareholders. The board currently comprises Helge Gåsø (Chair), Kristine Landmark (Vice Chair) and board members Endre Glastad, Inge Kristoffersen, Marianne E. Johnsen and Åse Valen Olsen. 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 at any one time each year.

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

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

### **Board competence and shareholdings**

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

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

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

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

The board shall ensure that the company's operations are properly organised at all times by establishing



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

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

The board's rules of procedure were adopted at the board meeting of 7 May 2013. The rules cover the following areas: the board's remit, convening of and matters to be reviewed at meetings, the board's decisions, duty of confidentiality and incapacity, the board's self-assessment and the CEO's obligations to the board.

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

#### **Board committees**

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

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

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

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

The CEO is responsible for the Group's operational management and management of the company's resources, and makes decisions on all items not requiring particular expertise and which also naturally fall within the board's remit. The CEO shall also ensure that the consolidated financial statements comply with relevant



legislation and regulations. The CEO is appointed by the board. The CEO's authority is established in separate rules of procedure adopted by the board.

### **Frequency of meetings**

A minimum of six board meetings shall be held each year. Where required, extra board meetings are held to consider urgent items that need to be reviewed before the next board meeting. A total of eight board meetings were held in 2013.

### **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 with regards to 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 is in compliance 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 accorded high priority, and measures are implemented in areas where results fall short of required levels. Disclosures are reported in connection with the quarterly and the annual reporting. Extended controls are carried out in the quarterly and the year-end reporting processes.

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

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

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

### **Ethical guidelines**

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

## 11 Remuneration of the board of directors

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

The Group Chair has performed services for the Group through his companies Fisketransport AS and Frøy Sjøtransport AS. The board is aware of these services, which are priced on market terms and conditions. The relationship is discussed in Notes 5 and 28 to the consolidated financial statements.

Other information on fees and remuneration paid to the board is disclosed in Note 5 to the consolidated financial statements. Resolutions on fees are recorded in the minutes of the Annual General Meeting each year and are displayed on the company's website.

## 12 Remuneration paid to senior executives

The 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 the Annual Report note 5.

The Board prepares a statement in compliance with the Public Limited Liability Companies Act regarding the remuneration of the executive management team for the consideration by the AGM.

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

- Fixed salaries
- Benefits in kind
- Pension
- Termination payment
- Bonus

For additional information on the different elements, reference is made to the Annual Report note 5.

## 13 Information and communication

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

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

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

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

## 14 Take-overs

The board of directors will not seek to prevent or place obstacles in the way of any party who wishes to make

an offer for the company's business or shares. If an offer is made for the company's shares, the board will issue a statement evaluating the offer and a recommendation to the shareholders on acceptance or non-acceptance. The board's statement will indicate whether the board is unanimous in its recommendation.

## 15 Auditor

Separate rules of procedure have been drawn up for the Audit Committee's work in relation to the auditor,

together with guidelines on work extending beyond standard audit work performed by the external auditor. The auditor participates in the board meetings that discuss the annual financial statements. Each year, the auditor presents the Audit Committee with an audit plan and a summary of the conducted audit, including a review of the company's internal controls.

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





# *Board of Directors report for 2013*

## **Group operations and locations**

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

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

The Group's fish farming operations are divided into two regions. The Northern Region comprises fish farms located in West Finnmark and on Senja and has 19 licenses. The Southern Region comprises fish farms located in Hordaland and Rogaland and has 6 licenses. Sales operations are conducted from the company's two offices in Trondheim and Kristiansand. In addition, the Group has shares in seven associates. Of these, three are fish farming companies with a combined total of nine licences, two are harvesting companies, and two are hatcheries.

## **Highlights in 2013**

2013 was an eventful year for Norway Royal Salmon characterised by high salmon prices and record results.

- The Group generated operating revenues of NOK 2 603.7 million, an operational EBIT of NOK 256 million and a result before tax of NOK 396.3 million.
- Return on average capital employed was 25.3 per cent.
- Fish farming had a harvest volume of 25 191 tonnes in 2013, an increase of 19 per cent from last year. The operation in 2013 has been characterised by satisfying production in the Northern Region and high production costs in the Southern Region. The Northern Region produced 82 per cent of the harvested volume of the Group, while the Southern Region produced 18 per cent.
- Low sea temperatures in the first half of the year and biological challenges resulted in lower than expected growth.

- The trading business increased sold volume, and achieved approximately normal margins before provision for doubtful accounts. Norway Royal Salmon chose to increase the provision for doubtful accounts in 2013, which reduced operational EBIT by NOK 6.4 million. Sold volume for 2013 was 62 141 tonnes.
- Unfortunately there were two incidences with escape of fish in 2013: 3 312 fish escaped at NRS Finnmark and 68,009 fish at NRS Feøy. Norway Royal Salmon has had a thorough review of the incidence to uncover areas for improvement in order to reduce the risk of such events in the future.
- Launched, together with 15 global salmon producing companies, a significant industry led sustainability initiative "Global Salmon Initiative" (GSI). GSI commits the participating companies to work towards greater cooperation and transparency, thereby achieving significant improvement in the industry's sustainability.
- Awarded GlobalGap-certificate for three new locations.
- Negotiated an agreement with Danske Bank to refinance its credit facilities totalling NOK 700 million over five years. NOK 300 million is an instalment-free long-term loan and NOK 400 million is a short-term overdraft and guarantee facility. The agreement has a 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 inventory and accounts receivables. The new bank agreement comes into force in 2014 and gives the group a very good financial flexibility.
- Distributed extraordinary dividend of NOK 1.00 per share and proposed a dividend of NOK 2.20 per share for 2013.

## **Financial performance**

### **The income statement**

Norway Royal Salmon generated consolidated operating revenues of NOK 2 603.7 million in 2013, compared with NOK 1 744.3 million in 2012. The increase of 49 per cent is a result of increased volume and an average price for salmon 39 per cent higher than in 2012. The Group had a consolidated operating result of NOK 379.6 million



(2012: NOK 80.3 million). Operational EBIT totalled NOK 256.0 million (2012: NOK 20.4 million). The Group's consolidated net result for the year totalled NOK 315.8 million (2012: NOK 31.6 million).

The Group recognised NOK 28.8 million in share of the result from associates in 2013 (2012: NOK 10.5 million). The Group's associates harvested a combined total of 7 085 tonnes in 2013, compared with 7 157 tonnes in 2012. The Group's share of the volume was 2 586 tonnes compared with 2 620 in 2012. In 2013, the Group had net interest expenses of NOK 31.0 million (2012: NOK 35.5 million).

The parent company made a net result for the year of NOK 207.9 million in 2013 (2012: NOK -12.1 million). Operating result totalled NOK -2.1 million, compared with NOK 4.2 million in 2012. The volume sold by the parent company rose from 57 673 tonnes in 2012 to 62 141 tonnes in 2013. The decrease in operating profits is mainly due to expensed provisions for doubtful receivables of NOK 6.4 million. The increase in the company's net result for the year is attributed to a rise in share of the profits from investments in subsidiaries and associates from NOK -4.4 million in 2012 to NOK 181.6 million in 2013, and that the parent company recognised a profit from realisation of TRS-agreements of MNOK 30.7 million.

#### ***Fish Farming:***

The fish farming business generated gross operating revenues of NOK 939.5 million in 2013 (2012: NOK 537.2 million), an increase of 74.9 per cent. The rise is due to the volume of fish harvested increased by 19.0 per cent in 2013 and a rise in the price of salmon of 39 per cent from last year. The fish farming business harvested a total of 25 191 tonnes in 2013, compared with 21 162 tonnes in 2012. The rise in harvested volume is the result of increased utilisation of existing licences. Operational EBIT totalled NOK 295.1 million (2012: NOK 26.1 million), which amounts to NOK 11.71 per kg (2012: NOK 1.23). The increase in operating result was also due to increased volumes and higher prices. The fish farming business volume of biomass in the sea was 20 697 tonnes at the start of the year and 20 160 tonnes at the close.

The Northern Region generated gross operating revenues of NOK 759.6 million in 2013 (2012: NOK 348.0 million). The segment harvested a total of 20 491 tonnes in 2013, compared with 13 944 tonnes the year before, an increase of 47.0 per cent. The Group has 19 fish farming licences in the Northern Region, of which five are in Senja and 14 in western Finnmark. The segment made an operational EBIT of NOK 252.6 million (2012: NOK 21.5 million). Operational EBIT came to NOK 12.33 per kg harvested in 2013 (2012: NOK 1.54).

In 2013, the Southern Region generated gross operating revenues of NOK 179.8 million (2012: NOK 189.3 million). The segment harvested a total of 4 700 tonnes in 2013, compared with 7 218 tonnes the year before, a decrease of 34.9 per cent. The Group operates six licences in the Southern Region. The segment had an operational EBIT of NOK 42.5 million (2012: NOK 4.7 million). Operational EBIT came to NOK 9.04 per kg harvested in 2013 (2012: NOK 0.64).

#### ***Sales:***

Sales increased its gross operating revenues from NOK 1 736.9 million in 2012 to NOK 2 579.1 million in 2013, an increase of 48.5 per cent. The increase is due to increased volume and prices. The segment sold 62 141 tonnes during the year, compared with 57 673 tonnes the year before, a rise of 7.7 per cent. Sales had an operational EBIT of NOK -15.0 million in 2013 (2012: NOK 21.4 million), and a result before tax of NOK -10.3 million (2012: NOK 13.1 million). Norway Royal Salmon chose to increase the provision for doubtful accounts in 2013, which reduced operational EBIT and result before tax by NOK 6.4 million. The loss of fixed price contracts reduced the operational EBIT by NOK 34.8 million.

#### ***Balance sheet***

At the close of 2013, the Group had total assets of NOK 2 051.6 million (2012: NOK 1 675.5 million).

The increase in total assets is due to changes in several balance sheet items. Biological assets and accounts receivables have increased significantly. A total of NOK 65.4 million was invested in new operating assets during the year. The value of the biomass rose during the year from NOK 525.7 million to NOK 639.2 million. The increase in the value of the biomass is due to a real build-up of biomass at cost of NOK 26.5 million, at the same time fair value adjustments increased by NOK 87.0 million as a result of higher prices. At the close of the year, the Group's biomass totalled 20 160 tonnes, compared with 20 697 tonnes at the start of the year. The financial assets of the Group increased by NOK 18.4 million, mainly as a result of positive results in associated companies.

The Group's net interest bearing debt as at 31 December 2013 totalled NOK 453.9 million, compared with NOK 566.1 million at the close of the previous year. The reduction in interest bearing debt can largely be attributed a positive EBITDA of NOK 289.7 million

At the close of 2013, the Group had an equity ratio of 42.4 per cent, compared with 36.2 per cent at the close of 2012. The net increase in equity of NOK 261.8 million was mainly due to a positive total comprehensive income for the period of NOK 307.7 million, while paid dividend has reduced equity by NOK 43.5 million.

The parent company's total assets stood at NOK 1 293.5 million at the close of the year (2012: NOK 990.0 million). Total financial assets increased by NOK 169.9 million from the end of 2012 due to positive results in subsidiaries and associated companies. There has been a significant increase in accounts receivables as a result of higher sales revenues. Bank deposits have decreased as a result of negative operational cash flows, and payment of dividend. At 31 December 2013, the parent company's equity ratio was 38.1 per cent (2012: 43.7 per cent).

### Cash flow

The Group's cash flow from operating activities in 2013 was NOK 211.8 million (2012: NOK -2.8 million). The cash inflow is mainly due to an EBITDA of NOK 289.7 million; while a change in working capital of -77.2 million had an adverse affect on the cash flow.

Net cash outflows relating to investing activities in 2013 totalled NOK -24.3 million (2012: NOK -37.0 million). These are, for the most part, attributable to investments in operating assets of NOK 65.4 million and payments from investments in financial assets of NOK 40.0 million.

The Group had cash and cash equivalents at the close of the year of NOK 53.7 million (2012: NOK 9.9 million). At 31 December 2013, the Group had a net interest bearing debt of NOK 453.9 million (2012: NOK 566.1 million).

In 2013, the parent company had a negative cash flow from operating activities of NOK -36.6 million (2012: NOK 23.4 million). The negative cash flow is mainly a result of an increase in receivables, while an increase in accounts payables had the opposite effect. The realised profit from exercising TRS-agreements, dividend from associated companies, sale of the shares in Aqua Gen and repayments of loans have resulted in a positive cash flow from investing activities of NOK 44.1 million (2012: negative NOK 6.2 million).

Repayment of debt, payment of dividend, purchase of own shares and interest payments resulted in a negative cash flow from financing activities of NOK 63.0 million (2012: NOK 35.2 million).

The total negative cash flow in 2013 of NOK 55.5 million has resulted in net bank deposits totalling NOK 165.8 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 Norwe-

gian Accounting Act. This assessment rests on the Group's results, financial position and budgets.

## Research and development

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

- Stress tests on salmon in cooperation with the University College of Bodø. The purpose of the project is to identify and improve bottlenecks in production which cause mortality or reduced quality of the salmon.
- Internal sore project in collaboration with veterinarians and other experts to identify and enhance biology and operations in order to reduce mortality and spoilage.
- Internal feed project in collaboration with Helgeland Forsøksstasjon; study the fish digestive and intestinal health to learn more about optimal feed composition and optimal feeding strategies. Also measures growth and feed conversion ratio using different feed types.
- Internal project on the use of eggs with increased resistance to IPN and PD virus.
- Internal project with ice skirts in Finnmark, in order to reduce the load on the cages and nets due to icing.
- Experiments on the production of Triploid salmon (sterile) to reduce the environmental impacts of escapes (in collaboration with hatchery).
- Internal project with lice-skirts in Finnmark, in order to reduce the use of medication in connection with treatment against salmon-lice.
- FHF project, measures to improve control of listeria in the salmon industry.
- FHF project, texture and fat in salmon fillets.
- FHF project, quality salmon.
- FHF project, locality access for aquaculture.

## Operational risk and risk management

### Fish Farming

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

The biological challenges will be related to smolt quality, disease, parasites, algae blooms, low oxygen levels and fluctuations in sea temperatures. Although Norway Royal Salmon develops and implements sound routines for its own operations, the industry is such that it is important to coordinate much of this effort with other stakeholders in the various geographical locations in which we operate. The fish farming operations management team is working continuously to follow up smolt

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

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

Sites located in relatively open water have recently been put into operation, since these areas have favourable conditions for fish farming. This is extremely demanding for both employees and equipment. The production facilities are constantly subjected to powerful natural forces, which represent a risk of damage to the equipment and subsequent risk of fish escaping. In the last years Norway Royal Salmon has invested in new equipment of a high standard, which is capable of meeting our own and the public authorities' requirements with respect to fish escapes.

Risk management is a key aspect of the management team's duties. The Group has implemented routines and systems for the monitoring of risk factors in all business areas. Auditing the production facilities in accordance with the quality handbook and defined site standards will be strongly emphasised.

The Group has also in 2013 worked against GlobalGAP certification, and through a global initiative (GSI) between the 15 global salmon producers Norway Royal Salmon has decided that by 2020 we will implement a new standard (ASC). This standard has a strong focus on sustainability.

## **Sales**

Operational risk in the sales segment is more limited than in the farming operations and includes; trade margins, contract risk and credit risk. We believe in positive sales growth in the coming years, but we might face challenges. Although the price of salmon has been volatile, the trade margins are normally not greatly affected. Margins are more influenced by the general competitive situation between farmers, exporters and customers. Economic downturns have normally affected the sale of salmon in a relatively small degree. However, a strong weakening of the economy in our key export markets can have a 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 in regards 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. Currently there

are trade barriers in the trade with Russia and China. Significant changes to the conditions of trade involve risk for the Group. The sales operations sold fish to 49 countries in 2013 and such a sales spread limits this risk.

The sales operations are responsible for fixed price sales contracts. The main objective entering into 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 10-40 % of the Group's own harvest in the subsequent three months. Contracts are bilateral against customers or financial against Fish Pool. The sales business enters into both financial purchase and sales contracts to hedge margins. The company enters only 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 95 per cent of the Group's sales are in foreign currencies, with the largest exposure being to the EUR and USD. The Group's exposure to exchange rate fluctuations is a major part of the business activities affecting the Group's cash flows and profits. 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 in principle based on floating interest rates, which means that the Group is exposed to movements in interest rates. To reduce this risk, the Group has an interest rate swap agreement. NOK 100 million of the Group's debt are hedged through the swap agreement.

### **Credit risk**

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



tions. The largest single factor affecting liquidity risk is represented by fluctuations in the price of salmon. The Group has strengthened its financial position this year through good total result of NOK 307.7 million. There are covenants associated with the Group's borrowings which, at the close of 2013, Norway Royal Salmon meet. Overall, the Group's liquidity risk is considered to be at an acceptable level.

## Corporate Social Responsibility

Norway Royal Salmon conducts its business in a number of local authority areas and local communities. In several of these, the Group is a major employer. The aquaculture industry has a substantial ripple effect, with each full-time job creating the foundation for an additional 1.7 full-time jobs in ancillary businesses.

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

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

Norway Royal Salmon continually focus on compliance with guidelines and standards for areas located under corporate social responsibility. The company's core values is that we believe the companies and the local community achieve better results, when the companies have local involvement, local decision making and local leadership. This is reflected in the Group's ethical guidelines. The guidelines describe the goals and the requirements of Norway Royal Salmon related to the ethical issues. Norway Royal Salmon shall in its daily operations 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 annually.

Issues described below with regards to Corporate social responsibility:

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

### Anti-Corruption

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

Norway Royal Salmon shall strive for a culture of transparency in all areas with regards to 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 also always require dual approval when paying invoices.

### Employee rights and social issues

The employees' efforts and contributions have been essential for Norway Royal Salmon having an effective operation and increased volume in both the farming and sales business in 2013.

The Group is working hard to make sure it is able to recruit qualified personnel at all levels in the organisation. Particular emphasis is given to provide all employees with a good working environment, meaningful job content, and competitive employment terms. All employees in Norway Royal Salmon have the right to freely choose which union they will be members of.

At 31 December 2013, the Group had 104 full-time employees, 32 of whom are employed by the parent company Norway Royal Salmon ASA. The Group had a sickness absence rate of 2.35 per cent in 2013 (2012: 4.49 per cent). The corresponding figure for the parent company was 1.7 per cent in 2013 (2012: 2.3 per cent). There have been no major personal injuries or accidents in 2013.

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

It is a planned and systematic focus on safety and health of employees in the farming business. The system is based on risk assessment of all operations and equipment, procedures, instructions and records. The systems undergo annual revisions based on an audit plan for each site and followed up through internal training in first aid, safety, chemical management, and rescue exercises. An electronic enhancement system

(deviation system) to help capture undesirable events and improvement areas in health, safety and working environment has been established. Labour rights and social issues form part of Norway Royal Salmon's Global GAP certification, a quality management system that is certified annually by an external party.

The aquaculture industry has traditionally been a male-dominated workplace. At 31 December 2013, women made up 23.3 per cent of the Group's workforce. The corresponding figure for Norway Royal Salmon ASA was 38.9 per cent. The Group management is entirely made up of men. Three of the six members of the Group's board of directors are women. The Group aims to be a workplace in which women and men enjoy complete equality, and where there is no gender-based discrimination with respect to pay, promotion or recruitment. The Group aims to be a good workplace where there is no discrimination on the grounds of ethnicity, country of origin, colour, religious persuasion or reduced functional capacity.

To clarify matters relating to the Group's employees, a new employee manual is under preparation.

## Human Rights

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

## External environment

Norway Royal Salmon's farming operations are based on renewable resources and are located along the coast. Norway Royal Salmon's value chain is dependent on sustainability where natural resources are not consumed. This is a prerequisite so Norway Royal Salmon can continue to farm fish in a sustainable manner. The desire and need for long-term solutions are the foundation for the company's approach to environmental issues.

Improved standards of living worldwide have sharpened the focus on the production of healthy and nutritious food. Seafood – especially fatty fish such as salmon – is considered to be particularly healthy. In a time of increased demand for seafood, Norway Royal Salmon is committed to contributing to sustainable development, with focus on food safety, the health and welfare of the fish, and protection of the environment and surroundings – along with the well-being and occupational health and safety of the employees. These are factors that customers, consumers and the company's employees are concerned about.

Norway Royal Salmon has set up a range of control and



steering systems to protect the environment in and around the fish farming facilities. In order to achieve profitability in the short and long terms, sustainable operations are crucial to both the fish and the farmers.

## Global requirements

The work to maintain and develop a high, sustainable standard for the entire company is firmly based on the requirements laid down in the GlobalGAP standards. GlobalGAP, which is a non-governmental organisation, has set up a strict voluntary standard for producers and players in the fields of agriculture and aquaculture. The principal objective of the standard is to make it possible to document to consumers that the food has been generated with only minimal impact on the environment and surroundings. GlobalGAP lays down a solid base for high food safety, employee safety and the health and welfare of the fish. The main principles of the standard are risk assessment, environmental protection and good aquaculture procedures which 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 are. Finally the standard sets the criteria for how the welfare and health of the fish shall be ensured. The group was awarded GlobalGap-certificate in 2012.

In addition to GlobalGAP standards, Norway Royal Salmon abides by the following:

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

Norway Royal Salmon is a member of Global Salmon Initiative (GSI), which was established almost two years ago. GSI consists of 15 global salmon producers from five different countries, representing 70 % of the







global production of Atlantic salmon. The objective of the GSI is that the industry, through cooperation and transparency, shall achieve a significant improvement in sustainable production of Atlantic salmon at a time when the world needs a substantial increase in food production. All members of the GSI, including Norway Royal Salmon, have committed themselves to work towards full ASC certification by 2020. This is an environmental certification that is the most difficult to acquire, and only the most sustainable producers will be able to satisfy the requirements of the scheme. The initiative is fully supported by WWF and FAO.

#### Traceability and food safety

As Norway Royal Salmon is engaged in food production, the company is aware that significant risks may arise from any potential incidents that can affect consumer health and safety. Norway Royal Salmon considers that it has sufficient measures in place to mitigate this risk. Norway Royal Salmon provides customers with access to transparent documentation in the areas of traceability, feed and health registrations. Norway Royal Salmon uses modern traceability systems to ensure traceability. Norway Royal Salmon demands of feed suppliers that they have established systems for traceability. Compliance with food safety requirements is assured by only using legal and natural ingredients, and only working with approved harvesting plants that apply the best hygienic and sanitary conditions. The entire production process is monitored by veterinarians.

#### Fish health and welfare

The company focuses intently on creating good health and welfare conditions for the fish by applying established procedures and routines. This prevents illness and reduces mortality and demanding treatments in the wake of the outbreak of disease. All medications for treating the fish are approved by the Norwegian authorities and prescribed as required by veterinarians.

#### Fish mortality

Fish mortality is a key indicator for evaluating fish health in farming. Reduced mortality is a key objective for Norway Royal Salmon. Mortality is monitored and reported monthly to the management and the board. The mortality rate amounted to 6.84 per cent of the number of fish in the sea at the beginning of the year and fish put in the sea during 2013. The mortality rate is equal in both regions. It is also encouraging to report that the mortality rate for 2013 generation is lower than for the 2012 generation.

Norway Royal Salmon has started an improvement project in relation to the causes of mortality. The company participates in stress tests on salmon in cooperation with the University College of Bodø, the purpose of the project is to identify and improve bottlenecks in

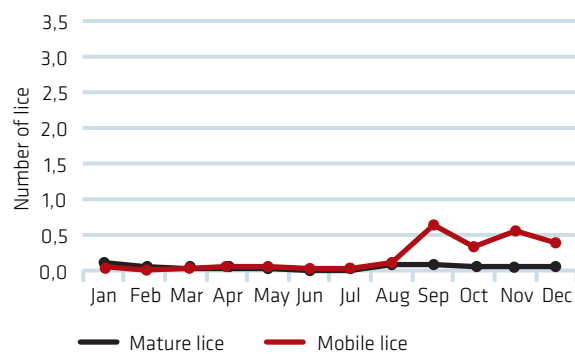
production which cause mortality or reduced the quality of the salmon. In addition, we have an internal sore project in collaboration with veterinarians and other experts to identify and enhance biology and operations in order to reduce mortality and spoilage.

#### Salmon lice

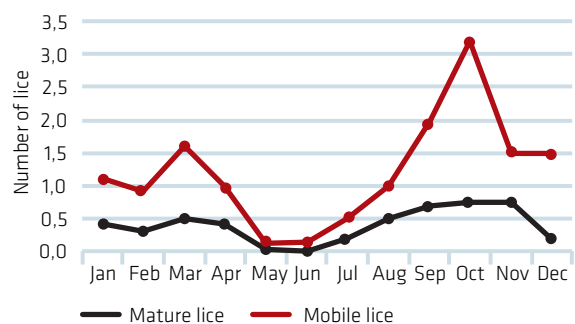
Salmon lice have a negative impact on the salmon and weaken the fishes' immune systems. As well as compliance with counting and treatment strategies initiated by the authorities, the Group has developed its own plan for combating salmon lice in all regions. Due to their location, large parts of Norway Royal Salmon' fish farming business have historically been marginally affected by lice.

Our company in Finnmark have had low levels of lice throughout the year; while there have been challenges

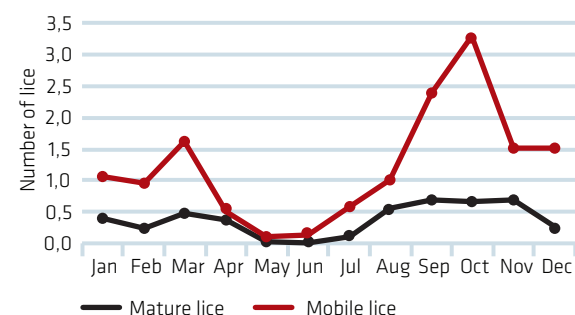
LICE FINNMARK 2013

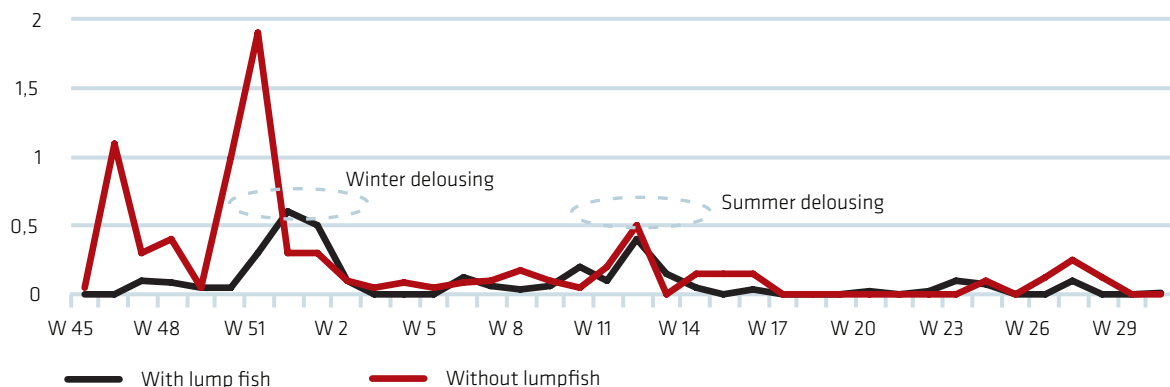


LICE SENJA 2013

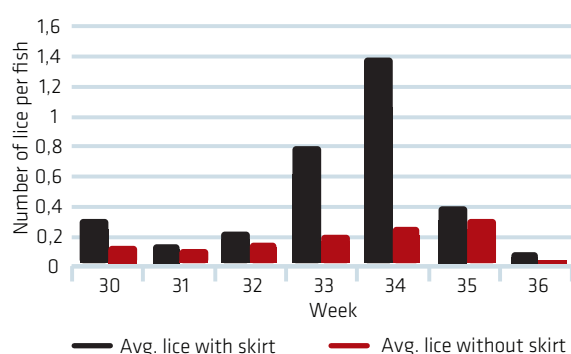


LICE FEØY 2013





The figure shows the level of mature lice in pens with lumpfish and pens without lumpfish.



The figure shows number of lice per fish in week 30 to 36.

in Troms in 2013. Our operations in the Southern Region are significantly affected of the challenge of lice; the key strategy here is extensive use of locally caught wrasse.

It will be important to focus on new technology and better use of current technology and medications to maintain a good status with regards to lice. In connection with the application for green licenses, Norway Royal Salmon have looked at a number of other measures to reduce the use of drugs to treat lice.

Use of lumpfish as cleanerfish has been conducted to identify opportunities for use in the Northern Region of Norway. The experiment was conducted from week 44 in 2012 to week 30 in 2013. Delousing was done two times during the period. The numbers show an average of mature lice throughout the period of 0.19 in pens without lumpfish and 0.08 in pens with lumpfish.

In order to reduce the use of medication in the treatment against salmon-lice Norway Royal Salmon has conducted internal projects with lice-skirts. These have been a great success and Norway Royal Salmon will start using lice-skirts on all fish put to the sea in 2014. Results from the use of lice-skirts at the subsidiary Nord Senja Laks in Troms shows up to 75 per cent reduction in the infestation by lice per week in weeks 30-36 in 2013.

### Emissions

All feeding systems are adapted to the fish's appetite. This prevents overfeeding. Emissions from farmed fish into the sea take the form of excrement and feed residues. These are biodegradable organic materials. Norway Royal Salmon has routines for monitoring this situation. Routine environmental tests are performed in accordance with the authorities' requirements under NS 9410 Environmental Monitoring of Marine Fish Farms. Furthermore, we perform additional tests to ensure that the impact of our sites does not exceed acceptable levels. At the close of the year, all Group facilities had achieved the best environmental standard (level 1), equating to "little or no impact". Good currents and sustainability is in focus when the company plans localities. After completing the production cycle, the sites are fallowed for a period such that the temporary changes in the seabed are reversed, this also provides the basis for good fish health. All companies respect fully the regulatory fallow periods. The average fallow period between production cycles is 12 weeks; this is above the statutory requirement of 8 weeks.

### 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 lice infestation is a high priority area. Procedures, instructions, guidelines and plans for infection control and bio-security is provided for personnel and use of equipment at all sites in the farming operations. The employees have been trained in these preventive activities. The ideal situation is that you do not have to use veterinary medications, but we are obliged to treat sick fish or fish that otherwise suffer. Any use of medication is decided and prescribed by veterinarians or fish health biologists. The farming operations are associated with approved fish health services. Treatments, use of medication and measurement of the results of the treatments are recorded and evaluated with on-site fish health services. Norway Royal Salmon also work with screening



programs to monitor the relevant pathogens, lice infestation, stress, sores, water quality, and work to increase the general knowledge at all levels of the organisation within these fields.

#### ***Vaccinations***

Vaccination is used when it is considered effective for the particular species and in that district as an integral part of our preventive health measures. Examples of diseases that the fish is vaccinated against are: IPN, PD, vibriosis, furunculosis, ISA and ERM.

#### ***Escapes***

The escape of fish is unfortunate with respect to wild salmon populations. It is also unfortunate for the industry's reputation that fish escape. In 2013 there were two incidences of escaped fish: An escape of 3 312 fish at NRS Finnmark and the escape of 68 009 fish at NRS Feøy.

In Finnmark salmon escaped after a site was damaged during the storm, "Hilde" 17 November. The site and equipment was certified. A total of 258 fish recapture by the use of approx. 100 fishing nets, which corresponds to about 7 per cent of the escaped fish. Norway Royal Salmon had after the incident a detailed review of their internal quality systems to identify possible areas for improvement that could reduce the risk of such events happening again.

The escape of salmon at NRS Feøy was discovered after heavy storms in December. The site and equipment was certified. Norway Royal Salmon has had a thorough review of the incident with a view to prevent more escapes to happen in the future. A total of 347 fish was recaptured by the use of fishing nets. The company has initiated a full review of the equipment and procedures to detect the reason for the incident.

Norway Royal Salmon had no fish escape in 2012 or 2011. The total number of fish in the sea was more than 6 million by the end of the year.

We are working continuously with respect to staff training, and have reviewed and improved our routines to achieve the industry's zero vision.

In 2013 Norway Royal Salmon participated, together with a hatchery, in experiments on the production of Triploid salmon (sterile) to reduce the environmental impacts of escapes. Norway Royal Salmon also participated in the FHF project together with SINTEF and other parties to increase the quality of nets to prevent escape.

#### ***Transport, handling and slaughter***

Transport can be stressful for fish, especially smolts; Norway Royal Salmon endeavors to ensure that trans-

port 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, uses humane, fast and effective methods to ensure that the fish are exposed to as little pain and stress as possible when it is slaughtered. Our internal stress experiments will in 2014 be extended to deal with harvesting of fish. To see to that the fish exposed to the least amount of stress throughout the production cycle.

#### ***Feed***

Dependence on fish for feed is a challenge for a growing aquaculture industry. In recent years, feed producers have lowered the marine content in their feed and spent significant resources to research "marine independence", necessary knowledge needed for further reductions in the future. The specific content of marine ingredients in feed varies depending on the price and availability of the different raw materials. However, it is the efficiency in the use of marine ingredients that really is relevant, more than the dependency on marine ingredients. Farmed salmon are known to be very efficient in their conversion of feed fish and by-products from seafood to healthy and nutritious farmed salmon. The fish feed is produced according to Norwegian and international laws, consistent with the requirements of sustainability and environmental regulations. Both our feed suppliers Skretting AS and EWOS AS are internationally certified. For more information on feed, feed ingredients and certifications, see [www.skretting.no](http://www.skretting.no) and [www.ewos.no](http://www.ewos.no).

### **The share and shareholders**

As at 31 December 2013, Norway Royal Salmon ASA had 43 572 191 shares divided between 703 shareholders. At the close of the year, the Group held 30 085 treasury shares. The share price at the end of the year was NOK 37.00 (2012: NOK 15.30).

### **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 stand in this respect is included in a separate section of the annual report, in accordance with Section 3-3 b of the Norwegian Accounting Act.

The Board of Norway Royal Salmon ASA has adopted ethical guidelines for the Group. The purpose of the guidelines is to create a healthy business culture and uphold the Group's integrity by helping employees to set high standards for good business practice. The

guidelines are further intended to serve as a tool for self-evaluation and to develop the Group's identity.

## Market conditions and future outlook

2013 was another exiting year for Norway Royal Salmon and the Norwegian salmon industry. The value of Norwegian salmon exports was NOK 39.8 billion, a record increase of NOK 10.2 billion from 2012. Never before has the value of Norwegian salmon increased so much from one year to another. The value increased even though exports volume fell by 3 per cent to 1.1 billion tonnes (measured as round weight). The decrease in volume affected prices positively throughout the year. Average spot price (FCA Oslo) was NOK 39.19 per kg in 2013 (2012 NOK 25.96), an increase of 39 per cent. The high price level affected the markets, especially in Eastern Europe, but also in some Asian markets such as Japan.

Norway Royal Salmon ASA sold 62 141 tonnes, an increase of 8 per cent. Most of this was fresh gutted salmon. The share of in-house produced salmon sold through the sales business totaled 41 per cent. Revenues were divided on 49 countries, of which 51 per cent were sold in Western Europe. Apart from this the export was divided between Asia (13 per cent) and Russia/Eastern Europe (30 per cent) while the rest was sold in Norway (6 per cent).

It is expected production in Norway in 2014 will be 5 to 8 per cent higher than in 2013. At the same time, it is expected an increase in the production of Atlantic salmon in Chile, making the estimated global growth

around 5 per cent. This a higher growth rate than in 2013, but still under the historical average growth and somewhat below what we assume is the market's underlying demand growth. The demand in the market is strong and both prices and volume has been good so far in 2014. Our assessment is that there is a strong demand for salmon that will enable the market to consume the supply of salmon at high prices in 2014 as well.

Despite economic challenges in some regions in the world, we believe in a positive sales development in most countries. Historically it has been shown that economic downturn normally not weakens demand for salmon significantly. Salmon is now established as a nutritious and good alternative for consumers. We believe in a continued positive development in all regions in 2014, despite the fact that a higher price level on salmon can make certain markets consume less than last year. We mean the position Norway Royal Salmon has developed in the markets will make it possible for the Group to improve its market share in 2014.

## Allocation of profit for the year

The parent company, Norway Royal Salmon ASA, made a net profit for the year of KNOK 207 933 in 2013. The Board of Directors proposes the following allocation of the net profit for the year:

Dividend	KNOK	95 793
To the reserve for valuation variances	KNOK	174 460
Transferred from other equity	KNOK	62 320
Total allocation of funds	KNOK	207 933

Trondheim, 3 April 2014

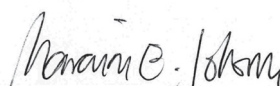
  
Helge Gåsø  
Chair

  
Kristine Landmark  
Vice Chair

  
Endre Glastad

  
Inge Kristoffersen

  
Åse Marie Valen Olsen

  
Marianne E. Johnsen

  
John Binde  
CEO





# *Consolidated financial statements*

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# Consolidated income statement

(NOK 1 000)	Note	2013	2012
<b>Operating revenues</b>	4	<b>2 603 712</b>	<b>1 744 266</b>
Cost of materials		2 137 934	1 540 290
Personnel expenses	5,8	85 627	71 764
Depreciation	12	33 728	30 449
Other operating expenses	6,7,18,26	90 422	81 347
<b>Total operating expenses</b>		<b>2 347 711</b>	<b>1 723 850</b>
<b>Operational EBIT</b>		<b>256 002</b>	<b>20 416</b>
Fair value adjustments	27	94 725	49 428
Income from associates	13	28 834	10 464
<b>Net operating result</b>		<b>379 561</b>	<b>80 308</b>
<b>Financial items</b>			
Gain on financial assets	9,15,25	49 497	0
Interest income	9	338	422
Other financial income	9	88	244
Interest expenses	9	-31 321	-35 928
Other financial expenses	9	-1 870	-4 298
<b>Net financial items</b>		<b>16 732</b>	<b>-39 560</b>
<b>Result before tax</b>		<b>396 292</b>	<b>40 748</b>
Tax	10	-80 487	-9 130
<b>Net result for the year</b>		<b>315 805</b>	<b>31 618</b>
<b>Profit attributable to:</b>			
Owners of the parent company		302 434	28 191
Non-controlling interests		13 371	3 428
<b>Net result for the year</b>		<b>315 805</b>	<b>31 618</b>
Basic earnings per share (NOK)	21	<b>6.96</b>	<b>0.66</b>
Diluted earnings per share (NOK)	21	<b>6.96</b>	<b>0.66</b>

# Consolidated statement of comprehensive income

(NOK 1 000)	Note	2013	2012
<b>Net result for the year</b>		<b>315 805</b>	<b>31 618</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss</b>			
Available-for-sale financial assets (net of tax)	10,15	-1 985	1 985
Cash flow hedges (net of tax)	25	-5 340	588
<b>Items not to be reclassified to profit or loss:</b>			
Actuarial gains/losses on defined benefit plans (net of tax)	1	-798	4 271
<b>Comprehensive income for the year</b>		<b>307 683</b>	<b>38 463</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent company		<b>294 311</b>	<b>35 034</b>
Non-controlling interests		13 371	3 428
<b>Comprehensive income for the year</b>		<b>307 683</b>	<b>38 462</b>



# Consolidated balance sheet

ASSETS (NOK 1 000)	Note	31.12.2013	31.12.2012
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Licences	11,23	502 887	502 887
<b>Total intangible assets</b>		<b>502 887</b>	<b>502 887</b>
<b>Property, plant and equipment</b>			
Land, buildings and other real estate	12,23	5 474	4 103
Machinery and equipment	12,23	115 370	95 457
Boats and floating assets	12,23	84 475	72 486
Fixtures, office equipment, etc.	12,23	5 235	6 853
<b>Total property, plant and equipment</b>		<b>210 554</b>	<b>178 899</b>
<b>Non-current financial assets</b>			
Investments in associates	13,23	132 758	110 860
Investments in shares and shareholdings	14,15,23	1 395	3 335
Other long-term receivables	14,18,23,28	3 127	4 673
<b>Total non-current financial assets</b>		<b>137 280</b>	<b>118 867</b>
<b>Total non-current assets</b>		<b>850 721</b>	<b>800 653</b>
<b>Current assets</b>			
Inventory	16,23	27 038	20 816
Biological assets	17,23	639 238	525 739
<b>Total inventory</b>		<b>666 276</b>	<b>546 556</b>
<b>Receivables</b>			
Accounts receivables	14,18,23	412 148	286 918
Other short-term receivables	14,18,23,25	68 735	31 545
<b>Total short-term receivables</b>		<b>480 883</b>	<b>318 463</b>
Cash and cash equivalents	14,19,22	53 732	9 854
<b>Total current assets</b>		<b>1 200 891</b>	<b>874 873</b>
<b>Total assets</b>		<b>2 051 612</b>	<b>1 675 526</b>

<b>EQUITY AND LIABILITIES (NOK 1 000)</b>	<b>Note</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>Equity</b>			
Share capital	20	43 572	43 572
Treasury shares		-30	0
Retained earnings		771 090	522 628
<b>Total equity attributable to owners of the parent company</b>		<b>814 632</b>	<b>566 201</b>
<b>Non-controlling interests</b>		<b>54 355</b>	<b>40 984</b>
<b>Total equity</b>		<b>868 989</b>	<b>607 184</b>
<b>Non-current liabilities</b>			
Pension liabilities	8	10 320	9 854
Deferred tax liabilities	10	231 640	161 753
Non-current interest bearing debt	14,22,23	323 084	328 292
<b>Total non-current liabilities</b>		<b>565 044</b>	<b>499 899</b>
<b>Current liabilities</b>			
Current interest bearing debt	14,22,23	184 530	247 637
Accounts payables	14	382 944	292 655
Tax payable	10	8 313	780
Other current liabilities	14,24,25	41 792	27 371
<b>Total current liabilities</b>		<b>617 580</b>	<b>568 444</b>
<b>Total liabilities</b>		<b>1 182 624</b>	<b>1 068 343</b>
<b>Total equity and liabilities</b>		<b>2 051 612</b>	<b>1 675 526</b>

Trondheim, 3 April 2014

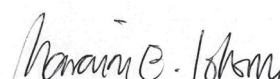
  
Helge Gåsø  
Chair

  
Kristine Landmark  
Vice Chair

  
Endre Glastad

  
Inge Kristoffersen

  
Åse Marie Valen Olsen

  
Marianne E. Johnsen

  
John Binde  
Chief Executive Officer

# Consolidated statement of cash flow

(NOK 1 000)	Note	2013	2012
<b>Operational EBIT</b>		<b>256 002</b>	<b>20 416</b>
Adjusted for:			
Taxes paid	10	-780	0
Depreciation	12	33 728	30 449
Gains (-) / losses (+) on sale of fixed assets		-32	-341
Sharebased payment		-282	484
Pension costs with no cash effect		466	559
Change in inventories/biological assets		-32 736	-85 255
Change in account receivables and accounts payables		-34 941	12 665
Change in other current assets and other liabilities		-9 589	18 194
<b>Net cash flow from operating activities</b>		<b>211 835</b>	<b>-2 828</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		48	3 050
Payments for purchase of property, plant and equipment	12	-65 399	-34 747
Proceeds from investments in non-current financial assets	13,15	39 958	50
Payments for investments in non-current financial assets	3,13,15	-500	-4 416
Change in loans to associates and others		1 545	-907
<b>Net cash flow from investing activities</b>		<b>-24 348</b>	<b>-36 970</b>
<b>Cash flow from financing activities</b>			
Receipts from new non-current debt		37 302	48 231
Non-current debt repayment		-40 224	-29 331
Net change in bank overdraft		-65 393	19 090
Net payments share issue		0	30 499
Sale of treasury shares		-2 054	11 740
Net interest payments		-29 699	-36 781
Dividend payment		-43 542	0
<b>Net cash flow from financing activities</b>		<b>-143 610</b>	<b>43 448</b>
Net increase (+)/ reduction (-) in cash and cash equivalents		43 878	3 649
Cash and cash equivalents as of 1 January		9 854	6 205
<b>Cash and cash equivalents as of 31 December</b>		<b>53 732</b>	<b>9 854</b>



# Consolidated statement of changes in equity

## Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity as of 1 January 2013</b>	1	43 572	0	522 628	566 201	40 984	607 184
Net result for the year		0	0	302 434	302 434	13 371	315 805
Other comprehensive income		0	0	-8 123	-8 123	0	-8 123
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>294 311</b>	<b>294 311</b>	<b>13 371</b>	<b>307 683</b>
<b>Transactions with shareholders</b>							
Dividend	20	0	0	-43 542	-43 542	0	-43 542
Share based payment	5	0	0	-282	-282	0	-282
Changes in treasury shares	20	0	-30	-2 024	-2 054	0	-2 054
<b>Total transactions with shareholders</b>		<b>0</b>	<b>-30</b>	<b>-45 848</b>	<b>-45 877</b>	<b>0</b>	<b>-45 877</b>
<b>Equity as of 31 December 2013</b>		<b>43 572</b>	<b>-30</b>	<b>771 090</b>	<b>814 632</b>	<b>54 355</b>	<b>868 989</b>

## Equity attributable to owners of the parent company

(NOK 1 000)	Note	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity as of 1 January 2012</b>		39 611	-1 467	452 431	490 576	37 229	527 805
Net result for the year		0	0	28 191	28 191	3 428	31 618
Other comprehensive income		0	0	6 844	6 844	0	6 844
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>35 034</b>	<b>35 034</b>	<b>3 428</b>	<b>38 462</b>
<b>Transactions with shareholders</b>							
Share issue	20	3 961	0	27 728	31 689	0	31 689
Net share issue transaction costs	20	0	0	-858	-858	0	-858
Share based payment	5	0	0	484	484	0	484
Other changes non-controlling interests		0	0	-327	-327	327	0
Other changes associated companies	13	0	0	-2 141	-2 141	0	-2 141
Sale of treasury shares	20	0	1 467	10 273	11 740	0	11 740
<b>Total transactions with shareholders</b>		<b>3 961</b>	<b>1 467</b>	<b>35 159</b>	<b>40 588</b>	<b>327</b>	<b>40 915</b>
<b>Equity as of 31 December 2012</b>		<b>43 572</b>	<b>0</b>	<b>522 628</b>	<b>566 201</b>	<b>40 984</b>	<b>607 184</b>

### Issues in 2012

The board resolved on 28 February 2012 to complete a private placement. The company issued 3 961 108 new shares and sold 1 467 442 existing treasury shares at a price of NOK 8.00 per share. The gross proceeds from the placement amounted to TNOK 43 429.

# Notes to the consolidated financial statements

## ■ NOTE 1. Accounting principles

### 1.1 General information

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

The consolidated financial statements for 2013 include the parent company, subsidiaries and the Group's shareholdings in associates. The Group's main business is linked to fish farming and sales.

The annual financial statements were approved by the board on 3 April 2014.

### 1.2 Basis of preparation

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

#### Statement of compliance

The consolidated financial statements of Norway Royal Salmon ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and relevant interpretations which are mandatory for annual financial statements presented as of 31 December 2013.

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

#### Basis for measurement

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

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

The principles used determining fair value are described in more detail in the following principles and relevant notes. The accounting principles are applied consistently for all the years presented.

### 1.3 Introduction of new and amended standards

The following standards that are effective for the first time for the financial year beginning on or after 1 January 2013 having a material impact on the Group accounts in 2013 are described below:

#### IAS 1 Financial statement presentation

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in OCI.

#### IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The application of IFRS 13 has not impacted the fair value measurements carried out by the Group. Extended disclosures are included for biological assets (note 17).

The fair value assessments are grouped by a fair value hierarchy based on the degree of observability in the market value of the determination and disclosure of the fair value of financial instruments:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Valuation based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### IAS 19 Employee benefits

With effect from 1. January 2013 the Company has applied IAS 19 Employee Benefits and changed the basis for calculating pension liabilities and pension costs. The company has previously used the corridor method of accounting for unrecognized actuarial gains or losses. The corridor method is no longer permitted, all estimates should under IAS 19R be recognized in the statement of Other Comprehensive Income (OCI).

Earlier return on plan assets was calculated using a long-term expected return on plan assets. 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 OCI.

As a result of the change in the treatment of unamortized actuarial gains and losses and calculation of net interest expense, the pension cost increased by NOK 0.1 million

for the full year 2012, which is considered immaterial and not restated. Actuarial gains after tax of NOK 4.4 million was recognized in other comprehensive income in 2012.

Pension liabilities 31 December 2012 increased to 9.7 million. IAS 19 is applied retrospectively and comparative figures have changed.

The effect of using IAS 19 1 January 2012 and 31 December 2012 against the pension liability, OCI and deferred tax are as follows.

(NOK 1 000)	As at 31 December 2012	As at 1 January 2012	Movement in the period
Impact on net defined benefit plan	814	6 746	-5 932
Impact on deferred taxes	-228	-1 889	1 661
<b>Net impact on equity</b>	<b>586</b>	<b>4 857</b>	<b>-4 271</b>

## 1.4 Summary of important accounting principles

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the company. The company has control if it exerts a controlling influence, directly or indirectly, normally through owning more than half the voting rights. Annual financial statements of subsidiaries are included in the consolidated financial statements from the date control is achieved until the date control ceases.

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

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

#### Eliminations

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

#### Non-controlling interests

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

If the Group no longer has control, any remaining interest is valued at fair value with changes in value being recognised through profit or loss. Fair value then represents the

cost in subsequent recognition, either as an investment in associates, joint ventures or as a financial asset. Amounts previously recognised in comprehensive income relating to this company are treated as if the Group had disposed of the underlying assets and liabilities. This could mean that amounts previously recognised in comprehensive income are reclassified in the income statement.

#### Associates

Associates are entities over which the Group exercises significant influence but not controlling influence. A significant influence normally applies to investments in which the Group owns between 20% and 50% of the voting rights. The consolidated financial statements include the Group's share of profits of associates in accordance with the equity method from the time significant influence is achieved and until such influence ceases. Should the Group's share of losses exceed the investment in an associate, the Group's carrying amount is reduced to zero and no further losses are recognised unless the Group has assumed legal or constructive obligations or made payments on the company's behalf.

### Classification of accounting items

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

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

NRS's key measurement is operational EBIT pre 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.

### Segment reporting

An operating segment is part of the Group which engages in business which can generate revenues and costs, including revenues and costs deriving from transactions with other Group segments. 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 regularly reviewed by group management. Performance is evaluated based on operating results (EBIT) per segment. See Note 4.

## **Foreign currency**

### *Presentation currency*

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

### *Transactions and balance-sheet items*

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

## **Revenues**

### *Sale of goods*

The Group's operating revenues derive mainly from the sale of fish. Revenues from the sale of goods are recognised in income when the risk and control have been transferred to the customer. This is normally the delivery date. The timing of the transfer of risk to the customer depends on the delivery terms specified in the sales contract. Operating revenues are recognised at the fair value of the consideration received, less discounts and VAT.

### *Interest income*

Interest income is recognised when the income is earned.

### *Dividends*

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

## **Fish-farming licences**

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

## **Property, plant and equipment**

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

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

## **Write-downs**

The Group's assets are reviewed at the end of each accounting period to assess whether there are any indications that their value has fallen below book value. If such indications 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 arrived at by calculating the estimated present value of future cash flows (recoverable amount) from each cash-flow generating unit, which for the Group's fish-farming business is defined as the Northern Region and Southern Region, and comparing these with the book value of the cash flow generating unit. If the recoverable amount is lower than book value, the asset is written down.

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

## **Leasing**

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

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

## **Financial instruments**

### *Shares*

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

### *Derivatives*

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

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

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes follows specific guidance in IAS39 and is as follows:

There is adequate documentation when the hedge is entered into that the hedge is effective. The hedge is expected to be



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

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction. 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 without being renewed or the hedge relationship is terminated, gains and losses in the hedging reserve within equity are recycled through profit or loss in accordance with the above principle. If the hedged transaction is no longer expected to occur, accumulated unrealised gains and losses previously recognised in other comprehensive income is immediately reversed and recycled through profit or loss.

The Group also uses derivatives to hedge margins connected to deliveries in the sales department. In cases where fixed-price contracts have been entered into without being hedged using physical contracts and the sales department does not wish to hedge the Group's volume from the farming operations, agreements are made to purchase financial Fish Pool contracts to hedge the margins. 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 consolidated operating results. Realised gains and losses are recognised in cost of sales.

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

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

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

#### ***Liabilities***

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

#### **Inventory**

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

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

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

#### **Biological assets (biomass)**

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

There are no effective markets for the sale of live fish, and valuing live fish involves estimating their fair value in a theoretical live fish market. An assessment of the biomass's fair value is based on market prices based on externally quoted forward prices, and / or the most relevant pricing information available for the period when the fish are expected to be harvested. Prices are adjusted for harvesting costs and transport costs to market in order to arrive at an estimated price for live fish to the farmer. The estimated quality distribution of the fish is also taken into account when estimating the value. When estimating the biomass at fair value the best estimate of fair value for fish less than 1 kg is assumed to be accumulated cost, while for fish between 1 and 4 kg a proportionate share of the full value is recognised. Harvestable fish (above 4 kg) is valued at full value. An expected fair value below the expected cost would imply a negative value adjustment of biological assets. Changes in value are recognised in the income statement on a separate line for fair value adjustments. Fair value adjustments are included in the consolidated operating results. Production costs in connection with sold fish are classified in the income statement as changes in inventories of biological assets and included in cost of materials.

#### **Onerous contracts**

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

#### **Cash and cash equivalents**

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

## Equity

### *Purchase of treasury shares*

On the repurchase of treasury shares, the purchase price including directly attributable costs is recognised as a change in equity. Treasury shares are recognised as a reduction in equity.

### *Dividends*

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

## Pensions

### *Defined contribution pension schemes*

Liabilities to pay contributions to defined contribution pension schemes are recognised as costs in the income statement as they accrue.

### *Defined benefit pension schemes*

Pension schemes which are not defined contribution schemes are defined benefit schemes. The capitalised liability relating to defined benefit schemes is the present value of the defined benefits at the balance sheet date less the fair value of pension assets. The pension liability is calculated annually by an actuary using a linear accrual method. The pension liability is calculated on the basis of a long-term discount rate, salary growth, inflation and adjustment in pension levels. Pension assets are valued at fair value. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income (OCI).

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

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

## Exceptional items

Exceptional items are disclosed separately in the financial statement under operational result and in notes to provide further understanding of the financial performance of the group. Exceptional items are fair value adjustment of biomass (note 17), provision for onerous contracts. Changes in fair value of Fish Pool contracts (note 27).

## Tax

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

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

Deferred tax is calculated to take account of temporary differences between the 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 in connection with future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax asset will be utilised.

## 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.

## Statement of cash flow

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

## Accounting standards and interpretations issued but not applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2013, and have not been applied in preparing these consolidated financial statements. The standards concerned are as follows:

### *IFRS 9 Financial instruments*

Addresses the classification, measurement, and recognition of financial assets, financial liabilities, and hedge accounting. IFRS 9 was issued in November 2009, October 2010 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for a financial liability, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 includes a number of changes and simplifications that increase the possibilities for employing hedge accounting. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board. The implementation date for IFRS 9 is not yet decided, but will be earliest 1 January 2017.

### *IFRS 10 Consolidated financial statements*

Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of

the parent company. The standard is expected to have an insignificant impact on the Group accounts, the Group do not intend to adopt the standard in 2014.

#### *IFRS 12 Disclosures of interests in other entities*

Includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is expected to have an insignificant impact on the Group accounts, the Group do not intend to adopt the standard in 2014.

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

## 1.5 Important accounting estimates and judgments

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

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

#### *Valuation of the biological assets*

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

#### *Trade receivables*

Provisions for losses on trade receivables are based on a number of assumptions including the indications of finan-

cial distress (bankruptcy filings or indications), the likelihood that the customer will go bankrupt or face financial restructuring, and delays in the payment/request for extended terms. Norway Royal salmon relies on credit insurance and an approval system for own risk and customers are followed up continuously with regards to compliance with payment terms. In combination these are efforts that improve the accuracy of recognised provisions. Further information about the specification of receivables and information about provisions reference may be found in note 18.

#### *Impairment of intangible assets with an indefinite useful life*

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

## 1.6 Financial risk

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

#### **Foreign exchange risk**

The bulk of the Group's transaction risk is linked to sales in currencies other than the functional currency of its sales business. Exposure is largely to EUR and USD. Hedging of currency exposure deriving from trade receivables is managed through forward currency contracts and by drawing on its overdraft facility in the same currency. Hedging of contracted currency revenues is managed through forward currency contracts. Details of the Group's exposure in foreign currency can be found in Notes 18 and 22. Forward currency contracts see Note 25. Given the financial instruments in effect on 31 December 2013, a 2 per cent reduction in the value of the NOK would decrease the Group's profit by KNOK 5 246.

#### **Interest rate risk**

The Group's interest bearing debt is currently exposed to variable interest rates. This means that the Group is exposed to changes in interest rates. To hedge against such changes the Group has entered into an interest rate swap agreement. The Group's interest bearing debt is capitalised at amort-

ised cost, since the difference between amortised cost and fair value is insignificant. Details on the swap agreement can be found in Note 25. Given the financial instruments in effect on 31 December 2013, an increase of 100 basis points in the interest rates level would decrease the Group's profit by NOK 4 076, assuming all other variables are constant..

### **Credit risk**

The Group's exposure to credit risk is affected largely by particular circumstances relating to each individual customer. The Group is not materially exposed to any single counterparty. Historically, bad debts have been small – see Note 18 for further details. Trade receivables are monitored continuously and the Group's policy is to insure all major trade receivables against non-payment. In addition to trade receivables, the Group is exposed in connection with the derivatives entered into by the Group. The counterparty in the agreements are major financial institutions and the credit risk associated with the counterparty is very low.

### **Price/liquidity risk**

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

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

To reduce this risk long-term fixed-price contracts are entered into for a portion of the volume. If the sales business concludes fixed-price contracts, the margin is closed at the same time by concluding financial contracts to buy fish to an equivalent volume at Fish Pool or possible physical contracts with suppliers. In addition, contracts are entered into with the aim of hedging the price of the self-produced fish in the Group. The Group had a net exposure of Fish Pool contracts for 1 037 tonnes at 31 December 2013, a NOK 1.00 reduction in the price of salmon would decrease the Group's profit by NOK 1 037.

The Group's objective is to maintain a balance between long-term funding and flexibility through the use of overdraft facilities. The maturity profile of the company's interest bearing debt is presented in Note 22.

### **Other price risk**

Norway Royal Salmon entered into TRS-agreements on own shares in 2013. The Company is therefore exposed to changes in the share price of NRS. Given the financial instruments in effect on 31 December 2013, a NOK 1.00 reduction in the share price of NRS would reduce the Group's profit by NOK 4 270

### **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 makes adjustments in

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 (equity ratio) and earnings (net interest-bearing debt/EBITDA). At the end of 2013 the Group is in compliance with the terms of its loan agreements. At the end of 2013 the Group is in compliance with the terms of its loan agreements. In January 2014 the group entered into a new agreement to refinance its credit facilities. The 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.

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 and an interest rate-swap. The purpose is to manage interest rate and 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 2013, the Group had equity of NOK 815 million. The equity ratio, defined as equity divided by total assets, was at the same time 42.4 per cent. Net interest bearing debt, defined as total debt less cash and cash equivalents were NOK 454 million at year end.

The Company's dividend policy is to distribute at least 60 % of profit, provided that the company's equity ratio is above 40 % and that the company's own capital requirements have been satisfied. The shareholders should obtain a current yield directly correlated with the results. The 3 October 2013 an extraordinary dividend of NOK 43 542 106 (NOK 1.00 per share) was distributed. The board has in addition proposed a dividend of NOK 95 792 633 (NOK 2.20 per share) on the basis of the financial statements of 2013. The resolution is passed at the Annual General Meeting on 27 May 2014.

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 45.00 per share. The mandate runs until the date of the next Annual General Meeting; this should not, however, be later than 30 June 2014.

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 2014.



## ■ NOTE 2. Companies in Group

The consolidated financial statements for 2013 include the following companies:

(NOK 1 000)	Registered office	Nominal share capital	Share-holding %
<b>Parent company</b>			
Norway Royal Salmon ASA	Trondheim	43 572	
<b>Subsidiaries</b>			
NRS Feøy AS	Feøy	1 445	100.00 %
NRS Finnmark AS	Alta	9 429	100.00 %
Nor Seafood AS	Torsken	205	82.50 %
Nord Senja Laks AS	Botnhamn	405	66.67 %

## ■ NOTE 3. Purchases/sales associated companies

### 2013

There were no purchases or sales of shares in associated companies in 2013.

### 2012

At the end of the third quarter the group bought an additional 10 per cent of the shares in Ranfjord Fiskeprodukter AS for a total of TNOK 3,253. At the end of year the groups owns 37.75 percent of Ranfjord Fiskeprodukter. The company is recognised as an associated company in the balance sheet.

## ■ NOTE 4. Segment reporting

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

The Group's business areas are divided into the Sales and Fish farming. The Sales segment includes the purchase and sale of salmon. The fish farming business includes salmon farming and harvesting activities. The fish farming business is divided into two regions: Region North, which consists of the fish farming business in Senja and West Finnmark; and Region South, which consists of the fish farming business in the area around Haugesund. 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	
	2013	2012	Region North		Region South		2013	2012
			2013	2012	2013	2012		
Total segment revenues	2 579 059	1 736 927	759 645	347 954	179 841	189 293	3 518 545	2 274 174
Revenues between segments	0	0	-743 260	-341 649	-179 788	-189 258	-923 048	-530 907
<b>Revenues from external customers</b>	<b>2 579 059</b>	<b>1 736 927</b>	<b>16 384</b>	<b>6 305</b>	<b>53</b>	<b>35</b>	<b>2 595 496</b>	<b>1 743 267</b>
Cost of materials	2 559 881	1 688 045	394 686	237 696	99 650	154 376	3 054 217	2 080 117
Depreciation	638	840	22 866	19 702	10 224	9 908	33 728	30 450
Other costs	33 517	26 613	89 459	69 092	27 500	20 356	150 476	116 061
<b>Operating result before fair value adjustments</b>	<b>-14 977</b>	<b>21 429</b>	<b>252 634</b>	<b>21 464</b>	<b>42 467</b>	<b>4 653</b>	<b>280 124</b>	<b>47 546</b>
Fair value adjustments	7 740	-5 143	68 914	47 544	18 071	7 027	94 725	49 428
<b>Operating result</b>	<b>-7 236</b>	<b>16 287</b>	<b>321 548</b>	<b>69 008</b>	<b>60 538</b>	<b>11 680</b>	<b>374 850</b>	<b>96 975</b>
Interest income	108	223	229	199	0	0	337	422
Interest expenses	-1 662	496	-15 708	-17 993	-8 061	-10 634	-25 431	-28 131
Other financial items	-1 538	-3 951	173	-120	52	16	-1 313	-4 055
<b>Segment result before tax</b>	<b>-10 329</b>	<b>13 055</b>	<b>306 242</b>	<b>51 094</b>	<b>52 529</b>	<b>1 062</b>	<b>348 443</b>	<b>65 211</b>
<b>Total assets</b>	<b>470 308</b>	<b>316 361</b>	<b>1 054 776</b>	<b>957 068</b>	<b>337 793</b>	<b>289 780</b>	<b>1 862 877</b>	<b>1 563 209</b>

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

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

(NOK 1 000)	2013	2012
Segment result before tax for operating segments	348 443	65 211
<i>Unallocated income statement items:</i>		
Income from associates	28 677	10 464
Gain on realisation of associates and financial assets	49 386	0
Unallocated non-recurring items	-2 219	-9 919
Unallocated expenses (operations)	-21 904	-17 212
Unallocated interest (finance)	-6 090	-7 796
<b>Result before tax</b>	<b>396 292</b>	<b>40 748</b>

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

(NOK 1 000)	2013	2012
Segment assets for reportable segments:	1 862 877	1 563 209
<i>Unallocated assets:</i>		
Investments in associates	129 667	107 926
Investments in other shares	501	2 419
Other long-term receivables	1 327	1 973
Unrealised gains on derivatives	16 859	0
Restricted bank deposits related to TRS agreements	40 382	0
<b>Total assets in the balance sheet</b>	<b>2 051 612</b>	<b>1 675 526</b>

**Geographical market sales:**

(NOK 1 000)	2013	2012
Norway	121 663	33 643
Western Europe	1 308 567	810 008
Eastern Europe & Russia	742 487	516 064
Asia & Middle East	425 993	380 168
Other countries	5 001	4 383
<b>Total operating revenues</b>	<b>2 603 712</b>	<b>1 744 266</b>

## ■ NOTE 5. Personnel expenses and benefits

**Wages and personnel expenses**

(NOK 1 000)	2013	2012
Wages and salaries	71 686	59 868
National insurance contributions	6 625	5 301
Pension costs defined contribution scheme	695	578
Pension costs defined benefit scheme	3 156	3 897
Other benefits	3 464	2 121
<b>Total wages and personnel expenses</b>	<b>85 627</b>	<b>71 764</b>
<b>Average full-time equivalents</b>	<b>114</b>	<b>103</b>

**REMUNERATION TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS:**
**Senior management**

2013 (NOK 1 000)	Salary	Fees <sup>1)</sup>	Bonus	Share-based payments	Payments in kind	Total	Accrued pension costs <sup>2)</sup>
John Binde, CEO	2 048	40	245	356	240	2 929	186
Ola Loe, CFO	1 510	0	119	249	16	1 894	134
Roger Bekken, COO farming	1 208	80	48	178	36	1 550	129
Klaus Hatlebrekke, COO market and business development	1 267	0	52	178	13	1 509	106
<b>Total</b>	<b>6 033</b>	<b>120</b>	<b>464</b>	<b>961</b>	<b>304</b>	<b>7 883</b>	<b>554</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 5 cont.

2012 (NOK 1 000)	Salary	Fees <sup>1)</sup>	Bonus	Share-based payments	Payments in kind	Total	Accrued pension costs <sup>2)</sup>
John Binde, CEO	1 834	45	127	0	225	2 231	-58
Ola Loe, CFO	1 438	0	107	0	15	1 560	21
Roger Bekken, COO farming	1 120	80	81	0	21	1 303	68
Klaus Hatlebrekke, COO market and business development <sup>3)</sup>	794	0	0	0	9	803	87
<b>Total</b>	<b>5 187</b>	<b>125</b>	<b>315</b>	<b>0</b>	<b>269</b>	<b>5 897</b>	<b>118</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.

3) Klaus Hatlebrekke took up his position as Chief operating officer on 1 April 2012.

### Directors fee:

(NOK 1 000)	2013	2012
Helge Gåsø, Board Chair <sup>1)</sup>	358	360
Kristine Landmark, Vice Chair	188	193
Åse Marie Valen Olsen	170	173
Endre Glastad	190	190
Inge Kristoffersen	198	198
Eva von Hirsch	188	188
Lars Magne Eidesvik	0	18
Fredd Wilsgård	8	0
<b>Total</b>	<b>1 298</b>	<b>1 318</b>

1) Includes directors' fees received from subsidiaries in the amounts of KNOK 60 in 2013 and KNOK 60 in 2012.



## BOARD'S STATEMENT ON ESTABLISHMENT OF SALARIES AND OTHER REMUNERATION FOR SENIOR EXECUTIVES AT NORWAY ROYAL SALMON ASA

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

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

### 1. MAIN PRINCIPLES ON REMUNERATION FOR THE 2014 FINANCIAL YEAR

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

#### *Basic salary*

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

#### *Annual bonus*

Bonuses will be established and paid based on position levels and the added value staff or groups of staff have created. For 2014 the CEO has a bonus scheme determined at the discretion of the Compensation Committee, and depends on a number of factors. The bonus scheme may not exceed three months' salary. All other senior executives has a discretionary bonus scheme which depends on a number of factors. The bonus scheme may not exceed three months' salary.

#### *Benefits in kind*

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

#### *Share-based incentive schemes*

A bonus scheme based on "synthetic options" was introduced for Group management in February 2011. The bonus scheme confers the right to a cash bonus based on the price performance of the company's shares on the Oslo Stock Exchange. Bonuses are calculated 12, 24 and 36 months after the listing date, and the bonus scheme involves an obligation to invest net bonuses in Norway Royal Salmon shares at their market price at each date. Shares purchased under the bonus scheme will be subject to a 12-month lock-in period. All bonus payments are contingent on full-time employment with the company. Bonuses are based on the increase in value of shares in Norway Royal Salmon from the time they are listed until the dates stated, and in proportion to the price increase in the period for 300 000 shares for the CEO and from 90 000 to 210 000 shares for other senior executives. At 1. January 2013 there were 660 000 outstanding options. 330 000 of the options were exercised in the first

quarter of 2013. At the time of exercise the weighted average share price was NOK 22.10. The exercise price at the time of exercise was NOK 18.54. After the exercise, the scheme covers 330 000 shares distributed on the Group's management. The exercise price of these at 31. December 2013 is NOK 17.55.

#### *Pension schemes*

Norway Royal Salmon ASA has a defined-benefit pension scheme covering all the company's staff and Group management. No members of Group management have any pension scheme other than that for the other staff.

#### *Notice period and severance pay*

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

#### *Other variable remuneration components*

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

### 2. SENIOR MANAGEMENT REMUNERATION POLICY IN 2013

In addition to their fixed salary, the following benefits were paid to Group management in 2013:

Senior executives has a discretionary bonus scheme which depends on a number of factors. The bonus scheme may not exceed three months' salary.

In 2013 the CEO has a bonus scheme determined at the discretion of the Compensation Committee, and depends on a number of factors. The bonus scheme may not exceed three months' salary. Bonuses paid in 2013, based on the results achieved in 2012, amounted to NOK 245.

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

The CEO and 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.

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

Loans have been extended to the CEO with a book value of NOK 127 as of 31 December 2013. Interest is at NIBOR + 0.25 per cent. The loan is to be repaid in 2014. Security is provided by pledging shares.

## ■ NOTE 6. Operating expenses

### Specification of other operating expenses:

(NOK 1 000)	2013	2012
Rental of premises and equipment	4 766	3 568
Maintenance	37 535	27 067
Off-balance sheet equipment	4 484	3 060
Fuel	8 922	6 683
External fees	7 849	6 837
Insurance	2 742	3 674
Bad debts	6 368	1 105
Other	17 755	29 352
<b>Total other operating expenses</b>	<b>90 422</b>	<b>81 347</b>

### Write-downs and non-recurring items:

(NOK 1 000)	2013	2012
Non-recurring items	2 219	9 919
<b>Total</b>	<b>2 219</b>	<b>9 919</b>

Non-recurring items in 2013, KNOK 2 219, is costs related to the escape of fish. In 2012 a cost of KNOK 9 919 was recorded as non-recurring items. The extraordinary mortality was caused by high algae flora (flagellates) and low oxygen levels in a cage at a processing plant.

## ■ NOTE 7. Auditor's fees

### Auditor's fees:

(NOK 1 000)	2013	2012
Statutory auditing services	370	374
Other attestation services	0	2
Tax advisory services	0	8
Other services	44	65
<b>Total auditor's fees</b>	<b>414</b>	<b>449</b>

All auditor's fees are exclusive VAT. In 2012 KNOK 7.9 was expensed directly against equity in connection with equity transactions.

## ■ NOTE 8. Pension costs and liabilities

As of 31 December 2013, all the Group's employees were members of various pension schemes. Companies in Norway are required to operate occupational pension schemes under the Norwegian Mandatory Occupational Pensions Act. The schemes offered by all Group companies meet statutory requirements.

Subsidiaries have defined contribution schemes for 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 liability for the AFP scheme and fees are therefore recognized in the same way as contribution schemes. The fee is determined by the LO / NHO organisations.

The parent company operates a defined benefits pension scheme, covering 32 people. The pension scheme provides an entitlement to defined future benefits, the size of which is largely dependent on the number of years' entitlement, salary upon retirement and state pension benefits. The scheme is financed externally through a pension fund. In combination with the state pension and with full entitlement, the scheme entitles members to around 66 per cent of basic salary up to 12G from the age of 67 (G being the Norwegian National Insurance Scheme's basic unit of calculation).

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. NRS finds it appropriate to use the market interest rate for covered bonds as the discount rate for its pension liability. NRS believes there is a deep market in covered bonds that satisfy the requirements of high quality. NRS have in their calculations per 31.12.2013, used a discount rate of 4.1 per cent.

With effect from 1. January 2013 the company has applied IAS 19 Employee Benefits and changed the basis for calculating pension liabilities and pension costs. The company has previously used the corridor method of accounting for unrecognized actuarial gains or losses. The corridor method is no longer permitted, all estimates should under IAS 19R be recognized in the statement of Other Comprehensive Income (OCI). As a result of the change in the treatment of unamortized actuarial gains and losses and calculation of net interest expense, the pension cost increased by NOK 0.1 million for the full year 2012, which is considered immaterial and not restated. Actuarial gains after tax of NOK 4.4 million was recognized in other comprehensive income in 2012. Pension liabilities 31 December 2012 increased to 9.7 million. IAS 19 is applied retrospectively and comparative figures have changed. See Note 1 for additional information.

### Pension costs:

(NOK 1 000)	2013	2012
Current service cost	2 800	3 302
Interest cost	291	105
National insurance contributions	419	502
Administrational expenses	62	169
Amortisation of net actuarial losses (gains)	0	212
Employee contributions to scheme	-415	-394
<b>Net pension costs service – defined benefit scheme</b>	<b>3 156</b>	<b>3 897</b>
Costs of defined contribution pension scheme	695	578
Early retirement scheme	306	0
<b>Total pension costs</b>	<b>4 157</b>	<b>4 475</b>

### Assumptions:

(NOK 1 000)	2013	2012
Discount rate	4.10 %	3.80 %
Future salary increases	3.75 %	3.50 %
Inflation rate	3.50 %	3.25 %
Future pension increase	0.60 %	0.20 %

### Demographic factors:

Early retirement	IR02	IR02
Mortality rate	K2013 BE	K2005

## ■ NOTE 8 cont.

(NOK 1 000)	2013	2012
Paid into scheme during the year	3 672	3 270
Forecast payment to scheme next year	3 809	3 833

### Calculation of amount recognised in the balance sheet:

(NOK 1 000)	31.12.2013	31.12.2012
Present value of funded obligations	35 855	30 700
Fair value of plan assets	-25 537	-20 846
<b>Net pension liabilities in balance sheet</b>	<b>10 320</b>	<b>9 854</b>

### Change in present value pension liabilities:

(NOK 1 000)	2013	2012
Pension liabilities as of 1 January	30 700	32 403
Current service cost	3 317	3 388
Interest expense	1 051	809
Pension payments	-176	-175
National insurance contributions on this years payment	-518	0
Actuarial losses/ (gain)	1 482	-5 724
<b>Pension liabilities as of 31 December</b>	<b>35 855</b>	<b>30 700</b>

### Change in estimated fair value of plan assets:

(NOK 1 000)	2013	2012
Estimated fair value of plan assets as of 1 January	20 846	17 840
Return on plan assets	796	791
Contributions paid	4 190	3 270
Pension payments	-176	-175
National insurance contributions on this years payment	-518	0
Administration expenses	0	-169
Actuarial (losses)/ gain	399	-711
<b>Plan assets as of 31 December</b>	<b>25 537</b>	<b>20 846</b>

### Pension funds are made up as follows:

(NOK 1 000)	2013	2012
Money market fund	26.2 %	18.3 %
Shares	6.3 %	9.2 %
Short-term bonds	14.2 %	15.6 %
Long-term bonds	34.5 %	36.7 %
Property	14.8 %	18.3 %
Other	4.0 %	1.9 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 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 3 919. Conversely, reducing the discount rate by 1 per cent would result in a gross pension liability of KNOK 20 696. A 1 per cent increase in the future salary increases, would result in a gross pension liability of KNOK 16 310. Conversely, reducing the future salary increases by 1 per cent would result in a gross pension liability of KNOK 4 554.



## ■ NOTE 9. Financial income and financial expenses

### Financial items included in the income statement:

(NOK 1 000)	2013	2012
Sale of shares	1 914	0
Interest income	338	422
Unrealised gains on TRS agreements	16 859	0
Realised gains on TRS agreements	30 676	0
Other financial income	88	244
<b>Financial income</b>	<b>49 874</b>	<b>666</b>
Interest expenses	31 805	35 928
Foreign exchange losses	462	838
Change in market value interest rate swap	-484	1 943
Other financial expenses	1 408	1 518
<b>Financial expenses</b>	<b>33 191</b>	<b>40 226</b>
<b>Net financial items</b>	<b>16 683</b>	<b>-39 560</b>

## ■ NOTE 10. Taxation

### Tax on the result

#### Tax on the result is as follows:

(NOK 1 000)	2013	2012
Tax payable	8 313	780
Change in deferred tax	72 174	8 350
<b>Tax on the result for the year</b>	<b>80 487</b>	<b>9 130</b>

Tax on items recognised in comprehensive income: (NOK 1 000)	2012			2013		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Available-for-sale financial assets	(2 002)	(17)	(1 985)	2 002	17	1 985
Cash flow hedges	(7 315)	(1 975)	(5 340)	816	228	588
Actuarial losses on benefits pension scheme	(1 093)	(295)	(798)	5 932	1 661	4 271
<b>Total tax recognised in comprehensive income</b>	<b>(10 410)</b>	<b>(2 287)</b>	<b>(8 123)</b>	<b>8 750</b>	<b>1 906</b>	<b>6 844</b>

### Tax recognised directly in equity:

(NOK 1 000)	2013	2012
Tax relating to costs recognised directly in equity	0	334
<b>Total tax recognised in equity</b>	<b>0</b>	<b>334</b>

## ■ NOTE 10 cont.

### Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2013	2012
Result before tax	396 292	40 748
Tax calculated at nominal tax rate (28%)	110 962	11 410
Expenses not deductible for tax purposes	-14 749	185
Equity method associates	-8 030	-2 930
Gain on sale of financial assets	-13	-1
Tax on share issue costs	0	334
Changes in deferred tax caused by reduced tax rate	-7 683	0
Corrections from previous years	0	133
<b>Tax on the result</b>	<b>80 487</b>	<b>9 130</b>
<b>Effective tax rate</b>	<b>20 %</b>	<b>22 %</b>

### DEFERRED TAX LIABILITIES

#### Breakdown of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2013	31.12.2012
Intangible assets	452 091	452 091
Property, plant and equipment	-9 450	-10 851
Inventory	639 238	525 602
Trade receivables	-4 664	2 444
Pensions	-10 319	-9 854
Other	14 177	3 514
Tax losses carried forward	-223 136	-385 243
<b>Basis for deferred tax</b>	<b>857 939</b>	<b>577 703</b>
<b>Estimated deferred tax liabilities</b>	<b>231 640</b>	<b>161 753</b>

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

(NOK 1 000)	31.12.2013	31.12.2012
<i>Deferred tax benefits:</i>		
Long-term tax items	-65 895	-114 463
Short-term tax items	-1 259	0
<i>Deferred tax:</i>		
Long-term tax items	122 065	126 585
Short-term tax items	176 221	149 128
<b>Deferred tax 31 December</b>	<b>231 128</b>	<b>161 246</b>

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

(NOK 1 000)	2013	2012
Book value as of 1 January	157 560	151 895
Income statement charge	80 017	8 350
Tax effect relating to components of other comprehensive income	-1 906	-2 287
Deferred tax share issue cost	0	-334
Other changes	0	-64
Changes in deferred tax caused by reduced tax rate	-7 839	0
<b>Book value 31 December</b>	<b>231 640</b>	<b>157 560</b>

The Group has capitalised deferred tax related to tax loss carryforwards. This has been done on the assumption that the Group will be able to apply them against future taxable revenues. All Group companies are located in Norway and are subject to a nominal tax rate of 28 % for 2013 and 27 % for 2014. Losses carried forward within the Group have no expiry date.

## ■ NOTE 11. Intangible assets

<b>Cost:</b> (NOK 1 000)	<b>Fish farming licenses</b>	
	<b>2013</b>	<b>2012</b>
Acquisition cost as of 1 January	502 887	502 887
Additions during the year	0	0
Acquisition cost as of 31 December	502 887	502 887

<b>Specification of fish farming licenses by region:</b>			<b>Book value 31 December 2013</b>
(NOK 1 000)	<b>Number of licenses</b>	<b>Cost</b>	
Region North	19	370 026	370 026
Region South	6	132 861	132 861
<b>Total</b>	<b>25</b>	<b>502 887</b>	<b>502 887</b>

### 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.

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

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

Estimated future cash flows are based on budgets and forecasts for the next four years. After that, a terminal value is used. The terminal value is calculated using a growth rate of 1,75 per cent, which reflects future estimated inflation.

The impairment test did not give indications for write-downs of the book value of licenses at 31. December 2013. There are significant positive differences between estimated recoverable amounts and book values in Region North and Region South.

### Key assumptions

Calculations are based mainly on EBIT(DA) margin per kg (salmon prices, 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. As a result of expectations of high salmon prices in the next three years, a higher EBIT margin per kg than the historical average margin has been used in the calculations. After this period the margin has been reduced to a normalized EBIT per kg of NOK 6,85. 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 mainly maintenance investments.

#### *Discount rate*

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

#### *Harvest volume*

Future production are estimated on the basis of current production and harvest plan, adjusted for expected increases in future output given current licenses. In the calculation it is assumed that the production capacity of about 30,000 tonnes will be utilised.

### Sensitivity analysis

Sensitivity analysis have been performed by examining at 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.

	<b>Region North</b>	<b>Region South</b>
EBIT(DA) margin per kg (NOK)	-4.29	-2.80
Discount rates after tax	9.1 %	5.3 %
Harvest volume	-54.0 %	-41.0 %

## ■ NOTE 12. Property, plant and equipment

(NOK 1 000)	Land and buildings	Machinery and equipment	Boats and floating assets	Other operating assets	Total	Of which leased operating assets
<b>Acquisition cost as of 1 January 2012</b>	<b>10 904</b>	<b>128 339</b>	<b>94 172</b>	<b>18 468</b>	<b>251 884</b>	<b>149 841</b>
Additions	417	24 937	7 154	2 239	34 747	18 120
Disposals	0	-1 187	-2 545	-868	-4 599	-3 415
<b>Acquisition cost as of 31 December 2012</b>	<b>11 321</b>	<b>152 089</b>	<b>98 781</b>	<b>19 839</b>	<b>282 031</b>	<b>164 546</b>
<b>Acquisition cost as of 1 January 2013</b>	<b>11 321</b>	<b>152 089</b>	<b>98 781</b>	<b>19 839</b>	<b>282 031</b>	<b>164 546</b>
Additions	1 731	41 149	21 024	1 494	65 399	37 302
Disposals	0	-707	-418	0	-1 125	-602
<b>Acquisition cost as of 31 December 2013</b>	<b>13 052</b>	<b>192 532</b>	<b>119 387</b>	<b>21 333</b>	<b>346 304</b>	<b>201 246</b>
<b>Accumulated depreciation as of 1 January 2012</b>	<b>6 883</b>	<b>39 326</b>	<b>18 084</b>	<b>10 280</b>	<b>74 573</b>	<b>31 316</b>
Depreciation for the year	335	18 493	8 323	3 297	30 449	15 313
Disposals	0	-1 187	-111	-593	-1 890	-97
<b>Accumulated depreciation as of 31 December 2012</b>	<b>7 219</b>	<b>56 632</b>	<b>26 296</b>	<b>12 985</b>	<b>103 131</b>	<b>46 533</b>
<b>Accumulated depreciation as of 1 January 2013</b>	<b>7 219</b>	<b>56 632</b>	<b>26 296</b>	<b>12 985</b>	<b>103 131</b>	<b>46 533</b>
Depreciation for the year	360	21 237	9 019	3 112	33 728	17 333
Disposals	0	-707	-402	0	-1 109	-370
<b>Accumulated depreciation as of 31 December 2013</b>	<b>7 578</b>	<b>77 162</b>	<b>34 913</b>	<b>16 097</b>	<b>135 750</b>	<b>63 495</b>
Book value as of 1 January 2012	4 022	89 013	76 089	8 188	177 312	118 525
Book value as of 31 December 2012	4 102	95 457	72 486	6 853	178 899	118 013
Book value as of 31 December 2013	5 474	115 370	84 475	5 235	210 554	137 751
Economic life	20 years	5–10 years	5–10 years	5–15 years	3–5 years	
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

### Write-downs and other non recurring items

In 2013 the Group has not recognised write-downs or costs relating to individual events on property, plant and equipment.



## ■ NOTE 13. Investments in associates

<b>2013</b> (NOK 1 000)	<b>Share- holding</b>	<b>Book value 31.12.2012</b>	<b>Share of result for the year</b>	<b>Dividend received</b>	<b>Acquisitions/ changes in the period</b>	<b>Book value 31.12.2013</b>
<b>Company</b>						
Wilsgård Fiskeoppdrett AS	37.50 %	39 906	12 145	-750	0	51 301
Måsøval Fishfarm AS	36.10 %	14 975	7 765	-6 137	0	16 603
Hellesund Fiskeoppdrett AS	33.50 %	26 246	9 199	-50	0	35 394
Hardanger Fiskeforedling AS	31.10 %	5 342	1 348	0	0	6 690
Espevær Laks AS	37.50 %	1 968	-834	0	0	1 134
Ranfjord Fiskeprodukter AS	37.75 %	19 442	-947	0	0	18 495
Skardalen Settefisk AS	30.00 %	2 934	158	0	0	3 092
Other		48	0	0	0	48
<b>Total associates</b>		<b>110 861</b>	<b>28 834</b>	<b>-6 937</b>	<b>0</b>	<b>132 758</b>

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 7 515 as of 31 December 2013. The fair value adjustments at the start of the year were KNOK 2 345. The increase of KNOK 5 170 is included in income from associates.

<b>2012</b> (NOK 1 000)	<b>Share- holding</b>	<b>Book value 31.12.2011</b>	<b>Share of result for the year</b>	<b>Dividend received</b>	<b>Acquisitions/ changes in the period</b>	<b>Book value 31.12.2012</b>
<b>Company</b>						
Wilsgård Fiskeoppdrett AS	37.50 %	36 117	3 789	0	0	39 906
Måsøval Fishfarm AS *	36.10 %	15 871	1 850	0	-2 746	14 975
Hellesund Fiskeoppdrett AS	33.50 %	21 517	4 779	-50	0	26 246
Hardanger Fiskeforedling AS	31.10 %	4 417	925	0	0	5 342
Espevær Laks AS	37.50 %	829	126	0	1 013	1 968
Ranfjord Fiskeprodukter AS	37.75 %	17 287	-1 098	0	3 253	19 442
Skardalen Settefisk AS**	30.00 %	0	94	0	2 840	2 934
Other		48	0	0	0	48
<b>Total associates</b>		<b>96 087</b>	<b>10 464</b>	<b>-50</b>	<b>4 359</b>	<b>110 861</b>

The Group's share of fair value adjustments in connection with biomass at associates was KNOK 2 345 as of 31 December 2012. The fair value adjustments at the start of the year were KNOK -8 495. The increase of KNOK 10 840 is included in income from associates.

\* Change directly against equity is a correction from 2011

\*\* Skardalen Settefisk AS is classified as an associated company from 2012.

## ■ NOTE 13 cont.

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

<b>2013</b> (NOK 1 000)	<b>Business local authority</b>	<b>Operating revenues 2013</b>	<b>Profit/ loss 2013</b>	<b>Total assets 31.12.13</b>	<b>Total liabilities 31.12.13</b>	<b>Total equity 31.12.13</b>
<b>Company</b>						
Wilsgård Fiskeoppdrett AS	Torsken	161 745	32 388	173 662	82 737	90 925
Måsøval Fishfarm AS	Frøya	207	21 511	36 028	17 765	18 263
Hellesund Fiskeoppdrett AS	Lillesand	63 273	27 459	81 119	10 744	70 375
Ranfjord Fiskeprodukter AS	Mo i Rana	36 860	-2 507	63 289	47 175	16 114
Hardanger Fiskeforedling AS	Kvam	56 513	4 333	40 011	17 435	22 576
Espevær Laks AS	Bømlo	42 078	-2 223	28 043	25 019	3 023
Skardalen Settefisk AS	Torsken	9 431	526	15 913	5 607	10 306

<b>2012</b> (NOK 1 000)	<b>Business local authority</b>	<b>Operating revenues 2012</b>	<b>Profit/ loss 2012</b>	<b>Total assets 31.12.12</b>	<b>Total liabilities 31.12.12</b>	<b>Total equity 31.12.12</b>
<b>Company</b>						
Wilsgård Fiskeoppdrett AS	Torsken	114 185	10 103	147 805	87 272	60 533
Måsøval Fishfarm AS	Frøya	101	5 125	32 216	11 939	20 278
Hellesund Fiskeoppdrett AS	Lillesand	57 267	14 264	52 354	9 287	43 067
Ranfjord Fiskeprodukter AS	Mo i Rana	41 277	-3 016	64 553	45 498	19 055
Hardanger Fiskeforedling AS	Kvam	54 611	2 974	29 356	12 178	17 178
Espevær Laks AS	Bømlo	49 949	254	24 156	18 910	5 246
Skardalen Settefisk AS	Torsken	9 810	312	13 845	4 066	9 779

## ■ NOTE 14. Financial instruments by category

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

### As of 31 December 2013

(NOK 1 000)	Loans and receivables at amortised cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available- for-sale	Total
Available-for-sale financial assets	0	0	0	1 395	1 395
Derivatives **	0	16 859	3 327	0	20 186
Trade and other receivables *	471 562	0	0	0	471 562
Cash and cash equivalents **	53 732	0	0	0	53 732
<b>Total</b>	<b>525 294</b>	<b>16 859</b>	<b>3 327</b>	<b>1 395</b>	<b>546 875</b>

\* Trade and other receivables exclude prepayments

\*\* Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of NOK 3 327 is therefore included in Cash and cash equivalents.

(NOK 1 000)	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	Total
Loans (excluding finance leases)	0	0	390 684	390 684
Finance leases	0	0	116 931	116 931
Derivatives	0	4 994	0	4 994
Trade and other payables *	0	0	398 990	398 990
<b>Total</b>	<b>0</b>	<b>4 994</b>	<b>906 605</b>	<b>911 599</b>

\* Trade and other payables excluding statutory liabilities

### As of 31 December 2012

(NOK 1 000)	Loans and receivables at amortised cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available- for-sale	Total
Available-for-sale financial assets	0	0	0	3 335	3 335
Derivatives	0	235	816	0	1 051
Trade and other receivables *	310 767	0	0	0	310 767
Cash and cash equivalents	9 854	0	0	0	9 854
<b>Total</b>	<b>320 621</b>	<b>235</b>	<b>816</b>	<b>3 335</b>	<b>325 007</b>

\* Trade and other receivables exclude prepayments

(NOK 1 000)	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	Total
Loans (excluding finance leases)	0	0	469 578	469 578
Finance leases	0	0	106 351	106 351
Derivatives	0	7 576	0	7 576
Trade and other payables *	0	0	309 862	309 862
<b>Total</b>	<b>0</b>	<b>7 576</b>	<b>885 791</b>	<b>893 367</b>

\* Trade and other payables excluding statutory liabilities

## ■ NOTE 14 cont.

### Fair value of financial instruments

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

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

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

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

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

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

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

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2013:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	16 859	0	16 859
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	5 305	0	5 305
Available-for-sale financial assets				
– Equity instruments	0	0	1 395	1 395
– Debt instruments	0	0	0	0
<b>Total assets</b>	<b>0</b>	<b>22 164</b>	<b>1 395</b>	<b>23 559</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Derivatives used for hedging	0	10 746	0	10 746
<b>Total liabilities</b>	<b>0</b>	<b>10 746</b>	<b>0</b>	<b>10 746</b>

The table below shows the Group's assets and liabilities measured at fair value as of 31 December 2012:

(NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Securities held for trading purposes	0	0	0	0
Derivatives used for hedging	0	1 052	0	1 052
Available-for-sale financial assets				
– Equity instruments	0	0	3 335	3 335
– Debt instruments	0	0	0	0
<b>Total assets</b>	<b>0</b>	<b>1 052</b>	<b>3 335</b>	<b>4 387</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Derivatives held for trading purposes	0	0	0	0
– Derivatives used for hedging	0	7 576	0	7 576
<b>Total liabilities</b>	<b>0</b>	<b>7 576</b>	<b>0</b>	<b>7 576</b>



## ■ NOTE 15. Available-for-sale financial assets

2013

(NOK 1 000)	31.12.2012	Sale	Purchase	31.12.2013
Available-for-sale financial assets	3 335	(2 441)	500	1 395
<b>Total available-for-sale financial assets</b>	<b>3 335</b>	<b>(2 441)</b>	<b>500</b>	<b>1 395</b>

2012

(NOK 1 000)	31.12.2011	Reclassi- fication	Capital increase	Gross unrealised gains	31.12.2012
Available-for-sale financial assets	3 483	(2 300)	150	2 002	3 335
<b>Total available-for-sale financial assets</b>	<b>3 483</b>	<b>(2 300)</b>	<b>150</b>	<b>2 002</b>	<b>3 335</b>

The Group recognised a gross value adjustment in 2012 of KNOK 2 002. This value adjustment was recognised in comprehensive income. The value adjustment was connected to the Group's shares in Aqua Gen AS. The value was based on a large transaction in Aqua Gen shares in the fourth quarter of 2012. In 2013, all the Group's shares in Aqua Gen was sold. The gain of KNOK 1 914 was recognised on the line Gains on realisation of financial assets. Simultaneously, the unrealized gain of KNOK 2 002 was reversed in other comprehensive income. All the Group's investments in the available-for-sale are unlisted shares and recognised at fair value. The original cost is used as an estimate of fair value. They are included in Level 3 of the fair value hierarchy (see Note 14).

*Available-for-sale financial assets comprise:*

(NOK 1 000)	Ownership share	31.12.2013	31.12.2012
<b>Company</b>			
Aqua Gen AS	0,40 %	0	2 420
Espevær Eiendom AS	16,07 %	500	500
Arctic Filet AS	12,50 %	500	0
Other unlisted shares		395	416
<b>Total available-for-sale financial assets</b>		<b>1 395</b>	<b>3 335</b>

## ■ NOTE 16. Inventory

(NOK 1 000)	31.12.2013	31.12.2012
Raw materials	16 864	15 056
Finished goods	10 174	5 760
<b>Total inventory</b>	<b>27 038</b>	<b>20 816</b>

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

## ■ NOTE 17. Biological assets (biomass)

### Specification of biological assets:

(NOK 1 000)	31.12.2013	31.12.2012
Biological assets valued at cost	492 524	466 010
Fair value adjustments of the biological assets	146 714	59 729
<b>Total biological assets</b>	<b>639 238</b>	<b>525 739</b>

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

(NOK 1 000)	2013	2012
Biological assets as of 1 January	525 739	387 880
Increase due to production in the period	601 682	537 766
Reduction due to harvesting in the period	-575 168	-454 477
Fair value adjustments of the biological assets	86 985	54 570
<b>Biological assets as of 31 December</b>	<b>639 238</b>	<b>525 739</b>

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

(NOK 1 000)	2013	2012
Biological assets as of 1 January	20 697	16 127
Increase due to fish put in the sea in the period	1 089	1 162
Increase due to production in the period	28 721	28 911
Reduction due to harvesting in the period	-30 348	-25 503
<b>Biological assets as of 31 December</b>	<b>20 160</b>	<b>20 697</b>

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

(NOK 1 000)	2013	2012
Smaller than 1 kg	2 691	1 690
1-4 kg	10 957	6 940
Larger than 4 kg	6 512	12 067
<b>Biological assets as of 31 December</b>	<b>20 160</b>	<b>20 697</b>

### Fair value of biological assets:

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

### Valuation model:

In accordance with IAS 41, the biomass is recognised at fair value less estimated harvesting and sales costs. Adjustments to the fair value of the biomass are presented on a separate line in the income statement. When estimating the biomass at fair value the best estimate of fair value for fish less than 1 kg is assumed to be accumulated cost, while for fish between 1 and 4 kg a proportionate share of full value is recognised. Harvestable fish (above 4 kg) is valued at full value. An expected fair value below the expected cost would imply a negative value adjustment of biological assets. Market prices based on externally quoted forward prices, and/or the most relevant pricing information available for the period when the fish are expected to be harvested are used when calculating the fair value.

### Sensitivity analyses:

Based on the Group's biomass at 31 December 2013, an increase in price of NOK 1.00 per kg would result in an increase in the book value of the biomass of NOK 11 533. Similar a reduction in price of NOK 1,00 per kg would result in a reduction in the book value of the biomass of NOK -11 533.

## ■ NOTE 18. Accounts and other receivables

### Specification of accounts and other receivables:

(NOK 1 000)	31.12.2013	31.12.2012
Account receivables	417 985	287 918
Provision for bad debts	-5 837	-1 000
Net accounts receivables	412 148	286 918
Other short-term receivables	68 735	31 545
Other long-term receivables	3 127	4 673
<b>Total accounts and other receivables</b>	<b>484 010</b>	<b>323 136</b>

### Other short-term receivables comprise:

(NOK 1 000)	2013	2012
Fair value of derivatives	18 837	1 052
Prepaid costs	12 448	12 369
Value added tax repayable	31 522	12 507
Other receivables	5 928	5 618
<b>Total other short-term receivables</b>	<b>68 735</b>	<b>31 545</b>

At 31 December 2013, accounts receivables of KNOK 141 511 (2012: KNOK 46 316) were past their due date but not impaired. These relate to a number of independent customers have not previously defaulted on their obligations to the group. The age distribution of these receivables are:

(NOK 1 000)	2013	2012
Less than 3 months	135 375	46 284
More than 3 months	6 136	32
<b>Accounts receivables past due date, but not impaired</b>	<b>141 511</b>	<b>46 316</b>

### Change in provision for bad debts:

(NOK 1 000)	2013	2012
Provision for bad debts as of 1 January	-1 000	-900
Bad debts recorded in the year	1 533	1 005
Change in provision for bad debts	-6 370	-1 105
<b>Provision for bad debts as of 31 December</b>	<b>-5 837</b>	<b>-1 000</b>

At 31 December was nominal accounts receivables of KNOK 22 835 (2012: 4 866) written down. The size of the provision was 5 837 at 31 desember 2013 (2012: 1 000). The individually impaired receivables relate to customers who have had financial problems. Accounts receivables are insured with a deductible between 10 and 20 per cent. It is believed that a portion of the receivables will be recovered. The age distribution of the receivables are:

(NOK 1 000)	2013	2012
2 to 6 months	15 146	1 878
More than 6 months	7 690	2 988
<b>Accounts recivables written down</b>	<b>22 835</b>	<b>4 866</b>

## ■ NOTE 18 cont.

### Foreign currency exposure on receivables:

(NOK 1 000)	31.12.2013	31.12.2012
CHF	1 249	286
EUR	233 164	154 211
GBP	4 359	2
JPY	8 200	9 443
SEK	59	952
PLN	1 707	0
USD	109 909	65 007
NOK	53 502	57 017
<b>Total book value trade receivables</b>	<b>412 148</b>	<b>286 917</b>

## ■ NOTE 19. Cash and cash equivalents

(NOK 1 000)	31.12.2013	31.12.2012
Bank deposits	53 732	9 854
<b>Cash and cash equivalents</b>	<b>53 732</b>	<b>9 854</b>
Of which restricted bank balances	53 634	9 785

Of the restricted deposits KNOK 12 047 is pledged as collateral related to the company's trading at Fish Pool. KNOK 40 381 is pledged as collateral related to its TRS agreements.

## ■ NOTE 20. Share capital and shareholder information

Share capital in parent company as of 31 December 2013:	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 2013:

Shareholder	No. of shares	Shareholding	Voting rights
Gåsø Næringsutvikling AS	6 309 752	14.48 %	14.48 %
Glastad Invest AS	5 487 861	12.59 %	12.59 %
Egil Kristoffersen og Sønner AS	4 451 450	10.22 %	10.22 %
Havbruksinvest AS	3 526 312	8.09 %	8.09 %
Dnb Nor Markets	3 329 864	7.64 %	7.64 %
Måsøval Eiendom AS	2 883 022	6.62 %	6.62 %
Sparebank 1 Markets AS	2 335 013	5.36 %	5.36 %
Nyhamn AS	2 013 371	4.62 %	4.62 %
Kverva AS	1 549 810	3.56 %	3.56 %
Hellesund Fiskeoppdrett AS	1 541 450	3.54 %	3.54 %
Verdipapirfondet DnB Smb	1 080 000	2.48 %	2.48 %
Lovundlaks AS	1 000 000	2.30 %	2.30 %
Wilsgård Fiskeoppdrett AS	468 689	1.08 %	1.08 %
MP Pensjon PK	450 700	1.03 %	1.03 %
Mertoun Capital AS	340 000	0.78 %	0.78 %
Henden Fiskeindustri AS	339 502	0.78 %	0.78 %
Barbinvest AS	252 850	0.58 %	0.58 %
Måsøval Fishfarm AS	240 219	0.55 %	0.55 %
State Street Bank And Trust Co.	218 163	0.50 %	0.50 %
Frewi AS	203 433	0.47 %	0.47 %
<b>Total 20 largest shareholders</b>	<b>38 021 461</b>	<b>87.26 %</b>	<b>87.26 %</b>
<b>Total other shareholders</b>	<b>5 550 730</b>	<b>12.74 %</b>	<b>12.74 %</b>
<b>Total no. of shares</b>	<b>43 572 191</b>	<b>100.00 %</b>	<b>100.00 %</b>

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

	Occupation	No. of shares	Shareholding	Voting rights
Helge Gåsø v/ Gåsø Næringsutvikling AS	Chair	6 309 752	14.48 %	14.48 %
Kristine Landmark	Vice Chair	38 000	0.09 %	0.09 %
Endre T. Glastad v/ Glastad Invest AS	Board member	5 487 861	12.59 %	12.59 %
John Binde v/ Kabuso AS and Barbinvest AS*	CEO	510 954	1.17 %	1.17 %
Ola Loe	CFO	117 363	0.27 %	0.27 %
Roger Bekken	COO	81 077	0.19 %	0.19 %
Klaus Hatlebrekke	COO	69 027	0.16 %	0.16 %

\* CEO owns 50 per cent of the shares in Barbinvest AS. Barbinvest AS owned 252 850 shares in NRS as of 31 December 2013.



**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 2014, however not later than 30 June 2014. On the acquisition of such shares, the purchase price per share may not be less than a nominal value of NOK 1.00 and not more than NOK 45.00. The group owns 30 085 treasury shares at the end of 2013. In 2013 the company entered into TRS (Total return swap) agreements against own shares. At 31 December 2013 Norway Royal Salmon ASA's underlying exposure through TRS agreements is 4 269 877 shares, representing 9.8 per cent of the share capital in the company.

**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 2014, however not later than 30 June 2014.

**Dividend:**

October 3 2013 an extraordinary dividend of NOK 43 542 106 was paid (NOK 1.00 per share). The board has proposed a dividend of NOK 95 792 633 (NOK 2.20 per share) based on the annual accounts for the financial year 2013. The resolution will be adopted at the Annual General Meeting of 27 May 2014. Dividend paid in 2012 were NOK 0.00.

**■ NOTE 21. Earnings per share**

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

**Result allocated to majority shareholders:**

(NOK 1 000)	2013	2012
<b>Majority share of net result for the year</b>	302 434	28 191
Fair value adjustments	-90 852	-46 539
Tax on changes in fair value adjustments	24 530	13 031
<b>Majority share of value-adjusted result for the year</b>	<b>236 112</b>	<b>-5 317</b>
<b>Weighted average number of ordinary shares outstanding</b>	<b>43 467 701</b>	<b>42 682 265</b>

<b>Basic earnings per share</b>	<b>2013</b>	<b>2012</b>
Basis	6.96	0.66
Diluted	6.96	0.66

<b>Value-adjusted earnings per share</b>	<b>2013</b>	<b>2012</b>
Basis	5.43	-0.12
Diluted	5.43	-0.12

**Shares outstanding:**

(NOK 1 000)	2013	2012
Shares outstanding as of 1 January	43 572 191	38 143 641
Issue effects	0	3 961 108
Effect of purchase of treasury shares	-30 085	0
Effect of sale of treasury shares	0	1 467 442
<b>Shares outstanding as of 31 December</b>	<b>43 542 106</b>	<b>43 572 191</b>

## ■ NOTE 22. Interest bearing debt

### Long-term interest bearing debt:

(NOK 1 000)	31.12.2013	31.12.2012
Debt to financial institutions	232 584	243 892
Long-term finance leases	90 500	82 203
Other long-term debt	0	2 197
<b>Total long-term interest bearing debt</b>	<b>323 084</b>	<b>328 292</b>

### Short-term interest bearing debt:

(NOK 1 000)	31.12.2013	31.12.2012
Liabilities to financial institutions	146 802	212 193
First year's instalment long-term debt	37 728	35 444
<b>Total short-term interest bearing debt</b>	<b>184 530</b>	<b>247 637</b>
<b>Total interest bearing debt</b>	<b>507 615</b>	<b>575 929</b>
Cash and cash equivalents	53 732	9 854
<b>Net interest bearing debt</b>	<b>453 883</b>	<b>566 075</b>
Limit credit facility	357 500	357 500
Drawn upon credit facility	146 802	212 193
<b>Unutilised drawing rights</b>	<b>210 698</b>	<b>145 307</b>

### Group loan agreements

Long-term debt associated with the group loan agreement total KNOK 213 500. The loan is repayable in instalments corresponding to a 20-year repayment period. The borrowing agreement expires 1 January 2015. The Group has a multi-currency credit line with a limit of KNOK 317 500. The loan agreement covers all Group companies, except Nord Senja Laks AS which has its own loan agreement as described below.

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

### Nord Senja Laks AS

Long-term debt is associated to a loan agreement with the group's main bank connection of a total KNOK 30,000. The loan is interest-only. The borrowing agreement expires 1 January 2015. The company has a credit line with a limit of KNOK 40,000. Interest on the debt is floating and linked to 3-month NIBOR plus a margin depending on the NIBD/EBITDA ratio.

Nord Senja Laks AS also has a smaller long-term loan with book value of KNOK 135 at 31 December 2013. The interest rates are three-month NIBOR plus a margin.

### Leasing liabilities

At 31 December 2013 the book value of the company's leasing liabilities amounted to KNOK 116 931. Interest rates on these leasing liabilities are three-month NIBOR plus a margin.

### Financial covenants

The Group's loan covenants are based on standard ratios for solidity (equity) and earnings (net interest bearing debt/EBITDA). Net interest bearing debt shall not exceed 5.5 times a 4-quarters rolling EBITDA. The Group shall furthermore have an equity ratio of at least 35 per cent. The Group's covenants are based on consolidated income statement og balance sheet. At the end of 2013 the Group is in compliance with the terms of its loan agreements.

### New financing agreement

In January 2014 the Group signed a new financing agreement. The 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 inventory and accounts receivables. See note 29 for additional information.

**Foreign currency exposure in connection with company's interest bearing debt at 31 December 2013:**

(NOK 1 000)	NOK	EUR	USD	GBP	JPY	Other	Total
Long-term interest bearing debt	323 085	0	0	0	0	0	323 085
Short-term interest bearing debt	-41 237	106 989	105 063	4 756	6 811	2 148	184 530
<b>Total interest bearing debt</b>	<b>281 848</b>	<b>106 989</b>	<b>105 063</b>	<b>4 756</b>	<b>6 811</b>	<b>2 148</b>	<b>507 615</b>

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 2012:**

(NOK 1 000)	NOK	EUR	USD	SEK	JPY	Other	Total
Long-term interest bearing debt	328 292	0	0	0	0	0	328 292
Short-term interest bearing debt	88 772	87 012	61 891	264	9 208	490	247 637
<b>Total interest bearing debt</b>	<b>417 064</b>	<b>87 012</b>	<b>61 891</b>	<b>264</b>	<b>9 208</b>	<b>490</b>	<b>575 929</b>

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

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

(NOK 1 000)	31.12.2013	2014	2015	2016	2017	2018	After 2018
Long-term debt to financial institutions *	243 885	11 297	232 547	41	0	0	0
Interest on long-term debt	18 190	9 315	8 873	2	0	0	0
Long-term finance leases *	116 931	26 431	27 264	22 418	16 379	8 148	16 291
Interest on finance leases	9 842	3 381	2 506	1 696	1 064	664	531
Short-term debt to financial institutions	146 799	146 799	0	0	0	0	0
<b>Total interest bearing debt</b>	<b>535 647</b>	<b>197 223</b>	<b>271 190</b>	<b>24 157</b>	<b>17 443</b>	<b>8 812</b>	<b>16 822</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.

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

(NOK 1 000)	31.12.2012	2013	2014	2015	2016	2017	After 2017
Long-term debt to financial institutions *	255 189	11 297	11 297	232 547	48	0	0
Interest on long-term debt	29 896	10 356	9 887	9 651	2	0	0
Long-term finance leases *	106 351	24 148	22 410	21 738	16 802	9 690	11 564
Interest on finance leases	9 377	3 300	2 485	1 712	1 038	574	268
Other long-term debt *	2 197	0	0	0	0	0	2 197
Short-term debt to financial institutions	212 192	212 192	0	0	0	0	0
<b>Total interest bearing debt</b>	<b>615 202</b>	<b>261 293</b>	<b>46 079</b>	<b>265 648</b>	<b>17 890</b>	<b>10 264</b>	<b>14 029</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 23. Pledges and guarantees etc.

### Reported liabilities secured by pledge:

(NOK 1 000)	31.12.2013	31.12.2012
Long-term liabilities to financial institutions	243 885	243 892
Long-term finance leases	116 932	82 203
Other secured liabilities	146 800	247 637
<b>Total liabilities secured by pledges</b>	<b>507 617</b>	<b>573 732</b>
Guarantee obligations and guarantor liabilities	2 573	2 611

### Book value of assets pledged:

(NOK 1 000)	31.12.2013	31.12.2012
Concessions	502 887	502 887
Property, plant and equipment	210 554	178 899
Shares	134 153	111 120
Inventories and biological assets	666 276	546 556
Trade receivables	412 148	286 918
Other receivables	58 312	25 214
<b>Total book value of pledged assets</b>	<b>1 984 330</b>	<b>1 651 594</b>

## ■ NOTE 24. Other current liabilities

### Specification of other short-term liabilities:

(NOK 1 000)	31.12.2013	31.12.2012
Official taxes due	13 659	5 126
Interest rate swap	3 774	4 258
Holiday pay	4 275	6 283
Unrealised value forward currency contracts	6 792	0
Other short-term liabilities and accruals	13 292	11 704
<b>Total other short-term liabilities</b>	<b>41 792</b>	<b>27 371</b>

## ■ NOTE 25. Derivatives

### As of 31 December 2013

(NOK 1 000)	Bank deposits	Other short-term receivables	Other current liabilities
Forward currency contracts		1 978	6 972
Financial Fish Pool contracts *	3 327	0	0
Total return swap		16 859	0
Interest rate swap		0	3 774
<b>Total</b>		<b>18 837</b>	<b>10 746</b>

\* Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 3 327 is therefore included in Cash and cash equivalents.

## ■ NOTE 25 cont.

### As of 31 December 2012

(NOK 1 000)	Bank	Andre kort-siktede fordringer	Annen kort-siktig gjeld
Forward currency contracts		1 052	0
Financial Fish Pool contracts *	-3318	0	0
Interest rate swap		0	4 258
<b>Total</b>		<b>1 052</b>	<b>4 258</b>

\*Unrealised value of Fish Pool contracts have daily cash settlements against a bank account. Unrealised value of KNOK 3 327 is therefore included in Cash and cash equivalents.

#### Forward currency contracts

Forward currency contracts are recognised at fair value at the balance sheet date. At 31 December 2013 forward currency contracts totalled EUR, USD, JPY and GBP. These contracts mature between 6 January 2014 and 15 January 2015, 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 in other comprehensive income. Realised profit/loss on the contracts are recognised in revenues.

### As of 31 December 2013

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	13 897	06.01.14-15.12.14	7,692-8,414	-5 755
Forward currency contracts – cash flow hedging	Sale	USD	9 634	09.01.14-15.01.15	5,956-6,266	-548
Forward currency contracts – cash flow hedging	Sale	GBP	9 395	09.01.14-15.01.15	9,824-10,163	-712
Forward currency contracts – cash flow hedging	Sale	JPY	130 000	18.02.14-15.07.14	0,0584-0,0587	43
Forward currency contracts – fair value hedging	Sale	EUR	16 000	25.03.14	8,426-8,525	1 978
<b>Total forward currency contracts</b>						<b>-4 994</b>

### As of 31 December 2012

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	USD	3 500	15.02.13-28.10.13	5,816-5,866	816
Forward currency contracts – fair value hedging	Sale	EUR	9 000	27.06.13	7,460	235
<b>Total forward currency contracts</b>						<b>1 052</b>

#### Financial Fish Pool contracts

Contracts have been signed to purchase 3 707 tonnes on the Fish Pool salmon exchange. The contract prices are in the range NOK 34.00–NOK 46.00 and cover the period from January to December 2012. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition to these agreements the group has entered into agreements to sell 2 670 tonnes on Fish Pool. The contract prices are in the range NOK 35.90–NOK 38.12 and cover the period January to December 2014. The aim with the contracts is to hedge the price on own-produced fish.



**As of 31 December 2013**

(NOK 1 000)	Type	Currency	Volume (tonnes)	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Purchase	NOK	3 707	01.01.14-31.12.14	34,00-46,00	10 464
Forward currency contracts – fair value hedging	Sale	NOK	2 670	01.01.14-31.12.14	35,90-38,12	-7 137
<b>Total forward currency contracts</b>						<b>3 327</b>

**As of 31 December 2012**

(NOK 1 000)	Type	Valuta	Volume (tonn)	Valuta periode	Kurs-intervall	Bokført verdi
Forward currency contracts – cash flow hedging	Purchase	NOK	1 440	01.01.13-31.12.13	30,25-30,50	-516
Forward currency contracts – fair value hedging	Sale	NOK	3 600	01.01.13-31.12.13	28,95-30,25	-2 802
<b>Total forward currency contracts</b>						<b>-3 318</b>

**Total return swap**

In 2013 the company entered into TRS (Total Return Swap) agreements against own shares. At 31 December 2013, Norway Royal Salmon ASA's total underlying exposures through TRS agreements is 4 269 877 shares, representing 9,80 per cent of the share capital of the company. The agreements expires in the period 13.03.2014 to 20.03.2014. The exercise price is between NOK 27.2456 and NOK 36.1363. TRS-agreements are recognised at fair value, and changes in fair value are recognised in financial items. The company has realised previously entered into agreements during 2013. The gain on realisation amounts to KNOK 30 676 and is posted as a finance post in the accounts. The company had no TRS agreements in 2012. Unrealised gain on the agreements at 31 December was KNOK 16 859.

(NOK 1 000)	No. of shares	Exercise price	Maturity	Book value
TRS 1	1 334 864	27,2456	13.03.14	13 182
TRS 2	2 335 013	36,1363	20.03.14	2 688
TRS 3	400 000	35,5026	13.03.14	647
TRS 4	200 000	35,4138	13.03.14	341
<b>Total</b>				<b>16 859</b>

**Interest rate swap**

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

**As of 31 December 2013**

Currency	Amount	NRS pays	NRS receives	Maturity	Market value 31 December 2012	Market value 31 December 2013	Change in market value 2013
NOK	100 000	Fixed 3.37%	3 MND NIBOR	07.09.16	-4 258	-3 774	484

**As of 31 December 2012**

Currency	Amount	NRS pays	NRS receives	Maturity	Market value 31 December 2011	Market value 31 December 2012	Change in market value 2012
NOK	100 000	Fastrente 3,37%	3 MND NIBOR	07.09.16	-2 315	-4 258	-1 943

## ■ NOTE 26. Operating leases

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

### Specification of operating leases:

(NOK 1 000)	Lease term	Annual leasing charges
Property lease Trondheim	31 March 2015	889
Property lease Kristiansand	Three months' notice	284
Property rental leases		1 208
Leases other equipment		652
<b>Annual operating lease costs</b>		<b>3 033</b>

## ■ NOTE 27. Fair value adjustments

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

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

(NOK 1 000)	2013	2012
Change in fair value adjustments of biomass	86 985	54 570
Change in provision for onerous contracts	1 095	-1 095
Change in unrealised gains/loss on financial Fish Pool contracts	6 645	-4 048
<b>Total fair value adjustments</b>	<b>94 725</b>	<b>49 428</b>

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

(NOK 1 000)	31.12.2013	31.12.2012
Fair value adjustments of biomass	146 714	59 729
Provision for onerous contracts	0	-1 095
Unrealised gains/loss on financial Fish Pool contracts	3 327	-3 318
<b>Total fair value adjustments</b>	<b>150 041</b>	<b>55 316</b>

## ■ NOTE 28. Related parties

Group transactions with related parties:

### Goods and services purchased:

(NOK 1 000)	2013	2012
Associates – products purchased	205 180	154 448
Associates – services purchased	25 155	35 630
Associates – equipment hire	350	350
Enterprise controlled by board members – purchase of services	5 882	4 936
<b>Total goods and services purchased from related parties</b>	<b>236 567</b>	<b>195 364</b>

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

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

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

**Trade payables due to services purchased:**

(NOK 1 000)	2013	2012
Associates	76 460	45 203
<b>Total services purchased from related parties</b>	<b>76 460</b>	<b>45 203</b>

**Loans to related parties:**

(NOK 1 000)	2013	2012
<i>Loans to the CEO:</i>		
Book value 1 January	273	266
Repayment	-150	0
Interest added to loan	5	7
<b>As of 31 December 2013</b>	<b>127</b>	<b>273</b>

## ■ NOTE 29. Subsequent events

In January 2014 Norway Royal Salmon ASA entered into an agreement with Danske Bank to refinance its credit facilities totalling NOK 700 million over five years. NOK 300 million is an instalment-free long-term loan and NOK 400 million is a short-term overdraft and guarantee facility. The 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 inventory and accounts receivables.



# *Financial Statements*

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# Income statement

(NOK 1 000)	Note	2013	2012
Sales revenues	2	2 579 059	1 732 563
Other operating revenues	14	6 170	6 864
<b>Total sales revenues</b>		<b>2 585 229</b>	<b>1 739 427</b>
Cost of materials	14	2 525 072	1 688 045
Personnel expenses	3,5	39 044	32 146
Depreciation	7	638	840
Other operating expenses	4	22 546	14 180
<b>Total operating expenses</b>		<b>2 587 301</b>	<b>1 735 210</b>
<b>Net operating result</b>		<b>-2 072</b>	<b>4 217</b>
<b>Financial items</b>			
Income from associates and subsidiaries	6,8	181 561	-4 354
Interest income	6,14	13 867	14 850
Other financial income	6,18	35 934	110
Interest expenses	6	-21 310	-21 927
Other financial expenses	6,18	-1 827	-7 853
<b>Net financial items</b>		<b>208 225</b>	<b>-19 174</b>
<b>Result before tax</b>		<b>206 153</b>	<b>-14 957</b>
Tax	13	1 781	2 835
<b>Net result for the year</b>		<b>207 933</b>	<b>-12 122</b>
<b>Allocations:</b>			
Allocated to dividend	12	95 793	0
Allocated to/(from) reserve for valuation variances	12	174 460	-7 052
Allocated to/(from) other equity	12	-62 320	-5 070
<b>Total allocations</b>		<b>207 933</b>	<b>-12 122</b>

# Balance sheet

(NOK 1 000)	Note	31.12.2013	31.12.2012
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Deferred tax assets	13	11 033	6 982
<b>Total intangible assets</b>		<b>11 033</b>	<b>6 982</b>
<b>Property, plant and equipment</b>			
Fixtures, office equipment, etc.	7,16	906	1 396
<b>Total property, plant and equipment</b>		<b>906</b>	<b>1 396</b>
<b>Non-current financial assets</b>			
Investments in subsidiaries	8,16	509 177	346 536
Loans to group companies	10,14,16	0	4 244
Investments in associates	8,16	112 602	100 620
Loans to associates	10	1 200	1 200
Investments in other shares	9,16	501	417
Other non-current receivables	10,16	127	773
<b>Total non-current financial assets</b>		<b>623 608</b>	<b>453 789</b>
<b>Total non-current assets</b>		<b>635 546</b>	<b>462 167</b>
<b>Current assets</b>			
Inventory	11,16	10 174	5 760
<b>Total inventory</b>		<b>10 174</b>	<b>5 760</b>
<b>Receivables</b>			
Accounts receivables	14,16	408 470	281 092
Other receivables	14,16,18	73 516	20 007
<b>Total receivables</b>		<b>481 986</b>	<b>301 099</b>
Cash and cash equivalents	17	165 760	221 242
<b>Total current assets</b>		<b>657 920</b>	<b>528 101</b>
<b>Total assets</b>		<b>1 293 466</b>	<b>990 268</b>

<b>EQUITY AND LIABILITIES (NOK 1 000)</b>	<b>Note</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	12	43 572	43 572
Treasury shares	12	-30	0
Other paid-in equity	12	83 526	83 220
<b>Total paid-in capital</b>		<b>127 068</b>	<b>126 792</b>
<b>Retained earnings</b>			
Reserve for valuation variances	12	270 888	96 428
Other equity	12	94 606	209 218
<b>Total retained earnings</b>		<b>365 495</b>	<b>305 646</b>
<b>Total equity</b>		<b>492 563</b>	<b>432 438</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Pension liabilities	5	10 319	9 854
<b>Total provisions</b>		<b>10 319</b>	<b>9 854</b>
<b>Other non-current liabilities</b>			
Debt to credit institutions	15,16	213 750	225 000
<b>Total other non-current liabilities</b>		<b>213 750</b>	<b>225 000</b>
<b>Current liabilities</b>			
Accounts payables	14	455 956	310 807
Public charges payable		3 697	2 598
Dividend	12	95 793	0
Other current liabilities	14	21 389	9 570
<b>Total current liabilities</b>		<b>576 835</b>	<b>322 975</b>
<b>Total liabilities</b>		<b>800 903</b>	<b>557 829</b>
<b>Total equity and liabilities</b>		<b>1 293 466</b>	<b>990 268</b>
<b>Guarantee liabilities</b>	16	<b>2 573</b>	<b>2 611</b>

Trondheim, 3 April 2014

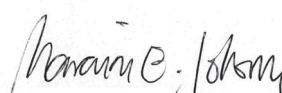
  
Helge Gåsø  
Chair

  
Kristine Landmark  
Vice Chair

  
Endre Glastad

  
Inge Kristoffersen

  
Ase Marie Valen Olsen

  
Marianne E. Johnsen

  
John Binde  
Chief Executive Officer

# Cash flow

(NOK 1 000)	Note	2013	2012
<b>Operating result</b>		<b>-2 072</b>	<b>4 217</b>
Depreciation	7	638	840
Pension costs with no cash effect		465	560
Share based payment		-282	484
Change in inventories		-4 414	710
Change in accounts receivables		-127 378	-70 795
Change in accounts payables		145 149	90 725
Change in other current assets and other liabilities		-48 657	-3 365
<b>Net cash flow from operating activities</b>		<b>-36 551</b>	<b>23 376</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		0	435
Payments for purchase of property, plant and equipment	7	-148	-1 034
Proceeds from investments in non-current financial assets	8	39 830	50
Proceeds from associated companies		0	-4 266
Proceeds from sale of financial assets		-500	0
Change in loans to subsidiaries, associates and others		4 889	-1 419
<b>Net cash flow from investing activities</b>		<b>44 073</b>	<b>-6 234</b>
<b>Cash flow from financing activities</b>			
Non-current debt repayments		-11 250	0
Net payments share issue		0	30 499
Purchase/sale of treasury shares		-2 054	11 739
Net interest payments		-6 157	-7 077
Dividend payment		-43 542	0
<b>Net cash flow from financing activities</b>		<b>-63 003</b>	<b>35 161</b>
Net increase/ reduction in cash and cash equivalents		-55 481	52 303
Cash and cash equivalents as of 1 January		221 242	168 938
<b>Cash and cash equivalents as of 31 December</b>		<b>165 760</b>	<b>221 242</b>



# *Noter til selskapsregnskapet*

## ■ NOTE 1. Accounting principles

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

### **Principle for valuation and classification of assets and liabilities**

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

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

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

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

### **Revenues**

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

### **Expenses**

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

### **Assets and liabilities in foreign currencies**

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

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

### **Derivatives**

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

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

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

### **Property, plant and equipment**

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

### **Shares in subsidiaries and associates**

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

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

### **Other investments in shares classified as non-current assets.**

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

**Inventory**

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

**Receivables**

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

**Bank deposits, cash and cash equivalents**

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

**Pensions**

The liability related to defined benefit plans is the present value of the defined benefit obligation at the balance sheet

date less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. Pension obligations are calculated on the basis of 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.

**Tax**

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

## ■ NOTE 2. Sales revenues

### Specification of sales by region:

(NOK 1 000)	2013	2012
Norway	103 189	28 805
Western Europe	1 308 558	810 008
Eastern Europe & Russia	742 487	516 064
Asia & Middle East	425 993	380 168
Other countries	5 001	4 383
<b>Total operating revenues</b>	<b>2 585 229</b>	<b>1 739 427</b>

## ■ NOTE 3. Personnel expenses and benefits

(NOK 1 000)	2013	2012
Wages and salaries	29 988	24 367
National insurance contributions	5 309	4 030
Pension costs – defined benefits scheme	3 156	3 393
Other benefits	590	357
<b>Total salary and personnel expenses</b>	<b>39 044</b>	<b>32 146</b>
<b>Average number of full-time-equivalents</b>	<b>34</b>	<b>33</b>

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

## ■ NOTE 4. Auditor's fees

(NOK 1 000)	2013	2012
Statutory auditing services	255	220
Other attestation services	0	2
Tax advisory services	0	8
Other services	41	52
<b>Total auditor's fees</b>	<b>296</b>	<b>282</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.

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

With effect from 1. January 2013 the Company has applied IAS 19 Employee Benefits and changed the basis for calculating pension liabilities and pension costs. NRS ASA recognise pension cost and liabilities under IAS 19 with pursuant to NRS 6. The company has previously used the corridor method of accounting for unrecognized actuarial gains or losses. The corridor method is no longer permitted, all estimates are recognized directly in equity.

Earlier return on plan assets was calculated using a long-term expected return on plan assets. 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.

As a result of the change in the treatment of unamortized actuarial gains and losses and calculation of net interest expense, the pension cost increased by NOK 0.1 million for the full year 2012, which is considered immaterial and not restated. Actuarial gains after tax of NOK 4.4 million was recognized directly in equity. Pension liabilities 31 December 2012 increased to 9.7 million. IAS 19 is applied retrospectively and comparative figures have changed.

The effect of using IAS 19 1 January 2012 and 31 December 2012 against the pension liability, equity and deferred tax are as follows

(NOK 1 000)	As of 31 December 2012	As of 1 January 2012	Movement in the period
Effect on pension liability	814	6 746	-5 932
Effect on deferred tax	-228	-1 889	1 661
<b>Net effect on equity</b>	<b>586</b>	<b>4 857</b>	<b>-4 271</b>

### Pension costs:

(NOK 1 000)	2013	2012
Current service cost	2 800	3 302
Interest expenses	291	105
National insurance contributions	419	502
Administrational expenses	62	169
Amortisation of net actuarial losses (gains)	0	212
Employee contributions to the scheme	-415	-394
<b>Net pension cost – defined benefit scheme</b>	<b>3 156</b>	<b>3 897</b>

### Assumptions

(NOK 1 000)	2013	2012
Discount rate	4.10 %	3.80 %
Future salary increases	3.75 %	3.50 %
Inflation rate	3.50 %	3.25 %
Future pension increase	0.60 %	0.20 %

### Number of people covered by the scheme:

In work	32	34
Pensioners	5	2
<b>Total</b>	<b>37</b>	<b>36</b>

**Net pension liabilities:**

(NOK 1 000)	2013	2012
Pension liabilities	35 855	30 700
Fair value of plan assets	-25 537	-20 846
<b>Pension liability as of 31 December</b>	<b>10 318</b>	<b>9 854</b>

**■ NOTE 6. Financial income and financial expenses****Financial items included in the income statement:**

(NOK 1 000)	2013	2012
Income from associates and subsidiaries	181 561	-4 354
Gains on TRS-agreements	30 676	0
Sale of shares <sup>1)</sup>	1 852	0
Interest income	13 383	14 851
Fair value changes interest rate swap	484	0
Fair value changes Fish Pool kontrakts	3 318	0
Other financial income	88	110
<b>Financial income</b>	<b>231 361</b>	<b>10 606</b>
Interest expenses	21 310	21 927
Change in market value interest rate swap	0	1 943
Foreign exchange loss	462	1 311
Other financial expenses	1 365	4 599
<b>Financial expenses</b>	<b>23 137</b>	<b>29 780</b>
<b>Net financial items</b>	<b>208 225</b>	<b>-19 174</b>

1) Sale of Aqua Gen AS



## ■ NOTE 7. Property, plant and equipment

(NOK 1 000)	Operating consumables, fixtures, office equipment and vehicles	
	2013	2012
Acquisition cost 1 January	6 064	5 898
Additions	148	1 034
Disposals		-868
Acquisition cost 31 December	6 212	6 064
Accumulated depreciation 1 January	4 668	4 421
Depreciation for the year	638	840
Disposals		-593
Accumulated depreciation 31 December	5 306	4 668
<b>Book value 31 December</b>	<b>906</b>	<b>1 396</b>
Useful economic life	5–7 years	5–7 years
Depreciation method	Straight-line	Straight-line
Annual leasing cost of uncapitalised operating assets	1 412	1 375

## ■ NOTE 8. Subsidiaries and associated companies

Company	Consoli- dated	Registered office	Last acquisition date	Additional acquisitions in the year	Voting and share- holding	Book value
Nor Seafood AS	Yes	Torsken	10.08.07		82.50 %	57 160
NRS Feøy AS	Yes	Feøy	10.10.07		100.00 %	106 201
NRS Finnmark AS	Yes	Alta	01.08.08		100.00 %	292 164
Nord Senja Laks AS	Yes	Botnhamn	01.07.10		66.67 %	53 651
<b>Total investment in subsidiaries</b>						<b>509 177</b>
Wilsgård Fikseoppdrett AS	No	Torsken	19.08.08		37.50 %	46 668
Måsøval Fishfarm AS	No	Frøya	03.01.03		36.10 %	14 291
Hellesund Fiskeoppdrett AS	No	Lillesand	21.02.04		33.50 %	31 974
Ranfjord Fiskeprodukter AS	No	Mo i Rana	30.09.12		37.75 %	11 797
Hardanger Fiskeforedling AS	No	Kvam	16.05.11		31.10 %	6 690
Espevær Laks AS	No	Bømlo	10.02.06		37.50 %	1 133
Other	No					48
<b>Total investment in associates</b>						<b>112 602</b>

**Subsidiaries:**

(NOK 1 000)	Nord Senja Laks AS	Nor Seafood AS	NRS Feøy AS	NRS Finnmark AS	Total
Acquisition cost	41 019	23 691	81 198	125 592	
Paid excess value	24 473	14 045	18 162	77 824	
Opening balance 1 January 2013	39 644	40 351	85 560	180 980	346 536
Share of profit/loss for the year	14 007	16 809	20 641	111 184	162 642
Equity adjustments and dividend	0	0	0	0	0
<b>Closing balance 31 December 2013</b>	<b>53 651</b>	<b>57 160</b>	<b>106 201</b>	<b>292 165</b>	<b>509 177</b>

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

**Associated companies:**

(NOK 1 000)	Wilsgård Fiske- oppdrett AS	Måsøval Fishfarm AS	Hellsund Fiske- oppdrett AS	Ranfjord Fiske- produkter AS	Other	Total
Acquisition cost at 31.12.2013	25 011	10 977	17 472	19 241	7 626	
Paid excess value	17 205	7 699	11 807	12 211	0	
of which amortisable excess value/goodwill	0	0	0	11 211	0	
Excess value and goodwill as of 31 December 2013	17 205	7 699	11 807	7 756	0	
Opening balance 1 January 2013	38 114	14 060	26 101	14 986	7 358	100 620
Additions/disposals	0	0	0	0	0	0
Share of profit/loss for the year	9 303	6 367	5 924	-947	514	21 161
Amortisation of excess values and goodwill during the period	0	0	0	-2 242	0	-2 242
Dividend	-750	-6 137	-50	0	0	-6 937
Equity adjustments	0	0	0	0	0	0
<b>Closing balance 31 December 2013</b>	<b>46 668</b>	<b>14 291</b>	<b>31 974</b>	<b>11 797</b>	<b>7 872</b>	<b>112 602</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. Goodwill is amortised over 5 years.

Income from subsidiaries and associates	2013
Share of profit/loss for the year from subsidiaries	162 642
Share of profit/loss for the year from associates	21 161
Amortisation of excess values and goodwill, associates	-2 242
<b>Total revenue recognised</b>	<b>181 561</b>

## ■ NOTE 9. Shares in other companies

(NOK 1 000)	Share holding	Book value
Fiskerinæringens Innkjøpslag AS		1
Arctic Filet AS	12.5 %	500
<b>Total investment in other shares</b>		<b>501</b>

## ■ NOTE 10. Receivables due in more than one year

(NOK 1 000)	2013	2012
Loans to group companies	0	4 244
Loans to associates	1 200	1 200
Other receivables	0	500
Loans to employees	0	273
<b>Total receivables due in more than one year</b>	<b>1 200</b>	<b>6 217</b>

## ■ NOTE 11. Inventory

(NOK 1 000)	2013	2012
Finished goods	10 174	5 760
<b>Total inventory</b>	<b>10 174</b>	<b>5 760</b>

## ■ NOTE 12. Share capital and shareholders

Share capital as at 31 Dec 2013 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 703 shareholders as at 31 December 2013. All shares afford the same rights in the company.

October 3, 2013 an extraordinary dividend of NOK 1,00 per share was paid. The board has proposed a dividend of NOK 2,20 per share for the year 2013.

For details of the largest shareholders and shares owned by board members, the CEO and other senior executives, see Note 20 to the consolidated financial statements.

(NOK 1 000)	Share capital	Treasury shares	Other paid-in equity	Reserve for valuation variances	Other equity	Total
Equity as of 31 December 2012	43 572	0	83 220	96 428	209 218	432 438
<i>Change in the year:</i>						
Net result for the year	0	0	0	174 460	33 473	207 933
Dividend paid	0	0	0	0	-43 542	-43 542
Cash flow hedges	0	0	0	0	-5 340	-5 340
Share based payment	0	0	306	0	-587	-282
Actuarial losses	0	0	0	0	-799	-799
Proposed dividend	0	0	0	0	-95 793	-95 793
Purchase of treasury shares	0	-2 107	0	0	-49 085	-51 191
Sale of treasury shares	0	2 077	0	0	47 061	49 137
<b>Equity as of 31 December 2013</b>	<b>43 572</b>	<b>-30</b>	<b>83 526</b>	<b>270 888</b>	<b>94 606</b>	<b>492 563</b>

## ■ NOTE 13. Taxation

(NOK 1 000)	2013	2012
Tax payable	0	0
Change in deferred tax	1 781	2 835
<b>Tax related to profit/loss for the year</b>	<b>1 781</b>	<b>2 835</b>

### Tax payable in the balance sheet:

(NOK 1 000)	31.12.2013	31.12.2012
Tax payable	0	0
Tax on group contributions	0	0
<b>Tax payable</b>	<b>0</b>	<b>0</b>

### Specification of deferred tax and basis for deferred tax:

(NOK 1 000)	31.12.2013	31.12.2012
Property, plant and equipment	559	323
Inventories	0	137
Trade receivables	4 664	975
Pensions	8 422	9 854
Other temporary differences	10 665	6 000
Tax losses carried forward	16 553	7 645
<b>Basis for deferred tax</b>	<b>40 862</b>	<b>24 935</b>
<b>Deferred tax assets</b>	<b>11 033</b>	<b>6 982</b>
<b>Deferred tax on items recognised directly in equity</b>	<b>2 498</b>	<b>333</b>

### Reconciliation of nominal and actual tax rates:

(NOK 1 000)	2013	2012
Result before tax	206 153	-14 957
28% tax on profit	57 723	-4 188
28% tax on permanent differences	-8 448	133
Income from associates with the equity method and gains on shares	-51 380	1 221
Change in deferred tax as a result of changed tax rate	325	0
<b>Tax related to the result for the year</b>	<b>-1 781</b>	<b>-2 835</b>
<b>Effective tax rate *</b>	<b>-0,9 %</b>	<b>19,0 %</b>

\* The negative effective tax rate in 2013 is due to the results from subsidiaries and associated companies (MNOK 181.6) being included in profit before tax.



## ■ NOTE 14. Intra-group transactions and balances

### Intra-group balances:

(NOK 1 000)	Non-current receivables		Trade receivables		Other current receivables	
	2013	2012	2013	2012	2013	2012
Group companies	0	4 244	0	0	0	0
Associated companies	1 200	1 200	3	5	0	0
<b>Total</b>	<b>1 200</b>	<b>5 444</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>

(NOK 1 000)	Trade payables		Other current liabilities	
	2013	2012	2013	2012
Group companies	183 455	149 708	0	0
Associated companies	29 960	9 226	0	0
<b>Total</b>	<b>213 415</b>	<b>158 934</b>	<b>0</b>	<b>0</b>

### Transactions with group companies:

(NOK 1 000)	2013	2012
Other operating revenues	2 500	2 500
Cost of goods sold	923 049	530 907
Other interest income	121	212

## ■ Note 15. Long-term liabilities

### Instalment profile – debt to credit institutions:

(NOK 1 000)	2014	2015	2017	Total
Debt to credit institutions	11 250	202 500	0	213 750
<b>Total</b>	<b>11 250</b>	<b>202 500</b>	<b>0</b>	<b>213 750</b>

Long-term debt associated with the group loan agreement total NOK 213 750. The loan was interest-only until 2013, and is thereafter repayable in instalments corresponding to a 20-year repayment period. The borrowing agreement expires 1 January 2015. The company has a multi-currency credit line with a limit of NOK 317 500.

At 31 December 2013 the interest on the long-term debt is floating and linked to NIBOR plus a margin depending on the consolidated NIBD/EBITDA ratio and the equity ratio. Interest on the multi-currency credit line is a 3-month NIBOR/EURIBOR/LIBOR plus a margin. In addition has NRS entered into an interest rate swap agreement. The interest rate swap is not recognized as hedge accounting under IFRS. Subsequent the fair value changes on the agreement will be charged to the income statement as a part of other net financial items.

The Group's loan covenants are based on standard ratios for solidity (equity) and earnings (net interest bearing debt/EBITDA). The net interest bearing debt shall not exceed 5.5 times a 4-quarters rolling EBITDA. The Group shall furthermore have an equity ratio of at least 35 per cent. The loan covenants are based on consolidated financial statements. At the end of 2013 the Group is in compliance with the terms of its loan agreements.

## ■ NOTE 16. Assets pledged as securities, guarantees, etc.

### Capitalised secured liabilities

(NOK 1 000)	31.12.2013	31.12.2012
Long-term debt to credit institutions	213 750	225 000
Short-term debt to credit institutions	0	0
<b>Total secured liabilities</b>	<b>213 750</b>	<b>225 000</b>

### Book value of assets pledged as security

(NOK 1 000)	31.12.2013	31.12.2012
Shares	621 617	447 156
Property, plant and equipment	906	1 396
Inventories	10 174	5 760
Accounts receivables	408 470	281 092
Other receivables	43 321	26 224
<b>Total secured liabilities</b>	<b>1 084 488</b>	<b>761 628</b>

<b>Guarantee liabilities</b>	2 573	2 611
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*In addition to the above-mentioned guarantees, the company had the following liabilities as of 31 December 2013:*

- 1) Norway Royal Salmon ASA has given guarantees to credit institutions with respect to some of its subsidiaries' leasing liabilities. As of 31 December 2013 the total recognised leasing liabilities for which NRS has pledged security amounted to KNOK 115 907.
- 2) Norway Royal Salmon ASA has given guarantees to certain of its subsidiaries' feed suppliers with respect to feed purchases. Recognised liabilities for which guarantees have been given as of 31 December 2013 amounted to KNOK 24 656.
- 3) Furthermore, Norway Royal Salmon ASA has joint and several liability up to a maximum of KNOK 500 000 for a group overdraft arrangement.

## ■ NOTE 17. Liquidity

As at 31 December 2013 the company had restricted deposits of KNOK 52 429. Of the funds, KNOK 12 047 have been pledged as security for the company's trading activities on Fish Pool. KNOK 40 381 have been pledged as security linked to the company's TRS-agreements.

## ■ NOTE 18. Derivatives

### Forward currency contracts

Forward currency contracts are recognised at fair value at the balance sheet date. As of 31 December 2013 forward currency contracts totalled EUR, USD, JPY and GBP. These contracts mature between 06 January 2014 and 15 January 2015, 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 2013**

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	EUR	13 897	06.01.14-15.12.14	7,692-8,414	-5 755
Forward currency contracts – cash flow hedging	Sale	USD	9 634	09.01.14-15.01.15	5,956-6,266	-548
Forward currency contracts – cash flow hedging	Sale	GBP	9 395	09.01.14-15.01.15	9,824-10,163	-712
Forward currency contracts – cash flow hedging	Sale	JPY	130 000	18.02.14-15.07.14	0,0584-0,0587	43
Forward currency contracts – fair value hedging	Sale	EUR	16 000	25.03.14	8,426-8,525	1 978
Total forward currency contracts						-4 994

**As of 31 December 2012**

(NOK 1 000)	Type	Currency	Currency amount	Currency period	Exchange rate range	Book value
Forward currency contracts – cash flow hedging	Sale	USD	3 500	15.02.13-28.10.13	5,816-5,866	816
Forward currency contracts – fair value hedging	Sale	EUR	9 000	27.06.13	7,460	235
Total forward currency contracts						1 052

**Financial Fish Pool contracts**

Contracts have been signed to purchase 3 707 tonnes on the Fish Pool salmon exchange. The contract prices are in the range NOK 34.00–NOK 46.00 and cover the period from January to December 2014. The sales department enters into the contracts with the aim of hedging margins linked to deliveries of fixed-price contracts to customers. In addition to these agreements the group has entered into agreements to sell 2 670 tonnes on Fish Pool. The contract prices are in the range NOK 35.90–NOK 38.12 and cover the period January to December 2014. The aim with the contracts is to hedge the price on own-produced fish. Fair value of the Fish Pool contracts at 31 December 2013, is KNOK 3 327.

**As of 31.12.2013**

(NOK 1 000)	Type	Currency	Volume (tonnes)	Currency period	Exchange rate range	Book value
Fish Pool contracts	Purchase	NOK	3 707	01.01.14-31.12.14	34,00-46,00	10 464
Fish Pool contracts	Sale	NOK	2 670	01.01.14-31.12.14	35,90-38,12	-7 137
Total						3 327

**As of 31.12.2012**

(NOK 1 000)	Type	Valuta	Volume (tonnes)	Currency period	Exchange rate range	Book value
Fish Pool contracts	Purchase	NOK	1 440	01.01.13-31.12.13	30,25-30,50	-516
Fish Pool contracts	Sale	NOK	3 600	01.01.13-31.12.13	28,95-30,25	-2 802
Total						-3 318

**Total return swap**

In 2013 the company entered into TRS (Total Return Swap) agreements against own shares. As at 31 December Norway Royal Salmon ASA's total underlying exposures through TRS agreements is 4 269 877 shares, representing 9,80 % of the share capital of the company. The agreements expires in the periode 13.03.2014 to 20.03.2014. The exercise price is between NOK 27.2456 and NOK 36.1363. The unrealised gain on the derivative has not been recognised in the accounts. The company has realised previously entered into agreements during 2013. The gain on realisation amounts to KNOK 30 676 and is posted as a finance post in the accounts. The company had no TRS agreements in 2012. Unrealised gain on the agreements as at 31 December was KNOK 16 859.

(NOK 1 000)	Number of shares	Exercise price	Maturity	Fair value as of 31 December 2013
TRS 1	1 334 864	27,2456	13.03.14	13 182
TRS 2	2 335 013	36,1363	20.03.14	2 688
TRS 3	400 000	35,5026	13.03.14	647
TRS 4	200 000	35,4138	13.03.14	341
Total				16 859

#### Interest rate swap

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

As of 31.12.2013					Market value	Market value	Change
Currency	Amount	NRS pays	NRS receives	Maturity	31.12.12	31.12.13	in market value 2013
NOK	100 000	Fixed 3.37%	3 M NIBOR	07.09.16	-4 258	-3 774	484

As of 31.12.2012					Market value	Market value	Change
Currency	Amount	NRS pays	NRS receives	Maturity	31.12.11	31.12.12	in market value 2012
NOK	100 000	Fixed 3.37%	3 M NIBOR	07.09.16	-2 315	-4 258	-1 943

## ■ NOTE 19. Financial risk

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

## ■ NOTE 20. Subsequent events

In January 2014 Norway Royal Salmon ASA entered into an agreement with Danske Bank to refinance its credit facilities totaling NOK 700 million over five years. NOK 300 million is an installment-free long-term loan and NOK 400 million is a short-term overdraft and guarantee facility. The 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 inventory and accounts receivables.

# *Responsibility statement*

## *from the Board of Directors and*

## *Chief Executive Officer*

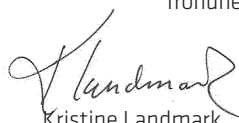
We confirm that, to the best of our knowledge, the financial statements for the period for 2013 for the group and the parent company have been prepared in accordance with applicable accounting standards, and that the accounts give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of the operations per 31 December 2013.

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, 3 April 2014




Helge Gåsø  
Chair



Kristine Landmark  
Vice Chair



Endre Glastad



Inge Kristoffersen



Åse Marie Valen Olsen



Marianne E. Johnsen



John Binde  
Chief Executive Officer





To the Annual Shareholders' Meeting of Norway Royal Salmon ASA

## **Independent auditor's report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Norway Royal Salmon ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2013, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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PricewaterhouseCoopers AS, Brattørkaia 17 B, NO-7492 Trondheim

T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norway Royal Salmon ASA as at 31 December 2013, 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.

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norway Royal Salmon ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

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

*Opinion on Registration and Documentation*

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

Trondheim, 3 April 2014  
**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre  
State Authorised Public Accountant (Norway)

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



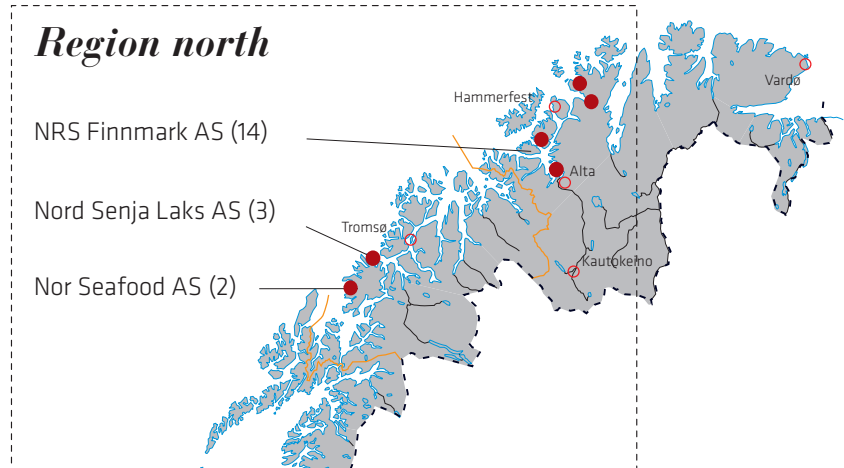
Norway Royal Salmon ASA is the majority shareholder in four companies, which operate 25 fish farming licences. These are located in Alta and Senja in northern Norway (Northern Region) and in the area around Haugesund (Southern Region). The number of licences is stated in parentheses.

### *Region north*

NRS Finnmark AS (14)

Nord Senja Laks AS (3)

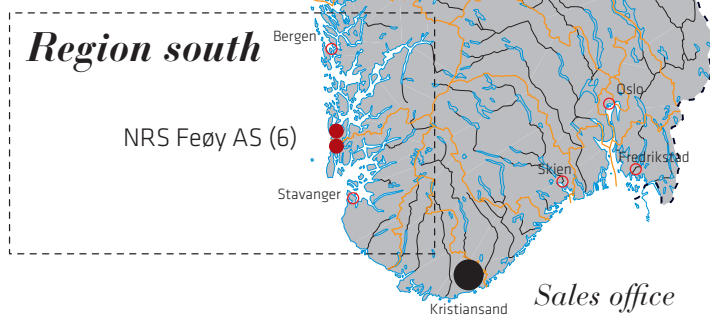
Nor Seafood AS (2)



*Main office  
Norway Royal Salmon ASA*

### *Region south*

NRS Feøy AS (6)



*Sales office  
Norway Royal Salmon ASA*

## *Main office*

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Fax: + 47 73 92 43 01  
E-mail: nrs@salmon.no

## *Sales office*

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