Annual report for the year ended 31 March 2016

THE BOARD OF DIRECTORS' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

Cermaq Group AS is a 100% owned subsidiary of Mitsubishi Corporation.

The fiscal year used by Mitsubishi Corporation (MC) ends at 31 March and Cermaq Group has therefore changed its fiscal year correspondingly. The Board of Director's Annual Report and Financial Statements are for the closing of Cermaq Group's accounts per 31 March 2016. Due to the change in fiscal year from calendar year ended 31 December to MC year ended 31 March, the fiscal year ended 31 March 2016, includes 15 months, from 1 January 2015. The previous fiscal year represents the calendar year 2014.

In this report and in The Financial Statements, 2015 is defined as the Fiscal Year Ended 31 March 2016.

The net income after tax for fiscal year 2015 was a gain of NOK 110.4 million, compared to a loss of NOK 88.6 million for 2014.

1. OPERATIONS AND LOCATIONS

Cermaq is a global supplier of salmon and trout, producing from broodstock and supplying consumers worldwide. Cermaq has operations in Norway, Chile and Canada. The head office is in Oslo, Norway.

Cermaq Group is a fully owned subsidiary of Mitsubishi Corporation. Combined, Cermaq and Mitsubishi Corporation is the world's second largest supplier of farmed salmon and trout. Cermaq has a global market share of around 6 percent.

Cermaq has a significant R&D activity, with a dedicated fish health team and research facilities in Norway and in Chile.

2. THE YEAR IN BRIEF

The fiscal year 2015 (1 January 2015 – 31 March 2016) was Cermaq's first year as a fully owned subsidiary of Mitsubishi Corporation. Consequently, integration and alignment of Mitsubishi's governance systems and procedure was high on the agenda of both the Board and the management during the year.

The management team and the Board prepared a new company strategy that will bring Cermaq closer to the consumer in the value chain, as a reflection of the fact that the farmed salmon market is becoming more differentiated.

Whereas the exchange rates were favourable for Cermaq Norway, the Chilean results were negatively impacted by unfavourable exchange rates, as well as low price realization and biomass losses due to the bacterial disease SRS.

In the fiscal year 2015, Cermaq Norway opened a new broodstock facility in cooperation with three other players in the industry. The new facility contributes to ensuring further growth, steady supply and reducing biological risk in the area where the company operates.

Cermaq Chile achieved the Best Aquaculture Practices (BAP) 4-star certification, demonstrating its environmental and social responsibility, animal welfare, food safety and traceability from hatchery and feed mill to farm and processing plant.

Cermaq has committed to certifying its sea sites against the Aquaculture Stewardship Council (ASC) standard by 2020. During the fiscal year 2015 Cermaq achieved in total 8 certifications against the ASC standard in all three regions.

The Board recognizes that global challenges must be solved through pre-competitive partnerships and industry collaboration. In the fiscal year 2015, Cermaq continued its active participation in Global Salmon Initiative (GSI), a leadership initiative by global farmed salmon producers, focused on making significant progress towards providing a highly sustainable source of healthy protein to feed a growing global population, whilst minimizing our environmental footprint, and continuing to improve our social contribution.

In the fiscal year 2015, Cermaq also entered into a partnership with EAT, a global consortium of science, politics and business groups with the ambition to create a healthy and sustainable food system. As partner, Cermaq participates in EAT's activities and research projects and supports EAT financially.

The Board continued its focus on the prevention of accidents and a safe working environment for the employees throughout the year.

3. EXPLANATION OF THE ACCOUNTS

3.1 Profit and loss statement

The fiscal year 2015 includes 15 months and is not directly comparable with the fiscal year 2014.

Operating revenues were NOK 8 198.7 million in fiscal year 2015, while 2014 showed total operating revenue of NOK 5 616.1 million. The growth in operating revenues comes mainly from higher market prices in the European market combined with a positive impact from the weak NOK which had a significant effect in demand and prices. Volumes sold of 201.5 thousand tons were higher than in 2014, mainly due to sale of frozen inventories in Chile from the challenging market situation for Chilean products towards the end of 2014. Chile contributed with a total of 106.2 tons. SRS continued to impact the results in Chile for Atlantics and trout and remains still a concern. Sales volumes in Norway of 70.3 thousand tons were higher than last year contributed positively by new green licenses and increased MAB (Maximum Allowed Biomass). The Finnmark region contributed with 38.5 thousand tons and the Nordland region with 31.8 thousand tons. Canada increased the volume to a total of 25.0 thousand tons. Operating revenues in Chile were NOK 3 738.8 million (2014: NOK 2 670.4 million), in Norway NOK 3 305.6 million (2014: NOK 2 111.7 million) and in Canada NOK 1 140.7 million (2014: NOK 778.7 million).

Operating profit before fair value adjustment of biological assets and non-recurring items was negative NOK 354.8 million (2014: NOK 428.1 million), a significant decline compared with 2014, mainly from a challenging US market combined with a demanding biological situation in Chile. The operating profit is also including a NOK 114 million write-down of biological assets in Chile from the harmful algae bloom that affected Chile late February 2016, which is offset by a positive reversal of NOK 69 million related to a previous net realizable value write-down of frozen stocks. Norway performed well and reported the strongest operating profit ever despite a NOK 18.1 million write-down from elevated mortality at three sites in Finnmark. Operating profit in Chile was a loss of NOK 1 353.6 million (2014: loss of NOK 141.8 million), in Norway a profit of NOK 977.5 million (2014: profit of NOK 537.8 million) and in Canada a profit of NOK 113.8 million (2014: profit of NOK 123.5 million).

The change in fair value adjustment of biological assets was an income of NOK 730.1 million (2014: expense of NOK 446.0 million) as a result of significantly higher salmon prices at the end of 2015 and in first quarter 2016 compared to 2014. The share of net income from associated companies amounted to NOK 9.1 million in 2015 (2014: NOK 6.8 million).

Net financial expenses were NOK 216.9 million (2014: NOK 101.6 million). Net interest expenses ended at NOK 115.5 million from NOK 95.8 million in 2014.

Net tax income for the year was NOK 15.3 million (2014: expense of NOK 21.2 million). The Group's net income after tax for 2015 was a gain of NOK 110.4 million (2014: loss of NOK 88.6 million).

Cermaq Group AS' net income in 2015 was NOK 137.0 million (2014: NOK 106.8 million). The positive result in 2015 was mainly due to group contribution and extraordinary dividend received from Cermaq Norway of NOK 260.9 million and a positive foreign exchange gain of NOK 48.5 million related to an intercompany loan denominated in USD partly offset by financial expenses of NOK 131.4 million.

The positive result in 2014 was mainly due to a gain of NOK 43.9 million from the sale of Stavanger Havnesilo, group contribution received from subsidiaries and a positive foreign exchange gain related to an intercompany loan denominated in USD.

All internal R&D is expensed as incurred. Development cost are only capitalised if the criteria are met. In the fiscal year 2015, all development costs have been expensed.

3.2 Financial position

The book value of the Group's total assets was NOK 11 623.1 million as at 31 March 2016, compared with NOK 10 746.6 million at the end of 2014. The increase is essentially explained by a higher cash position (NOK 416 million), lower inventories (NOK 225 million), in particular due to reduction of frozen stocks in Chile, increase in deferred tax assets in Chile (NOK 319 million) and substantial currency effects on non-current assets. Investments in two new green licenses in Norway (NOK 20 million) and in Property, plant and equipment (NOK 585 million) increases non-current assets. A major part of the investment in Property, plant and equipment is related to the Forsan project (a new smolt hatchery) in Cermaq Norway.

The equity book value at 31 March 2016 was NOK 5 361.3

million (2014: NOK 5 055.5 million). The increase is mainly due to a currency translation difference (NOK 207 million and net income from total operations (NOK 104 million). The equity ratio decreased to 46.1 percent at 31 March 2016, from 47.0 percent at the end of 2014.

The book value of the parent company's assets was NOK 1 720.8 million as at 31 March 2016, a decrease of NOK 606.0 million from NOK 2 326.8 million at the end of 2014. The decrease is essentially explained by a net reduction in investment in subsidiaries and non-current receivables on group companies (Subsidiary in Chile). The receivable is converted to investment in subsidiaries (share capital) in Chile.

3.3 Financing

The Group's net interest bearing debt decreased by NOK 76 million, from NOK 3 233.7 million at 31 December 2014, to NOK 3 157.8 million at 31 March 2016. This net decrease is mainly explained by strong cash flow generation from operations in Norway, which largely offset adverse translation effects related to the USD denominated debt, and caused by the depreciation of the NOK.

As of 31 March 2016, Cermaq Group has total available credit lines and cash of around NOK 1.3 billion, of which NOK 277 million is a committed long-term undrawn facilities.

3.4 Cash flow

The Group's net cash flow from operational activities was NOK 1 159.0 million in 2015 (15 months) and NOK 334.0 million in 2014. The increase is primarily due to the 15 months period in 2015 and higher positive cash flow effects from changes in working capital with changes in biological assets and inventories as the main drivers. Income before taxes for 2015 was NOK 95.1 million which was NOK 163.9 million higher than 2014. Income before taxes is adjusted for non-cash items with a total of NOK 736.9 million compared to NOK 366.8 million in 2014 mainly due to the 15 months period in 2015. Taxes paid totalled NOK 87.9 million in 2015.

Net cash flow from investment activities was an outflow of NOK 534.0 million (2014: outflow of NOK 694.5 million), of which payments relating to Property, plant and equipment amounted to NOK 537.5 million (2014: NOK 695.7 million). A major part of the payments related to Property, plant and equipment is related to the Forsan project (a new smolt hatchery) in Cermaq Norway.

Net cash flow from financing activities was an outflow of NOK 224.4 million (2014: NOK 4 063.4 million). Payment of net interest expenses and other financial items was NOK 217.8 million (2014: NOK 133.4 million). Total dividend payment of NOK 4 910.4 million, partly offset by proceeds from borrowings, were the main reasons for the outflow in 2014.

The change in cash and cash equivalents for the period was an inflow of NOK 416.1 million (2014: outflow of NOK 4 376.0 million).

The parent company reported a net cash outflow of NOK 62.7 million (2014: outflow of NOK 4 222.6 million). Cash outflow from operating activities with NOK 251.1 million was partly offset by cash inflow from financing activities with NOK 207.8 million. Received dividend and group contribution is included in financing activities with NOK 244.8 million. Dividend payment of NOK 4 883.8 million was the main reason for the substantial outflow in 2014.

3.5 Going concern

Based on the above report of the Group`s profit and loss account, the Board confirms that the annual financial statements have been prepared under the assumptions that the company is a going concern and that this prerequisite has been met in accordance with the Norwegian Accounting Act § 3–3a.

3.6 Allocation of the profits for the year in Cermaq Group AS

Net income for the year for the parent company Cermaq Group AS amounted to NOK 137 025 thousand. The Board proposes to the Annual General Meeting to allocate the profit of NOK 137 025 thousand as follows:

Net income	NOK 137 025 thousand
Transferred to other equity	NOK 137 025 thousand.

4. RISK MANAGEMENT

An important objective of risk management in Cermaq is that it should contribute to business performance through better decision making, improved planning and monitoring. The Board has approved a framework for risk management to ensure that the Group has good internal controls and appropriate systems for risk management. The Board performs a quarterly risk review on development in the risk factors assumed to have the largest financial impact, and of key measures that have been implemented to manage these risks. This includes an assessment of the development of key sustainability indicators against set targets.

Cermaq Group is currently implementing J-SOX as an internal control framework to comply with Mitsubishi Corporation requirements.

4.1 Financial risk

The Group is significantly exposed to fluctuations in profitability and cash flow generation due to volatility in salmon prices. The Board and the management believe that the best way to face this volatility is to sustain a solid balance sheet and maintain a good funding structure.

Risk management activities focus on regular assessments of exposure and, where deemed appropriate, on risk mitigating activities by means of operational or financial hedges. This approach is in line with the Group's finance policy.

A more detailed description of each risk category follows below. For further information about financial risks (currency, interest rate, credit and liquidity), please refer to note 23 in the Annual Report.

4.1.1 Currency risk

Upon translating foreign subsidiaries' income statements and statements of financial position, the Group's largest exposure is to the USD. Assets and revenues recognized in USD are predominantly hedged by loans in the same currency.

At 31 March 2016, 81.1 percent (2014: 72.9 percent) of the Group's interest bearing debt was in US Dollar. This provided a partial natural hedge for investments in Chile.

Currency exposure in relation to future operational cash flows is primarily linked to export sales from Norway and Canada denominated in EUR and USD, as well as sales from Chile denominated in JPY. At a Group level this exposure is mitigated by diversification, as companies within the Group have individual exposures that to a certain extent offset each other. In those cases where exposure is deemed significant and the cash flow is predictable, hedging instruments are purchased in the financial market.

4.1.2 Interest rate risk

The Group is exposed to interest rate risk through its funding activities and only to a limited extent through management of any excess liquidity, as cash is either reinvested in operations or used to pay down existing debt.

According to the Group's finance policy, the main objective of interest rate risk management is to avoid situations of financial distress that might jeopardize operational and strategic flexibility. Trading in interest derivatives is limited to hedge existing exposures.

As of 31 March 2016, the Group had interest rate swap agreements effectively swapping 69 percent of the Group's NOK denominated long term borrowings to fixed interest rates, thereby reducing interest rate exposure.

4.1.3 Credit risk

The customer base for the farming business is geographically diversified and no single account represents an exposure deemed to be material for the Group as a whole. Credit insurance is purchased when appropriate. The counterparty risk in relation to financial institutions is also limited. The Group limits its volume of liquid assets at all times, rarely trades in derivatives and predominantly uses a small number of solid relationship banks for financing.

4.1.4 Liquidity risk

The Group can rely upon substantial available financial headroom under facilities provided by Mitsubishi Corporation Finance PLC. As of 31 March 2016, the Group has approximately NOK 1.3 billion in cash and unused credit limits. The Board and management have chosen to retain an adequate equity ratio to be well positioned for financial and operational challenges and reap benefits of growth opportunities.

4.2 Strategic, operational and market risks

4.2.1 Salmon prices

Salmon prices are affected by the balance between supply and demand, which historically has led to significant price fluctuations. Long production cycles in farming make it difficult to adapt production to these fluctuations.

Cermaq reduces market risk primarily selling salmon in various markets globally and by diversifying production with three species of salmonids in Chile (Atlantic salmon, Coho and trout). Cermaq Chile also reduces the price risk through value added processing of parts of its production and as such increasing the product portfolio. The Group does, as a main rule, not enter into financial contracts to hedge market prices.

4.2.2 Risk related to feed prices and feed utilization

Feed is the largest cost component for the production of salmon and constitutes around half of our production cost. EWOS remains Cermaq's main feed supplier, however in the fiscal year 2015, Cermaq Norway and Cermaq Chile also entered into agreements with other feed suppliers.

A significant part of the raw materials for feed production are internationally traded commodities, including marine raw materials (fishmeal and fish oil), soya beans, wheat and corn. Price and availability will fluctuate, especially on raw marine materials, which are becoming a scarce resource. Feed agreements are structured so that Cermaq carries the risk of price fluctuations. This is a considerable exposure that Cermaq would not normally hedge against. However, Cermaq works closely with our feed suppliers to reduce the feed cost, by optimizing the recipe without compromising growth, health condition or fish quality.

Feed cost is largely dependent on the feed conversion ratio (FCR), which is the amount of kilogram feed used to produce one kilogram of fish FCR is therefore, one of the most important KPIs that are monitored by the Board.

4.2.3 Biological risk

Together with market risk, biological risks have the largest impact on Cermaq's profitability and cash flow. Biological risk includes factors such as infectious and non-infectious diseases, environmental conditions (such as algae blooms, low dissolved oxygen levels, and fluctuations in sea water temperatures), as well as challenges related to parasites such as sea lice. Cermaq has, as the farming industry in general, insurance coverage for certain incidents caused by biological risks.

An important cost component for production of salmon is related to smolt production, and it is therefore crucial for profitable production that the smolt has good health and quality. Cermaq is self-sufficient in smolt production in Chile and Canada, while parts of the smolt in Norway are purchased from third party suppliers. In the fiscal year 2015, construction was ongoing on the new smolt facility in Forsan in Norway, which will ensure self-sufficient supply also in Norway. The facility is planned to be in full operation by the end of calendar year 2016.

To mitigate biological risk, Research & Development plays an important role. Cermaq has one of the largest R&D teams in the farming industry, working primarily within four areas of expertise; fish health and fish welfare, technology, feed and nutrition, and breeding and genetics. Further information about our biological risks is available in our sustainability report.

4.2.4 Regulatory risk

To ensure sustainable practices, salmon farming is subject to a number of laws and regulations, including requirements related to quality, environment, food safety, and OHS. Regulatory changes have significant consequences for the farming industry, and can lead to considerable increase in cost with regards to investments in fixed assets as well as other operating risk reducing measures.

Cermaq Group has determined that operational risks shall be governed and controlled by way of management systems certified according to ISO or equivalent standards. Key areas have been identified and all Cermaq operating companies are certified according to the ISO standards for quality (ISO 9001), environment (ISO 14001), food safety (ISO 22000) and Health, Safety and Environment (HSE) (OHSAS 18001).

5. CORPORATE RESPONSIBILITY

Cermaq has a responsibility towards society with regards to the social and environmental impact of our activities. Through sustainable farming and responsible business conduct, Cermaq shall contribute to efficient production of healthy and sustainable food as well as shared value creation through employment and economic activity in rural areas.

Transparency is key to corporate responsibility. Being transparent is important for the continuous improvement of Cermaq's performance as well as for providing the basis for a good stakeholder dialogue. The good relations with the local communities in which we operate and where our employees live are fundamental for the business operations of Cermaq. The topics of dialogue with our local communities in Chile, Canada and Norway are presented in our sustainability report every year as well as in our reporting to the Global Salmon Initiative (GSI). Cermaq works with local communities to develop common opportunities and any issues raised by the local community are registered and followed up.

Sustainability and corporate responsibility are integrated parts of the Board's tasks and form the basis for a sustainable value creation in Cermaq. Cermaq's standards are described in the company guidelines for ethics and corporate responsibility, which also include our policy on anti-corruption. Compliance with guidelines and principles for ethics and corporate responsibility are followed up in Cermaq's management systems, through internal communication and training, and regular monitoring of results based on a set of indicators. Cermaq measures progress and sustainability results through monthly and quarterly internal reporting, and the quarterly results are discussed and evaluated against agreed targets by the Group's management and the Board.

To manage risks in our supply chain, Cermaq has established a Supplier Code of Conduct applicable for all our suppliers. Feed sourcing and feed supplier assessment is material to our business, and in calendar year 2015, we therefore also developed a Supplier Code of Conduct specifically for feed suppliers. The code builds on our commitments to global standards, including the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The work to strengthen our supply chain management continued in 2015 along with the integration of our supplier principles in our management systems.

Global initiatives contribute to creating a sustainable global environment that we depend on. Since 2009, we have reported our carbon footprint to the Carbon Disclosure Project (CDP). As a member of the UN Global Compact, Cermaq has integrated its ten principles in our guidelines for ethics and corporate responsibility and in our Supplier Code of Conduct. This includes the respect for internationally recognized human rights and labor rights, protection of the environment and work against corruption. Cermaq has zero tolerance for corruption, and through our membership in Transparency International Norway, we support the organization's anti-corruption activities.

For a complete account of corporate responsibility, the Board refers to this year's sustainability report including our reporting on progress to the United Nations Global Compact (UNGC) and our CDP report. Cermaq is reporting in accordance with the Global Reporting Initiative (GRI) standard, and is for the third year reporting using the GRI G4 guidelines. We are reporting on the comprehensive level and independent assurance has been provided by our company auditor to ensure high quality of our sustainability reporting. Both documents are presented in more detail in Cermaq's integrated annual report available on www.cermaq.com.

6. BIODIVERSITY AND ENVIRONMENTAL IMPACT

Aquaculture and the environment interact, and Cermaq is committed to minimizing any negative environmental impact of our operations and promote sustainable practices. Cermaq's reporting to the Carbon Disclosure Project confirms that our activities have a low carbon footprint compared with other marine and land-based food production. To preserve biodiversity and a healthy environment, all on-growing farms are meeting or exceeding statutory fallow time between production cycles to ensure that temporary environmental imbalances are rectified.

Wildlife interaction (birds and mammals) is reported in our annual report to the Global Salmon Initiative, which is publically available, and wildlife interaction is also reported regularly for our ASC certified sites on our website. Other environmental issues include vigilance and control to reduce feed spillage and fish excrement, diseases and parasites such as salmon lice, and the effect on wild salmon stocks. These risks are managed through close monitoring and reporting of environmental status on a comprehensive set of indicators.

During calendar year 2015 there were no non-compliances regarding environmental issues in Cermaq Group. Based on the evaluation of results presented in Cermaq's sustainability report for 2015, the Board finds that the Group's farming activities has a limited negative impact on the external environment. Emissions to the air and water are within the boundaries set by the authorities. The Board will however continue to focus on achieving a sound environmental performance beyond requirements set by law.

7. FISH HEALTH

The Board's ambition is that Cermaq shall be a leading force in preventive fish health. Fish health is the foundation for long-term, profitable, sustainable aquaculture. Cermaq has built a global fish health team focusing on implementing in-house preventive measures across the operating regions in areas such as monitoring of pathogens, implementing policies for use of vaccines, antibiotics, functional feeds and for lice treatment, which also is addressed through local area management agreements with other companies. The Board closely monitors developments in all regions, and assesses measures for Cermaq's activities and for the aquaculture industry accordingly.

In Norway, the fish health situation was good in calendar year 2015. Cermaq Norway's operations are located in less challenging areas in Northern Norway, historically resulting in less salmon lice problems than in the southern regions of Norway. Sea lice levels in Cermaq Norway were stable from 2014 and 2015, however with some higher counts in Finnmark towards year-end. It is a priority to keep lice levels low to ensure there is no potential risk of negatively impacting wild salmon stocks. Non-medical methods such as lice skirts and lumpfish are used on many sites with encouraging results. An escalation of non-medical treatment methods is planned in 2016.

In Canada the fish health situation was good, with some infectious disease events. Challenges in Canada include the seasonal algae blooms and low dissolved oxygen. Ulcerative Stomatitis (Mouth Rot) continues to be a challenge in newly entered smolt sites in Canada and in some cases is Piscirickettsiosis (SRS) but the situation was void in calendar year 2015 through timely early treatment. The sea lice situation in Canada was somewhat elevated in the second half of 2015 but was controlled well below local action levels.

The sea lice (Caligus) situation in Chile has been a challenge for the Chilean farming industry in the main farming regions X and XI. However, the situation has been stable for the past year largely due to efficient treatments, including the introduction of new treatments, and regional coordination of treatments among the farming companies.

Antibiotic use in Norway continued to be low in calendar year 2015. Chile had a significantly higher use in 2015 compared to the previous year, mainly due to continued challenges with Salmon Rickettsial Syndrome (SRS), while in Canada, mouth rot and SRS were the main reasons for antibiotic use. Cermaq is committed to the principles outlined in our antibiotic policy including limited, proper and timely use of antibiotics, and Cermaq's research team has been given high priority in the ongoing work of contributing to the development of effective vaccines for SRS, Tenacibaculum and Mouth rot.

8. IMPACT ON WILD SALMON

In Norway and Canada there is a concern regarding the possibility that the fish farming industry may disturb the life cycle of wild salmon. Key discussion topics are the potential spread of sea lice and disease, and in Norway also how escaped farmed Atlantic salmon may affect wild Atlantic salmon genetically.

Cermaq has an important goal of zero escapes. In Canada, we had two minor incidents of escapes totaling 2 fish. In Chile two incidents of escapes were registered with a total of 6 844 fish, related to a sea lice treatment and a predator attack, both incidents followed contingency plans set by local authorities. In Norway, one incident was reported where 500 fish escaped, due to a tank on land that bursted, leaving 500 fish of an average of 50 grams not accounted for. No fish escaped in or near conservation areas.

Cermaq has together with three other farming companies and Aquagen promoted and initiated a system for DNA tracing of farmed salmon in Norway. The traceability will make it possible to hold companies fully accountable for any fish escapes.

9. EMPLOYEES

As of 31 March 2016, the Group employed 2 693 persons (end December 2014: 4 134). Of the Group's employees, 500 were employed in Norway and 2 193 outside of Norway. Cermaq Group AS employed 40 persons at 31 March 2016 (end December 2014: 38).

Cermaq's employees shall have a high level of safety in their working environment. All of the operative companies in the Group are certified to the international occupational health and safety standard OHSAS 18001.

High priority was given by the Board to strengthen our performance within occupational health and safety and the reduction of work-related injuries. Our health and safety efforts in Chile, Canada and Norway have led to significant progress in the fiscal year 2015.

In 2015, Cermaq Group reached its objective of less than 8 lost time injuries for the calendar year, achieving 6 lost time injuries for the Group as a whole. This is an improvement from 11 in 2014, and demonstrates that the safety efforts made in the operating companies the past year has led to significant improvements. Sick leave was relatively stable between 2014 and 2015, and was 2.5 percent for the Group. The Board will continue to have a strong focus on health and safety.

For the calendar year 2015, training accounted on average for 0.89 percent of the total working hours for all employees. This varied from 0.5 percent in Cermaq Canada to 1.5 percent in Cermaq Group AS.

In fiscal year 2015, eleven fines were issued pertaining to non-compliance with work regulations. A majority of these related to supporting documents of work contracts in Chile. In total the fines amounted to USD 73.341. The Board has established guidelines for the operating companies with the intention of providing the foundation for a good and mutual cooperation with employees and trade unions, and that employees are free to join the trade union of their choice. In calendar year 2015, 35.6 percent of the employees in the Cermaq Group had collective wage agreements (for calendar year of 2014: 36.1 percent). The percentage of employees with collective wage agreements in Chile was 30 percent in calendar year 2015 (2014: 30.7 percent), a slight decrease for the past year. As a part of Cermaq's sustainability reporting, the company reports the level of wages above the minimum wage that are paid to employees at Cermaq Chile's processing plants (indicator EC5). Further details of our OHS work and performance are provided in our sustainability report.

10. DIVERSITY

Cermaq has an inclusive working environment. Discrimination due to ethnic background, nationality, language, gender, sexual orientation or religious beliefs is not accepted. The Group's companies actively promote equal employment opportunities and the fair treatment of all employees.

The ratio of women in the Cermaq group was 27 percent at the close of calendar year 2015. The ratio for women in the parent company Cermaq Group AS was 36 percent. At the close of calendar year 2015 Group management comprised seven persons; one woman and six men. Two members of Group management were Chilean citizens; one was Japanese, and four Norwegian. There were no women amongst the Group's managing directors. In total 15 percent of the Group's managerial groups are women (including all managers that report to the Managing Directors in the Group's companies).

Cermaq's Board of Directors consists of seven members, of which all are men. Three board members are Japanese citizens and four board members are Norwegian.

In the longer term it is an aim to increase the percentage of female leaders in the Group. One means of achieving this is through in-house talent development.

11. CORPORATE GOVERNANCE

Cermaq is fully owned by MC Ocean Holdings Limited, a subsidiary of Mitsubishi Corporation. In 2014 Cermaq was delisted from the Oslo stock exchange, transformed from a public to a private limited liability company and changed name to Cermaq Group AS.

The Group's corporate governance principles are based on the corporate governance principles of Mitsubishi Corporation, Norwegian legislation and recognised principles for good corporate governance.

The Group's corporate governance principles are described in more detail in the GRI section of Cermaq's integrated annual and sustainability report.

12. FUTURE PROSPECTS

Cermaq expects a decrease in the sales volume in calendar year 2016 compared with the 163 thousand tons sold in calendar year 2015. The decrease is expected in Chile. Chile has throughout the fiscal year 2015 experienced both volcano eruption and a harmful algae bloom, which will effect both smolt production and sales volume in 2016. Sales volume from Norway and Canada is expected to be at the same level as for 2015.

The latest estimates from Kontali, the Norwegian independent aquaculture data and research provider, imply an expected reduction in the global harvest of farmed Atlantic salmon of 7 percent in 2016. This compares with a growth of 4 percent in 2015. Cermaq is well prepared for the future. Norway performs well from an operational point of view, and the annual production capacity will increase from the green licenses and improved internal smolt capacity. Canada produces sales volumes close to the production capacity with overall good biological performance. Cermaq will continue to focus on improving the Chilean operations and ensure that preventive measures continue to secure a sustainable and profitable salmon farming industry in Chile going forward. Biological issues, with SRS in particular, are expected to remain the main biological challenge in Chile. The company maintains a solid financial structure with the support from the owner, Mitsubishi Corporation, and the foundation for further growth is good.

The Board would like to thank all employees in the Cermaq Group for their continuous good work and solid efforts in the fiscal year 2015. The Board looks forward to working together with our highly valued staff to continue value creation in the year to come.

Oslo, 23 June 2016

Yu Sato *Chair*	Kiyotaka Kikuchi *Director*	Yasumasa Kashiwagi *Director*	Helge Midttun *Director*
Jon Hindar *Director* *Chief Executive Officer*	Jan-Robert Røli-Gjervik *Director* *(employee elected)*	Ketil Olsen *Director* *(employee elected)*	Torgeir Nilsen *Director* *(employee elected)*

ANNUAL ACCOUNTS CERMAQ GROUP

YEAR ENDED 31 MARCH 2016

Cermaq Group
STATEMENT OF INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2016 [1)]	Year ended 31.12.2014 [2)]
Operating revenues	6	8 198 678	5 616 143
Cost of raw materials	17	(4 674 997)	(2 446 471)
Write-down of biological assets	17	(134 444)	–
Personnel expenses	7,8	(1 001 214)	(740 036)
Other operating expenses	9	(2 268 208)	(1 705 250)
Gain/(loss) from sale of fixed assets	14	–	43 937
Depreciations and amortisations	13,14	(474 644)	(296 306)
Operating result before fair value adjustments of biological assets		**(354 829)**	**472 017**
Fair value adjustments of biological assets	18	730 077	(445 965)
Provision for onerous contracts	21	(72 258)	–
Operating result		**302 989**	**26 052**
Share of net income from associates	15	9 089	6 781
Financial income	10	9 820	11 468
Financial expenses	10	(252 346)	(127 078)
Net foreign exchange gain/(loss)	10	19 339	14 425
Fair value adjustments on financial instruments	10	6 249	–
Net gain/(loss) on financial assets and liabilities	10	–	(410)
Financial items, net	10	**(216 939)**	**(101 595)**
Net income/(loss) before taxes		**95 139**	**(68 762)**
Income taxes	11	15 254	(21 158)
Net income/(loss) from continuing operations		**110 393**	**(89 920)**
Discontinued operations			
Net income/(loss) from discontinued operations	5	–	1 311
Net income/(loss) from total operations		**110 393**	**(88 609)**

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12

	Notes	Year ended 31.03.2016	Year ended 31.12.2014
Net income/(loss) from total operations attributable to:			
Owners of the parent		104 810	(90 163)
Non-controlling interests	12	5 583	1 554
Net income/(loss) from continuing operations attributable to:			
Owners of the parent		104 810	(91 474)
Non-controlling interests		5 583	1 554
Net income/(loss) from discontinued operations attributable to:			
Owners of the parent		–	1 311
Non-controlling interests	5	–	–

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12.

Cermaq Group

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2016 1)	Year ended 31.12.2014 2)
Net income/(loss) from total operations		**110 393**	**(88 609)**
Other comprehensive income, net of tax:			
Items to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**207 336**	**455 083**
– currency translation taken to equity		*207 336*	*455 083*
– transferred to profit/loss		–	–
Change in fair value of cash flow hedge instruments		**(6 126)**	**(21 076)**
– fair value adjustment taken to equity		*(1 440)*	*(21 076)*
– transferred to profit/loss 3)	10	*(4 686)*	–
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	8	**(1 801)**	**(4 521)**
Disposal of actuarial gains/(losses) on defined benefit plans	8	**–**	**–**
Total other comprehensive income from total operations		**199 408**	**429 487**
Total comprehensive income from total operations		**309 802**	**340 878**
Attributable to:			
Owners of the parent		304 219	339 324
Non-controlling interests		5 583	1 554

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12.
3) Changes in fair value of cash flow hedge instruments affected fair value adjustments on financial instruments in the statement of income.

Cermaq Group

STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1 000

	Notes	31.03.2016	31.12.2014
ASSETS			
Fish farming licenses	13	2 347 284	2 176 365
Goodwill	13	454 736	421 400
Deferred tax assets	11	469 079	149 950
Other intangible assets	13	14 304	24 363
Total intangible assets		**3 285 403**	**2 772 077**
Property, plant and equipment	14	**2 534 681**	**2 294 318**
Investments in associates	15	76 081	71 700
Investments in other companies		724	724
Other non-current receivables	16	59 131	119 579
Total financial fixed assets		**135 936**	**192 003**
Total non-current assets		**5 956 020**	**5 258 398**
Inventories	17	351 798	834 924
Biological inventories	18	3 583 480	3 325 668
Accounts receivables	19	572 296	659 606
Prepaid income taxes	11, 16	91 782	88 806
Other current receivables	16	294 736	222 337
Assets held for sale		827	743
Cash and cash equivalents	20	772 172	356 114
Total current assets		**5 667 092**	**5 488 199**
TOTAL ASSETS		**11 623 112**	**10 746 597**
EQUITY AND LIABILITIES			
Total equity attributable to the shareholders in Cermaq Group AS		5 361 261	5 057 042
Non-controlling interests	12	–	(1 508)
Total equity		**5 361 261**	**5 055 534**
Pension liabilities	8	49 432	45 553
Deferred tax liabilities	11	1 054 194	988 343
Total provisions		**1 103 626**	**1 033 896**
Interest bearing non-current liabilities	22	3 634 961	3 317 062
Other non interest bearing non-current liabilities		22 730	19 425
Total non-current liabilities		**4 761 316**	**4 370 383**
Interest bearing current liabilities	22	294 968	272 759
Accounts payables		654 641	744 106
Income taxes	11, 21	197 682	88 636
Other non interest bearing current liabilities	21	353 244	215 180
Total current liabilities		**1 500 534**	**1 320 680**
TOTAL EQUITY AND LIABILITIES		**11 623 112**	**10 746 597**

Oslo, 23 June 2016

Yu Sato
Chair

Kiyotaka Kikuchi
Director

Yasumasa Kashiwagi
Director

Helge Midttun
Director

Jon Hindar
Director
Chief Executive Officer

Jan-Robert Røli-Gjervik
Director
(employee elected)

Ketil Olsen
Director
(employee elected)

Torgeir Nilsen
Director
(employee elected)

Cermaq Group

STATEMENT OF CASH FLOW

Amounts in NOK 1 000

	Notes	Year ended 31.03.2016 1)	Year ended 31.12.2014 2)
Income/(loss) before taxes continuing operations		95 140	(68 762)
Income/(loss) before taxes discontinued operations		–	1 311
Net income/(loss) before taxes		**95 140**	**(67 452)**
(Gain)/loss on sale of tangible and intangible assets		19 688	(45 138)
Depreciations and amortisations	13, 14	474 644	296 307
Writedown of biological assets		134 444	–
Fair value adjustments of financial items and gain of shares sold	10	(6 249)	(901)
Net interest expense		242 526	115 611
Changes in fair value of biological assets	18	(657 819)	445 965
Income taxes paid		(87 909)	(139 520)
(Income)/loss from associated companies	15	(9 089)	(6 781)
Dividends received from associated companies	15	3 099	4 946
Change in inventories, accounts receivable and accounts payable		947 934	(254 936)
Change in other current operating assets and liabilities		2 541	(14 119)
Net cash flow from operating activities		**1 158 952**	**333 980**
Proceeds from sale of property, plant, equipment (PPE) and intangible assets	13, 14	5 367	54 924
Purchases of PPE and intangible assets	13, 14	(537 522)	(695 666)
Proceeds from sale of operations, net of cash disposed	5, 15	(2 276)	(146)
Purchases of operations, net of cash acquired	5, 15	–	(49 293)
Proceeds from sale of shares and other investments		8 021	500
Purchases of shares and other investments		(7 626)	(4 822)
Net cash flow from investing activities		**(534 036)**	**(694 503)**
Proceeds from borrowings	22	3 574 653	2 207 260
Repayment of borrowings	22	(3 584 973)	(1 235 852)
Interest received	10, 22	3 714	8 854
Interest paid	10, 22	(128 708)	(87 645)
Paid other financial items	10, 22	(89 057)	(45 801)
Paid dividends, including distribution to non-controlling interests		–	(4 910 409)
Change in treasury shares		–	153
Net cash flow from financing activities		**(224 371)**	**(4 063 439)**
Foreign exchange effect		15 513	48 013
Net change in cash and cash equivalents for the period		**416 058**	**(4 375 949)**
Cash and cash equivalents at the beginning of the period		**356 114**	**4 732 063**
Cash and cash equivalents at the end of the period	20	**772 172**	**356 114**

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12

Cermaq Group

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK 1 000

	Share Capital	Treasury shares	Retained earnings	Actuarial gains and losses reserve	Cash flow hedge reserve	Translation differences	Total to Cermaq Group AS owners	Non-controlling interests	Total equity
Equity 1 January 2014	**925 000**	**(37)**	**8 708 853**	**(173)**	**13 017**	**(45 287)**	**9 601 372**	**23 540**	**9 624 913**
Net income/(loss) from total operations	–	–	(90 163)	–	–	–	(90 163)	1 554	(88 609)
Other comprehensive income	–	–	–	(4 521)	(21 076)	455 083	429 487	–	429 487
Total comprehensive income	–	–	*(90 163)*	*(4 521)*	*(21 076)*	*455 083*	*339 324*	*1 554*	*340 878*
Change in treasury shares	–	20	132	–	–	–	152	–	152
Dividends paid	–	–	(4 883 807)	–	–	–	(4 883 807)	(26 602)	(4 910 409)
Equity 31 December 2014	**925 000**	**(17)**	**3 735 015**	**(4 694)**	**(8 059)**	**409 796**	**5 057 042**	**(1 508)**	**5 055 534**
Equity 1 January 2015	**925 000**	**(37)**	**8 708 853**	**(173)**	**13 017**	**(45 287)**	**9 601 372**	**23 540**	**9 624 913**
Net income/(loss) from total operations	–	–	104 810	–	–	–	104 810	5 583	110 393
Other comprehensive income	–	–	–	(1 801)	(6 126)	207 336	199 408	–	199 408
Total comprehensive income	–	–	*104 810*	*(1 801)*	*(6 126)*	*207 336*	*304 219*	*5 583*	*309 802*
Change in treasury shares	(17)	17	–	–	–	–	–	–	–
Transactions with non-controlling interests	–	–	–	–	–	–	–	(4 075)	(4 075)
Equity 31 March 2016	**924 983**	**(0)**	**3 839 826**	**(6 495)**	**(14 186)**	**617 132**	**5 361 261**	**0**	**5 361 261**

Cermaq Group

NOTE 1
Corporate information

Cermaq Group AS (formerly Cermaq ASA) is a company incorporated and domiciled in Norway whose shares previously were publicly traded at the Oslo Stock Exchange (OSE).

On 22 September 2014, Mitsubishi Corporation announced a recommended voluntary cash tender offer of NOK 96 per share for all issued shares of the company. This implied a total consideration for the shares of approximately NOK 8.9 billion.

On 23 October 2014, Mitsubishi Corporation announced that all conditions for the voluntary offer had been met. After the settlement was finalized, Cermaq ASA was delisted from Oslo Stock Exchange with the last listing date on 14 November 2014. The company changed name to Cermaq Group AS. All the shares in Cermaq Group AS are now owned by Mitsubishi Corporation through its fully owned subsidiary MC Ocean Holdings Limited.

The Group has one strategic business area; Sustainable sea farming, as well as any other business related thereto. The company shall have an active role linked to research and development in the sea farming industry. Other non-reportable activities of the group are reported as "Other activities" and include the activity in the parent company Cermaq Group AS and it has included the subsidiary Norgrain AS until March 2016 when the company was liquidated.

Fish farming involves the breeding and on-growing, harvesting, processing, sale and distribution of salmonid species.

The fiscal year used by Mitsubishi Corporation ends at 31 March and Cermaq Group has therefore changed its fiscal year correspondingly. The fiscal year 2015, ended 31 March 2016 includes 15 months, from 1 January 2015 whilst the previous fiscal year represents the calendar year 2014.

The consolidated financial statements of Cermaq Group AS for the fiscal year ended 31 March 2016 were authorized for issue in accordance with the Board of Directors' resolution on 23 June 2016.

NOTE 2
Accounting principles

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of Cermaq Group AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, relevant interpretations and the additional Norwegian disclosure requirements following the Norwegian Accounting Act applicable as at 31 March 2016.

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the following:
- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less costs to sell

The methods used to calculate fair values are discussed in the principles below and in the relevant notes.

The accounting principles are applied consistently for all years presented.

Presentation currency

Figures are presented in Norwegian Kroner and all values are rounded to the nearest thousands, except where otherwise indicated. Applied currency rates for translation into Norwegian Kroner in the financial statements are retrieved from Norges Bank, or based on quoted rates from one of the larger Nordic banks if Norges Bank does not publish currency rates for a specific currency. The income statement is translated by average currency rates for the year based on weighted daily rates, while the statement of financial position is translated at the exchange rate at the balance sheet date. The Group's applied currency rates are shown in the table below:

Relevant currency rates	Closing rate		Average rate	
	31.03.16	31.12.14	01.01.2015 – 31.03.2016	01.01.2014 – 31.12.2014
USD/NOK	8,2692	7,4332	8,0727	6,3019
CAD/NOK	6,3879	6,4095	6,3096	5,7041

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

2.3 Summary of significant accounting policies

Consolidation principles and non-controlling interests

The consolidated financial statements include the parent company Cermaq Group AS and companies where Cermaq Group AS has a direct or indirect ownership of more than 50 percent of the voting capital and/or a controlling influence.

Companies where Cermaq Group AS has a significant influence (normally defined as ownership interest between 20 and 50 percent of the voting capital) over operations and financial decisions have been incorporated into the consolidated financial statements by means of the equity method. In accordance with this principle, the share of the profit or loss from these companies for periods where significant influence is effective is included on the line "Share of net income from associates". Under the equity method, investments in associated companies are carried in the statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies (i.e. comprehensive income and equity adjustments), less any impairment in the value of the investments. Any goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

The purchase method is applied when accounting for business combinations. Companies that have been acquired during the year have been consolidated from date of acquisition. Companies that have been sold during the year have been consolidated up until the date of transfer.

Consolidated financial statements have been prepared on the basis of uniform principles, and the accounting principles of subsidiaries are consistent with the policies adopted by the Group.

All transactions and balances between Group companies have been eliminated.

The share of the profit or loss after tax attributable to non-controlling interests is presented on a separate line after the Group's profit for the year. Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of Cermaq Group AS. Non-controlling interests consist either of the proportionate fair value of net identifiable assets or of fair value of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the date of the business combination. The principle for measuring non-controlling interests is determined separately for each business combination.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it derecognizes the assets, liabilities, non-controlling interests and any accumulative translation differences in relation to the subsidiary. Any investment retained at the date when control is lost is measured at fair value and a gain/loss is recognized.

Classification principles

Cash and cash equivalents are defined as cash and bank deposits. The Group's cash pool systems are offset, with cash and overdrafts within the same cash pool system presented net.

Other assets which are expected to be realized within the entity's normal operating cycle or within 12 months from the balance sheet date, are classified as current assets. Other assets are classified as non-current assets.

Liabilities that are expected to be settled in the entity's normal operating cycle, or are due to be settled within 12 months after the balance sheet date are classified as current liabilities. Other liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the reporting period are classified as non-current liabilities.

Proposed dividend is not recognized as liability until the Group has an irrevocable obligation to pay the dividend, which is normally after approval by the annual general assembly.

The Group's key figure for measurement of income under IFRS is the operating result before fair value adjustments of biological assets. Fair value changes of biological assets are presented on a separate line within the income statement. The Group reports operating result before fair value adjustments of biological assets to show the result from sales in the period.

Foreign currency translation

Functional and presentation currency

The Group's presentation currency is Norwegian kroner. This is also the parent company's functional currency.

Assets and liabilities in foreign entities, including goodwill and fair value adjustments related to business combinations are translated to NOK at the exchange date at the balance sheet date. Revenues, expenses, gains and losses are translated using the average exchange rate during the period. Translation adjustments are recognized in the statement of other comprehensive income.

When investments in foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary attributable to the equity holders of the parent are recognized in the statement of comprehensive income.

Transactions and balance sheet items

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as financial items in the income statement.

Revenue recognition

Sale of goods

The sale of all goods is recorded as operating revenue at the time of delivery, which is the point where risk and control is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable. Discounts, other price reductions, taxes etc. are deducted from operating revenues.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale or terms with the specific customer.

The point when risk passes to the customer depends on the delivery terms specified in the sales agreement. Delivery terms vary between countries and between customers. Normally where delivery is made by vehicle owned or hired by the farm companies, delivery is complete and risk passes once delivery has been made to the buyer's specified address. Where delivery is made by other means, risk normally passes when the goods are handed over to the relevant carrier.

Interest income

Interest income is recognized as it accrues, using the effective interest method.

Dividend

Dividend income is recognized in the income statement on the date that the Group's right to receive payment is established.

Fair value on biological assets
Biological assets comprise eggs, broodstock, smolt and fish in the sea. In accordance with IAS 41 and IFRS 13, biological assets are measured at fair value less cost to sell, unless the fair value cannot be measured reliably.

For fish where little biological transformation has taken place since initial cost was incurred or the transformation is not expected to impact the price materially, cost is used as an approximation for fair value. This approximation is used up to 1 kilo of live weight.

Harvestable fish is measured using the most relevant selling price available at the reporting date for harvested fish less cost to sell. Harvestable fish is defined as 4 kilo and higher live weight for Atlantic salmon. No efficient market exists for non-harvestable fish, which for Atlantics is defined for fish in the interval from 1 to 4 kilo live weight. The corresponding sizes for Coho and trout are from 1 to 2.5 kilo live weight. Measurement for fair value is performed using a fair value model. The model uses the most relevant price assumptions at balance sheet date, preferably quoted forward prices where those are available and/or the most relevant prices at the expected time of harvest. The valuation is done for each operating company and is based on the biomass in sea for each seawater site and the estimated market price in each market.

Estimated actual cost per site at completion is used to measure the expected margin at the time the fish is defined as mature. The expected margin is recognized gradually based on weight sizes with the starting point being from 1 kilo live weight, where biological transformation is taking place. As an example, an Atlantic salmon of 2 kilo live weight will include one third of the expected margin. In note 18, the biological assets are specified showing both the incurred cost and the fair value adjustment.

Changes in estimated fair value on biological assets are recognized on a continuing basis in the income statement on a separate line "Fair value adjustment on biological assets" within the operating result.

Onerous contracts
The Group enters into fixed price sale contracts for delivery of salmon products. The contracts are signed based on the assumption that delivery of salmon products is unavoidable and will take place. These contracts are not tradable. Provisions are made for onerous fixed price contracts to the extent where the Group is obliged to sell salmon products at a lower price than the market price used for the fair value adjustments of biological assets.

Derivative financial instruments
The Group holds a limited number of financial derivative instruments used to hedge its foreign currency risk exposures. Derivatives are initially recognized at fair value. Changes in fair value of derivatives are recognized in the income statement, unless they qualify for hedge accounting.

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes follows specific guidance in IAS 39 and is as follows:

(1) there is adequate documentation at the inception that the hedge is effective, (2) the hedge is expected to be highly effective in that it counteracts changes in the fair value or cash flows from an identified asset or liability, (3) for cash flow hedges, the forthcoming transaction must be highly probable, (4) the effectiveness of the hedge can be reliably measured, and (5) the hedge is evaluated regularly and has proven to be effective.

Hedging instruments that are classified as cash flow hedges offset exposure to variability in cash flows that is attributable to interest, currency and market price rates. For cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the contract that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion is recognized in the income statement.

All financial instruments are recognized in the balance sheet at fair value when the entity becomes a party to the contractual provisions of the instrument. The instrument is derecognized when the contractual rights expire or contractual rights and obligations mainly are transferred.

Financial derivatives are classified based on maturity, and hedging instruments are classified consistent with the underlying hedged item.

Non-derivative financial instruments
Other financial assets and liabilities of the Group are classified into the following categories: loans and receivables, available-for-sale financial assets and other liabilities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. When financial assets or financial liabilities are recognized initially, they are measured at fair value, except for derivatives, plus directly attributable transaction cost. The purchases and sales of financial assets or financial liabilities are recognized at the date of trade.

Other financial assets and liabilities are initially recognized at fair value, with subsequent measurement as described below (only those that are relevant to the Group are listed):

Loans and receivables
Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Net investment in foreign operations
Exchange differences arising on intragroup balances shall be recognized in the statement of income in the Group accounts. As an exception to the rule, where the intragroup balance forms part of an entity's net investment in a foreign operation, the exchange difference is not to be recognized in the income statement but in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

A net investment in a foreign operation is defined as being the amount of the reporting entity's interest in the net assets of that operation, including any loan receivable for which settlement is not likely to occur in the foreseeable future.

Borrowing cost
Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred. Interest bearing loans are measured at amortized cost using the effective interest method.

Inventories
Raw materials and purchased commodities are valued at the lower of historical cost and net realizable value in accordance with the FIFO principle.

The Group values all live biological assets (fish) inventory at fair value less costs to sell. Finished goods/frozen inventory are recognized at the lower of cost (fair value at the point of harvest) and net realizable value.

Property, plant and equipment
Property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses.

Allowances are made for depreciation from the point in time when an asset is placed in operation, and depreciation is calculated based on useful life of the asset considering estimated residual value. The straight-line depreciation method is used as this best reflects the consumption of the assets.

Different depreciation rates are applied to an asset where components of the asset are characterized by having different useful economic lives. Land and plant under construction are not depreciated. For asset under construction, depreciation is charged once the asset is ready for its intended use.

Gains or losses from sale of property, plant and equipment are calculated as the difference between sales price and carrying value at the date of sale. Gains and losses from sale of property, plant and equipment are recorded in the income statement.

Carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation methods, residual values and estimated useful life are reviewed annually.

Intangible assets

All internal research is expensed as incurred. Development cost is only capitalized if the criteria are met. In the fiscal year 2015, all development cost have been expensed.

Payments for fish farming licenses, rights and other intangible assets are depreciated in accordance with the useful life of such licenses or rights. The substance of fish farming licenses in the Group's major markets is that they have an indefinite life. The uncertainty related to renewal of existing fish farming licenses by the authorities in each region is not considered to alter the indefinite useful life of these assets and therefore fish farming licenses are not amortized. Fish farming licenses that are obtained as part of an acquisition, are valued using valuations established by similar transactions in similar locations.

Where a business is acquired and the consideration for the business exceeds the net fair values of the identifiable assets, liabilities and contingent liabilities, the difference, provided it represents a commercial value, is identified as goodwill on the balance sheet. Goodwill is carried at cost less accumulated impairments losses.

Goodwill is not amortized. At the acquisition date, goodwill and fish farming licenses are allocated to each of the cash generating units expected to benefit from the synergies. Impairment is determined by assessing the recoverable amounts of the cash generating unit to which the goodwill relates. In order to determine the Group's cash generating units, assets are grouped together at the lowest levels for which there are separately identifiable, mainly independent, cash flows. Recoverable amounts are calculated using a value in use approach, rather than fair value less costs to sell.

Carrying value of goodwill and fish farming licenses with an indefinite life is reviewed for impairment annually or more frequently if there are indicators of a fall in value below carrying amount.

Pensions

Group companies operate various pension schemes and these include both defined benefit schemes and defined contribution plans.

Defined benefit plans

Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

In 2007, the parent company and all 100 percent owned Norwegian companies in the Group transferred from funded to unfunded defined benefit plans for Top Hat-schemes (salary above 12G) for employees in the scheme at 31 December 2006. New employees/ employees with a salary above 12G after 1 January 2007 have a defined Top Hat-contribution scheme. Pension obligations financed through operations are calculated and included in the carrying amount of pension obligations.

The current service cost and net interest income/costs are recognized as incurred. The service costs are recognized in the personnel expenses line in the income statement. The actuarial gains and losses are recognized through other comprehensive income in the period they arise.

In defined benefit plans, the pension commitments and pension expenses are determined using a linear accrual formula. This method distributes pension obligations in a straight line over the accrual period. The employees' accrued pension rights during a period are defined as the pension expenses for the year. All pension expenses are recognized in the income statement as personnel expenses.

Pension obligations are calculated on the basis of long-term discount rates and long-term expected yield, wage increases, price inflation and pension adjustment.

Defined contribution plans

In 2006, the parent company and all 100 percent owned Norwegian companies in the Group transferred to defined contribution plans for "kollektiv tjenestepensjon". The Group therefore has a defined contribution plan in addition to the defined benefit plan described. The companies' payments to defined contribution schemes are recognized in the income statement as incurred, with no further liability for the Group.

Income tax

The income tax expense consists of the taxes payable and changes to deferred tax.

Taxes payable is recognized at the amount expected to be paid out of taxable income in the consolidated financial statements. Share of net income from associated companies are recognized after tax and does not affect the Group's income tax expense. Taxes payable is calculated based on enacted or substantially enacted tax rates as of the balance sheet date.

Deferred tax is recognized in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date, which implies increased or decreased taxes payable when these differences reverse in future periods. Temporary differences are differences between taxable profits and financial results that occur in one period and reverse in a subsequent period.

A net deferred tax asset is recognized when, on the basis of convincing evidence, it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current liabilities or non-current assets in the balance sheet.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Assets related to discontinued operations and directly attributable liabilities are presented gross in the financial position as "Assets held for sale" and "Liabilities held for sale", respectively, from the time the criteria for discontinued operation are met. When an operation is classified as discontinued operation, the comparative statement of income and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Intragroup transactions are eliminated in the consolidated financial statements until the date of disposal. If transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, these transactions are presented so the results reflect the continuance of the relationship.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction in equity, net of tax. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

Cash flow statement

The Group presents the statement of cash flows using the indirect method. The Group's cash flow statement analyses the Group's overall cash flow by operating, investment and financing activities. The acquisition of subsidiaries is shown as an investment activity for the Group and is presented separately net of cash and cash equivalents in the acquired company. The statement shows the effect of operations on the Group's cash and cash equivalents.

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that might impact the Group and are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IAS 19 *Employee Benefits*

The amendment introduces the option to recognize contributions from employees or third parties as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period. The amendment is approved by the EU and will be effective for annual periods beginning on or after 1 January 2016. The effect of this amendment to IAS 19 is not expected to have material impact on the Group's consolidated financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement*

In July 2014 the IASB published the final element in IFRS 9 and the standard is now complete. IFRS 9 results in amendments to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instrument: Recognition and Measurement. The parts of IAS 39 that have not been amended as part of this project has been transferred and included in IFRS 9. The Group will evaluate potential effects of IFRS 9 when the final standard is approved by the EU.

IFRS 15 *Revenue from Contracts with Customers*

The IASB and FASB has published a new converged standard for revenue recognition; IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard is applicable for all revenue contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment). The amendment is not yet approved by the EU. The Group will evaluate potential effects of IFRS 15 when the final standard is approved by the EU.

IAS 1 *Revenue from Contracts with Customers*

TIAS 1 has been amended to give some guidance on how to apply the concept of materiality in practice. The amendments are approved by the EU and will be effective for annual periods beginning on or after 1 January 2016. The effect of these amendments to IAS 1 is not expected to have material impact on the Group's consolidated financial statements.

NOTE 3
Critical accounting judgements and estimates

Preparation of the financial statements requires that management makes judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities in the financial position, and income and expenses for the year. The actual realized values may deviate from these estimates.

3.1 Critical judgements in applying the Group's accounting policies

The judgement which is considered to be most significant for the Group is set out below:

Fish farming licenses

The substance of fish farming licenses in the Group's major markets is that they have indefinite useful lives. The uncertainty related to renewal of existing licenses by the authorities in each region is not considered to alter the indefinite useful life of these assets and therefore licenses are not amortized.

In Norway, all of Cermaq's fish farming licenses have indefinite useful lives. In Chile, all of Cermaq's fish farming licenses granted before April 2011 have indefinite useful lives. Fish farming licenses granted after this date are valid for 25 years with renewal. The renewal process is related to anti-union fines and seabed sampling and is deemed highly probable. In Canada, all marine aquaculture licenses are valid for 1 year and require annual application for re-issuance. Cermaq has so far not experienced that aquaculture licenses have not been renewed and licenses have been deemed indefinite.

3.2 Key sources of estimation uncertainty – critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The estimates which are considered to be most significant for the Group are set out below:

Goodwill and intangible assets

Carrying value of goodwill and intangible assets with indefinite lives is reviewed for impairment annually or more frequently if there are indicators of a decrease in value below carrying amount. This requires an estimation of value in use of the cash generating units to which the goodwill and intangible assets are allocated. Identifying the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Expectations about future cash flows will vary between periods. Changes in market conditions, biological conditions and expected cash flows in general may cause impairments in the future. The major assumptions which have an impact on present value of projected cash flows, are the discount rate, the estimated price of salmon in each of the Group's markets, cost of production for each product, salmon production volumes and that there will continue to be a market for salmon produced in the geographical areas where the assets are located. Find further details in note 13, Intangible assets.

Deferred tax assets

Deferred tax assets related to tax losses carried forward are recognized to the extent that expected future income for the respective company will be sufficient over the medium term to utilize those tax losses. This requires an estimate to be made of the expected future income of the company concerned. Estimates of future income may change over time and this could result in changes to the carrying value of deferred tax assets. Further details of the recognized deferred tax assets are given in note 11.

Fair value of biological assets

The Group recognizes inventories of live fish at fair value less costs to sell. Change in fair value of biological assets is recognized in the income statement on a separate line, "Fair value adjustment on biological assets", within operating profit. The estimated fair value is based on the most relevant forward prices for salmon at the balance sheet date in the respective markets in which the Group operates. The fair value calculation also includes estimates of biomass volumes, quality, size distribution, production cost, mortality and normal cost of harvest and sale. The income or loss that will be recognized at the time of sale may differ significantly from what was implied by the fair value adjustment at the end of a reporting period. The fair value adjustment of biological assets has no cash impact and does not affect the Group's key earnings measure operating profit before fair value adjustments of biological assets.

The expected margin for both profit and loss is recognized gradually based on weight sizes with the starting point being from 1 kilo live weight. Prior to this year, the full amount was included as a negative fair value adjustment if the expected margin at the point of harvest was a loss. This change is treated as a change in estimate in the financial statement and did not have any significant impact on the statement of income.

The key element in the fair value model is the assumed market price that is expected to be received in the future when the fish is harvested. Fair value is measured using a valuation model which uses the most relevant price assumptions at the reporting date, which means that the valuation of biological assets is classified at level 3 in the valuation hierarchy in IFRS 13 Fair value measurement. The estimated market price in each market is normally derived from the development in recent contracts as well as achieved spot prices. For salmon of Norwegian origin, quoted forward prices from a third-party (Fish-pool) are used in the estimation, to improve reliability and comparability of the price estimation.

The model used is the same for all farming companies in the Group. The model is defined at Group level and communicated to all operating companies together with criteria to determine the critical assumptions. The operating companies are making the actual calculations based on various input regarding prices, volumes and biological conditions. The Group performs a quality review of the calculations. In note 18, both the historical cost and fair value adjustment of biological assets are specified.

NOTE 4
Companies in the Group

The consolidated financial statements for the fiscal year 2015 include the following subsidiaries and associated companies of significant size:

Amounts in 1 000 (local currency)

	Registered office	Currency	Nominal share capital	The Group's ownership interest and voting share
Company name				
Parent company Cermaq Group AS1)	Norway	NOK	924 983	
Subsidiaries				
Cermaq Holding AS2)	Norway	NOK	81 000	100 %
Cermaq Norway AS3)	Norway	NOK	5 440	100 %
Cermaq Canada Ltd.	Canada	CAD	15 000	100 %
Inversiones Cermaq S.A.4)	Chile	USD	139 087	100 %
Mainstream Chile S.A	Chile	USD	11 250	100 %
Cermaq Chile S.A.5)	Chile	USD	171 313	100 %
Nueva Mainstream Chile S.A.6)	Chile	USD	143 469	100 %
Cermaq US LLC7)	USA	USD	2 500	100 %
Norgrain AS8)	Norway	NOK	–	(72,48%)

1) Cermaq Group AS changed its corporate name from Cermaq ASA on 25 November 2014.
2) Cermaq Holding AS changed its corporate name from Mainstream Holding AS on 10 April 2014.
3) Cermaq Norway AS changed its corporate name from Mainstream Norway AS on 24 January 2014.
4) Inversiones Cermaq S.A. changed its corporate name from Inversiones Mainstream Ltda. in October 2014.
5) Cermaq Chile S.A. changed its corporate name from Cultivos Marinos Chiloè S.A. in October 2014.
6) Company formed in 2014, owned 100 % by Inversiones Cermaq S.A.
7) Newly formed company in 2015, owned 100 % by Cermaq Group AS.
8) Norgrain AS was liquidated in March 2016. Ownership reflects share of result to equity in Cermaq Group.

In 2014, the operational assets in Mainstream Chile S.A. were merged with Cultivos Marinos Chiloé S.A (now Cermaq Chile S.A.) through an asset contribution to utilize synergies. Inversiones Cermaq S.A. is the holding company for the Chilean operations.

NOTE 5
Discontinued operations and business combinations

COn 31 October 2013 Cermaq completed the transaction of the disposal of the EWOS business area with Altor Fund III GP Limited and Bain Capital Europe LLP, for a total enterprise value of NOK 6.5 billion.

Net income/(loss) from discontinued operations, which also included the gain on disposal, was presented on a separate line in the income statement for 2013. An adjustment to the gain on disposal of EWOS is presented on the same separate line in the income statement for 2014.

NOTE 6
Information on segments and geographic distribution

The segment reporting is consistent with the financial information which is regularly reviewed by the Group management for assessing performance and allocating resources. The Group management is defined as the chief operating decision maker.

The Chief Operating Officer for each farming region is included in the Group management team.

The operating result, investments, assets and liabilities related to each farming region are reported to and evaluated by the corporate management. The segments result is defined as operating result before fair value adjustment of biological assets. The segments reported assets include all assets.

Amounts in NOK 1 000

	Cermaq Norway		Cermaq Chile		Cermaq Canada	
	Year ended 31.03.2016	Year ended 31.12.2014	Year ended 31.03.2016	Year ended 31.12.2014	Year ended 31.03.2016	Year ended 31.12.2014
Operating revenues	3 305 593	2 111 750	3 738 782	2 670 438	1 140 732	778 676
Cost of raw materials	(1 314 670)	(870 281)	(2 797 261)	(1 212 544)	(562 637)	(360 547)
Write-down of Biological Asset	(18 150)	–	(116 295)	–	–	–
Depreciations and amortizations	(108 544)	(87 134)	(294 321)	(158 000)	(60 118)	(42 621)
Operating result before fair value adjustments of biological assets	**977 500**	**977 500**	**(1 353 649)**	**(141 787)**	**113 757**	**123 517**
Fair value adj. of biological assets	5 467	123 812	401 228	(448 963)	323 382	(120 813)
Provision for onerous contracts	(72 258)	–	–	–	–	–
Operating result	**910 709**	**661 597**	**(952 421)**	**(590 750)**	**437 138**	**2 704**
Profit/(loss) before taxes	**904 788**	**678 786**	**(1 073 383)**	**(691 320)**	**449 259**	**8 790**
Income taxes	(191 036)	(180 867)	271 774	170 056	(116 974)	1 340
Net income/(loss)	**713 752**	**497 919**	**(801 608)**	**(521 265)**	**332 285**	**10 131**
Total assets	4 269 499	3 471 808	5 643 502	5 774 847	1 781 668	1 317 159
Intangible assets	838 621	818 492	2 308 518	1 811 634	123 804	124 126
Biological inventory at cost	946 478	914 835	1 009 289	1 573 556	635 602	554 345
Accounts receivable	396 242	290 411	128 388	320 393	50 995	49 898
Total liabilities	1 783 182	1 410 528	4 149 239	4 684 928	431 835	300 279
Capital expenditures	444 703	458 805	74 462	179 710	87 167	40 842
Capital employed last 12 months	2 256 440	1 841 873	5 129 812	4 253 057	805 783	624 393
Investments in businesses	–	9 750	–	49 313	–	–

Amounts in NOK 1 000

	Other/Eliminations		Consolidated	
	Year ended 31.03.2016	Year ended 31.12.2014	Year ended 31.03.2016	Year ended 31.12.2014
Operating revenues	13 571	55 278	8 198 678	5 616 143
Cost of raw materials	(430)	(3 100)	(4 674 997)	(2 446 471)
Write-down of Biological Asset	–	–	(134 444)	-
Depreciations and amortizations	(11 660)	(8 551)	(474 644)	(296 307)
Operating result before fair value adjustments of biological assets	**(92 436)**	**(47 499)**	**(354 829)**	**472 017**
Fair value adjustments of biological assets	–	–	730 077	(445 965)
Provision for onerous contracts	–	–	(72 258)	–
Operating result	**(92 436)**	**(47 499)**	**302 989**	**26 052**
Profit/(loss) before taxes	**(185 525)**	**(65 018)**	**95 139**	**(68 763)**
Income taxes	51 490	(11 687)	15 254	(21 158)
Net income/(loss)	**(134 035)**	**(76 705)**	**110 393**	**(89 920)**
Total assets	(71 558)	182 783	11 623 112	10 746 597
Intangible assets	14 461	17 824	3 285 403	2 772 077
Biological inventory at cost	–	–	2 591 369	3 042 737
Accounts receivable	(3 329)	(1 096)	572 296	659 606
Total liabilities	(102 405)	(704 673)	6 261 851	5 691 062
Capital expenditures	13	15 139	606 345	694 496
Capital employed last 12 months	(47 502)	(364 467)	8 144 533	6 354 856
Investments in businesses	–	–	–	59 063

Other activities/Eliminations consist of activities in the parent company Cermaq Group AS, the subsidiary Cermaq Holding AS and the former subsidiary Norgrain AS (until March 2016) and group eliminations.

Amounts in NOK 1 000

Group operating revenues by the location of the individual customers

Country	Year ended 31.03.2016	Year ended 31.12.2014
Norway	895 359	473 414
Chile	586 851	381 634
USA	1 288 149	1 058 496
Japan	1 487 603	839 532
France	673 574	494 977
Poland	327 475	303 876
Canada	413 877	302 936
Russia	373 666	450 621
Rest of Europe	1 300 206	661 896
Other countries	851 920	648 759
Total operating revenues	**8 198 678**	**5 616 143**

Amounts in NOK 1 000

Total assets per country

Country	31.03.2016	31.12.2014
Norway	4 323 465	3 654 591
Chile	5 633 797	5 774 847
Canada	1 665 849	1 317 159
Total assets	**11 623 112**	**10 746 597**

Amounts in NOK 1 000

Total capital expenditure per country

Country	Year ended 31.03.2016	Year ended 31.12.2014
Norway	444 715	473 944
Chile	74 462	179 710
Canada	87 168	40 842
Total capital expenditure	**606 345**	**694 496**

NOTE 7
Wages and other personnel expenses

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Wages and salaries including holiday pay	917 778	669 300
National insurance contributions	46 063	34 215
Pension costs	22 763	14 562
Other personnel expenses	14 611	21 959
Total wages and other personnel expenses	**1 001 214**	**740 036**

The number of employees in the Cermaq Group at 31 March 2016 was 2 693 persons (31 December 2014: 4 134 persons). The number of man-years during the year in the Group was 3 271 (2014: 3 815 man-years).

Remuneration – key management personnel

Chief Executive Officer, Cermaq Central Management Team (CCMT) and the Cermaq Board of Directors were entitled to the following remuneration:

Amounts in NOK 1 000

	2016 (January 2016 – March 2016)				
	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [3]
CEO Jon Hindar	1 235	889	30	2 154	246
Other CCMT members [1]	3 627	1 991	171	5 789	326
Total	**4 863**	**2 880**	**201**	**7 943**	**573**

Amounts in NOK 1 000

	2015 (January 2015 – December 2015)				
	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [3]
CEO Jon Hindar	4 941	384	120	5 445	847
Other CCMT members [1]	14 958	997	659	16 614	1 261
Total	**19 898**	**1 382**	**779**	**22 059**	**2 108**

Amounts in NOK 1 000

	2014				
	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [3]
CEO Jon Hindar	3 692	1 096	156	4 944	590
Other CCMT members [2]	11 487	4 098	1 954	17 539	1 099
Total	**15 179**	**5 194**	**2 111**	**22 484**	**1 689**

1) At year-end March 2016, CCMT consisted of Jon Hindar (Chief Executive Officer), Thomas Palm (Chief Financial Officer), Synne Homble (Director Legal and Corporate Functions), Geir Molvik (Chief Operating Officer Norway), Fernando Villarroel (Chief Operating Officer Canada) and Francisco Miranda Morales (Chief Operating Officer Chile).
2) At year-end 2014, CCMT consisted of Jon Hindar (Chief Executive Officer), Stig Jarle Pettersen (Chief Financial Officer), Synne Homble (Director Legal and Corporate Functions), Geir Molvik (Chief Operating Officer Norway), Fernando Villarroel (Chief Operating Officer Canada), Francisco Miranda Morales (Chief Operating Officer Chile) and Akihiko Soga (Chief Integration Officer).
3) Pension cost is this years' service cost and payments to defined contribution schemes.

Amounts in NOK 1 000

	Board fee for the year ended 31.03.2016[1]	Board fee for the year ended 31.12.2014[2]
The Board of Directors	2 155	2 012

1) At year-end March 2016, The Board of Directors consisted of Yu Sato (Chair), Kiyotaka Kikuch (Director), Yasumasa Kashiwagi (Director), Jon Hindar (Director), Helge Midttun (Director), Jan-Robert Røli-Gjervik (Employee elected Director), Torgeir Nilsen (Employee elected Director) and Ketil Olsen (Employee elected Director).
2) At year-end 2014, The Board of Directors consisted of Yu Sato (Chair), Yutaka Kyoya (Director), Jon Hindar (Director), Helge Midttun (Director), Jan-Robert Røli-Gjervik (Employee elected Director), Lise Caroline Mortensen (Employee elected Director) and Ketil Olsen (Employee elected Director).

Employees elected directors have in addition received ordinary salaries from the companies where they are employed.

Deputies in the Board and members of the Nomination Committee received NOK 2 800 for each meeting they attended. The Nomination Committee was dissolved before year-end 2014, following the change of ownership in the company. None of the directors have any share-based remuneration in the company. None of the directors of the Board and key management personnel have shares in the company as of 31 March 2016.

For 2015, the Board determined a bonus scheme for the CEO and CCMT based on four company performance indicators and individual criteria. The total company criteria and the individual criteria each counts for approximately half of the maximum bonus and is independent of each other. The company criteria is related to target achievement within OHS, operational cost reductions, fish mortality rate and relative operating performance compared with the global market leader. The total bonus is limited to 50 percent of the fixed salary. The bonus for the calendar year 2015 was approved and paid in 2016 before year end 31 March 2016. The estimated bonus for January to March 2016 has been provided for in the fiscal year 2015 financial statements (01.01.15-31.03.16).

For 2014, the Board determined a bonus scheme for the CEO and CCMT based on four company performance indicators and individual criteria. The total company criteria and the individual criteria each counts for approximately half of the maximum bonus and is independent of each other. The company criteria is related to development within OHS, operational cash flow, fish mortality rate and relative operating performance compared with the global market leader. The total bonus is limited to 30 percent of the fixed salary. There will be bonus payments in 2015 for the financial year 2014 when this is approved. The estimated bonus was provided for in the 2014 financial statements.

Neither the CEO nor any other member of the CCMT had any incentive scheme in place relating to sale of the shares in Cermaq in 2014 and no bonus was paid by the company in this respect.

The CEO is a member of the Group's pension schemes described in note 8.

Except for the specific bonus scheme in 2015, there has not been remuneration paid during the period beyond what is considered normal for a CEO. Jon Hindar is entitled to twelve months salary compensation if the company terminates the employment. The chair is not entitled to any compensation in such matter.

Principles for remuneration of key personnel

The main principles for the Group's wage policies for key management personnel are: Management wages should be competitive, motivating, understandable, acceptable and flexible. In addition to fixed salary, performance bonus, pensions and other fringe benefits which are common for similar positions, are considered. The terms of the CEO are set by the Board. General programs for variable pay to CCMT are also set by the Board.

NOTE 8

Pension costs and pension obligations

Of the 2 693 employees at 31 March 2016, 687 are members of pension schemes within the Group. 234 of these are located in Canada and the remaining 453 in Norwegian companies.

In Norway, the Group is required by law (Act relating to mandatory service pensions) to have a service pension plan. The schemes in Norwegian companies meet the requirements of the law.

All Norwegian fully owned subsidiaries have defined contribution schemes for active members. Contributions are given in steps of 0, 3 and 6 percent of salary for salaries below 12G (which is equivalent to annual salary of around NOK 1 080 000). Contributions to these schemes in 2016 are expected to be at approximately the same level as in 2015 given the scheme structures as at year-end 31 March 2016.

Top Hat-schemes in Norwegian companies (benefits for salary above 12G), are non-funded defined benefit schemes for employees within the scheme at 31 December 2006. Persons entering the Top Hat-scheme after this date have a defined contribution scheme. The annual contribution is 15 percent of salary above 12G, while the contribution is 20 percent of salary above 12G for the CEO.

Early retirement schemes and schemes for pensioners are defined benefit schemes. Under defined benefit schemes, the Group is responsible for providing pensions to employees who are members of the schemes. These responsibilities are funded by making contributions to insurance schemes. There is no guarantee that the amounts funded will be sufficient to meet the Group's pension liabilities.

Pension funds are mainly invested in various bonds, mutual funds, real estate, stocks and money market funds. Actual return on pension fund was 4.9 percent in the fiscal year 2015 (2014: 5.3 percent).

In the calculation of the discount rate, covered bonds (OMF) have been used as at 31 December 2015. Covered bond are bonds with very good security in property issued by housing credit companies. The market for covered bonds has the necessary sales and maturities to reflect the market's discount rate. Pension assets are valued at fair value and deducted from net pension liabilities.

As at 31 March 2016, there was a deficit of NOK 49.4 million in pension scheme funding which relates to the Norwegian companies. This deficit will be made up by increased ongoing contributions.

Assumptions:

Financials:	Year ended 31.03.2016	Year ended 31.12.2014
Discount rate/expected return on funds	2.7%	3.0%
Wage adjustment	2.5%	3.0%
Basic amount adjustment/inflation	2.3%	3.0%
Pension adjustment	1.5%	1.5%
Demographic:		
Mortality	K-2013	K-2013
Early retirement	50% at 62 years	50% at 62 years

Amounts in NOK 1 000

Pension cost	Year ended 31.03.2016	Year ended 31.12.2014
Net present value of current year's pension benefit earned	3 208	2 138
Interest cost of pension liability	1 608	1 405
Expected return on pension funds	(208)	(113)
Administrative expenses	263	136
Accrued National Insurance contributions	653	487
Other adjustment on pension funds	–	(302)
Net accrued pension cost defined benefit schemes	**5 524**	**3 751**
Cost defined contribution scheme and other pension costs	17 239	10 810
Total pension cost	**22 763**	**14 562**

Amounts in NOK 1 000

Pension liability	Funded 31.03.2016	Non-funded [1] 31.03.2016	Total 31.03.2016	Total 31.12.2014
Projected benefit liabilities	(4 566)	(46 084)	(50 650)	(50 846)
Estimated pension funds	5 326	2 056	7 382	11 004
Estimated net pension funds/(liabilities)	**760**	**(44 028)**	**(43 268)**	**(39 842)**
Accrued National Insurance contributions	(6 164)	–	(6 164)	(5 710)
Pension funds/(obligations)	**(5 404)**	**(44 028)**	**(49 432)**	**(45 553)**

1) Non-funded schemes relates to AFP, Top-hat and early retirement schemes.

Amounts in NOK 1 000

Changes in the present value of the defined benefit liability	Year ended 31.03.2016	Year ended 31.12.2014
Opening defined benefit liabilites at 1 January	50 846	45 060
Interest cost	1 608	1 405
Current service cost	3 213	2 138
Benefits paid	(4 210)	(1 734)
Effects from companies disposed	(3 001)	–
Actuarial gains and losses recognized in other comprehensive income	2 197	3 978
Currency effects	(1)	–
Projected benefit liabilites at 31 March 2016 / 31 December 2014	**50 650**	**50 846**

Amounts in NOK 1 000

Changes in estimated pension funds	Year ended 31.03.2016	Year ended 31.12.2014
Estimated pension funds at 1 January	11 004	11 328
Expected return	208	113
Contributions paid	262	130
Benefits paid	(936)	(759)
Effects from companies disposed	(2 868)	–
Actuarial gains and losses recognized in other comprehensive income	184	193
Administrative expenses	(471)	–
Estimated pension funds at 31 March 2016 / 31 December 2014	**7 382**	**11 004**

Sensitivities

The pension cost and pension liabilities related to defined benefit schemes, are based on the assumptions outlined above. The actuarial calculations are sensitive to any changes in these assumptions. Normally, a 1 percent change in discount rate would imply a 20 percent change in the pension liability and pension cost (defined benefit schemes) and a 1 percent change in wage adjustment would imply a 10 percent change in the pension liability and pension cost (defined benefit schemes).

NOTE 9
Other operating expenses

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Operational leasing	530 482	409 112
Sales and administration	263 417	200 418
Professional fees	162 854	174 249
Bad debt[1)]	10 793	6 403
Audit fees	13 852	6 706
Customer freight	437 662	250 677
Operation and maintenance	780 380	622 323
Other operating expenses	68 767	35 363
Total other operating expenses	**2 268 208**	**1 705 250**

1) The Group's exposure to credit risks related to accounts receivable is disclosed in note 23.

Auditor

Expensed fees from the Group`s auditor have been as follow (excluding VAT):

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Ordinary audit fees	1 030	2 689
Fees for additional assurance services[1)]	7 209	983
Total audit fees	**8 239**	**3 671**
Other services[2)]	1 199	3 034
Total fees	**9 703**	**6 706**
Audit fees to other auditors[1)]	**4 149**	**–**
Total fees to auditors	**13 852**	**6 706**

1) In the fiscal year 2015 fees for additional assurance services relate to audit of sustainability reporting, agreed upon procedures required by other third parties, review procedures on interim financial information, implementation of internal control procedures according Mitsubishi Corporation's requirements and other attestation services. Fees for additional assurance services and Audit fees to other auditors have been invoiced from the former auditor EY, except for NOK 1.8 million in fees for additional assurance services from Deloitte. In 2014, fees for additional assurance services relate to audit of sustainability reporting, agreed upon procedures required by other third parties, review procedures on interim financial information and other attestation services.

2) In the fiscal year 2015 other services include tax compliance and advice regarding tax rules and consequences in connection with restructurings and other transactions. Some services are including VAT due to no deduction rights. These fees have been invoiced from former auditor EY. In 2014 other services include tax compliance and advice regarding tax rules and consequences in connection with restructurings and other transactions. Some services are including VAT due to no deduction rights. The amounts related to restructuring cost are including VAT due to no deduction rights.

NOTE 10
Financial income/expenses

Amounts in NOK 1 000

Recognised in profit and loss	Year ended 31.03.2016	Year ended 31.12.2014
Interest income on cash deposits and other receivables	8 940	8 917
Dividend income on available-for-sale financial assets	107	1 682
Other financial income	773	869
Total financial income	**9 820**	**11 468**
Interest expenses on financial liabilities measured at amortised cost	(124 407)	(104 752)
Capitalization of interest	5 469	1 630
Other financial expenses	(133 408)	(23 956)
Total financial expenses	**(252 346)**	**(127 078)**
Net foreign exchange gains/(losses)	**19 339**	**14 425**
Fair value adjustments on financial instruments	**6 249**	**–**
Net gains on financial assets and liabilities	**–**	**(410)**
Net financial items	**(216 939)**	**(101 595)**

Total financial expenses are higher in the fiscal year 2015 than in 2014. In the fiscal year 2015, other financial expenses were mainly related to the early redemption premium paid to the bondholders of Cermaq Group AS and accelerated amortization of upfront fees in connection with the refinancing of the Group's credit facilities.

The fair value adjustment on financial instruments in the fiscal year 2015 is related to early termination of the two USD interest rate swap agreements.

NOTE 11
Income Taxes

Amounts in NOK 1 000

Income tax	Year ended 31.03.2016	Year ended 31.12.2014
Taxes payable	(238 285)	(108 995)
Change in deferred tax	253 539	87 837
Income tax	**15 254**	**(21 158)**

Amounts in NOK 1 000

Distribution of income tax	Year ended 31.03.2016	Year ended 31.12.2014
Norway	(139 546)	(192 554)
Abroad	154 800	171 396
Income tax	**15 254**	**(21 158)**

Taxes payable in the consolidated balance sheet amounts to NOK 197.7 million, and is mainly related to Norway.

Effective tax rate for continuing operations

The income tax expense differs from the amount that would have been recognized using the weighted average nominal tax rate of the consolidated companies. The tax year in Norway cannot exceed 12 months, which means that there are two tax years included in the fiscal year 2015 figures in the financial statement, one period covering 1 January 2015 to 31 March 2015, and one covering 1 April 2015 to 31 March 2016. The table below provides a reconciliation of the recognized income based on a nominal tax rate in Norway of 27 percent in 2015 for the three months and 25 percent in fiscal year 2015 for the twelve months (27 percent for 2014).

Amounts in NOK 1 000

Effective tax rate	Year ended 31.03.2016	Year ended 31.12.2014
Income tax expense at corporate income tax rate in Norway (25%/27%)	(23 785)	18 566
Tax rates outside Norway different from 25%/27%	16 975	(41 391)
25%/27% tax effect on permanent differences	2 693	(2 378)
Effects of changes in nominal tax rate	20 147	18 896
Valuation allowances tax losses carried forward	–	(10 707)
Change in previously not recognised deferred tax assets	204	(4 595)
Adjustment of prior year's income taxes	(510)	(7 132)
Other differences	(470)	7 584
Income tax	**15 254**	**(21 158)**
Effective tax rate in %	**N/A**	**N/A**

Nominal tax rate for companies resident in Norway was 27 percent in 2015 and 25 percent in 2016 (27 percent in 2014). Cermaq's operations in countries with different tax rates than the Norwegian tax rates contribute to the net tax income to be increased. The most important effect was from Chile, which has an increasing tax rate for tax losses carried forward. The nominal tax rate in Chile will increase in the upcoming years.

Permanent differences in the fiscal year 2015 mainly consist of share of net income from associated companies as well as non-taxable expenses. Share of net income from associated companies of NOK 9.1 million are recognized after tax and does not affect the Group's income tax.

Permanent differences in 2014 mainly consist of share of net income from associated companies as well as non-taxable expenses such as representation. Share of net income from associated companies of NOK 6.8 million are recognized after tax and does not affect the Group's income tax expense.

Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities to the same fiscal authority. The table below outlines the Group's net deferred tax liability:

Amounts in NOK 1 000

Tax effect of temporary differences	31.03.2016	31.12.2014
Intangible assets	261 111	216 515
Tangible assets	241 637	221 790
Inventories	727 368	571 840
Accounts receivables	22 122	19 315
Provisions	(12 358)	(12 299)
Other	94 847	159 088
Tax losses carried forward	(749 613)	(360 530)
Not recognised deferred tax assets	–	22 674
Net deferred tax liabilities/(assets)	**585 115**	**838 393**

Amounts in NOK 1 000

Net deferred tax liabilities/(assets)	31.03.2016	31.12.2014
Deferred tax liabilities	1 054 194	988 343
Deferred tax assets	469 079	149 950
Net deferred tax liabilities/(assets)	**585 115**	**838 393**

Amounts in NOK 1 000

Changes in net deferred taxes	Year ended 31.03.2016	Year ended 31.12.2014
As of 1 January	838 393	822 638
Recognised in the income statement	(253 539)	(87 837)
Acquisitions/(disposals) of companies	–	11 608
Recognised in other comprehensive income/equity	(31 246)	46 230
Group contribution	27 339	–
Other effects	–	4 406
Currency effects	4 168	41 348
As of 31 March 2016 (31 December 2014)	**585 115**	**838 393**

The Group has a net deferred tax liability of NOK 585.1 million as of 31 March 2016.

Deferred tax recognized in other comprehensive income mainly relates to realization of foreign exchange gains from loans treated as part of net investment in foreign operations.

Deferred tax assets are recognized for tax losses carried forward and other net deductible temporary differences to the extent that the realization of the related tax benefit through the future taxable profits is probable. The tax effect of the tax losses carried forward in Chile amounts to NOK 727.8 million, of which NOK 293.0 million is recognized against deferred tax liability. It is expected that future earnings in Chile will improve towards the longer term margin expectations and future taxable profits will be utilized against the current tax losses carried forward. The tax losses carried forward in Chile have no expiration date.

Amounts in NOK 1 000

Tax losses carried forward	31.03.2016	31.12.2014
Norway	8	7 276
Abroad	2 780 641	1 358 629
Total	**2 780 649**	**1 365 905**

Amounts in NOK 1 000

Tax losses carried forward expire as follows	31.03.2016	31.12.2014
2020 and later	15 727	7 224
No expiration	2 764 922	1 358 681
Total tax losses carried forward	**2 780 649**	**1 365 905**

NOTE 12
Non-controlling interests

Amounts in NOK 1 000

Movement of non-controlling interests	Year ended 31.03.2016	Year ended 31.12.2014
Non-controlling interests 1 January	(1 508)	23 540
Share of net income/(loss)	5 583	1 554
Increase/(decrease) related to acquisitions/(disposals)	(4 075)	–
Dividend paid/capital distributed to non-controlling interests	–	(26 602)
Non-controlling interests 31 March 2016 / 31 December 2014	**–**	**(1 508)**

Specification of non-controlling interests	Year ended 31.03.2016	Year ended 31.12.2014
Norgrain AS	–	(1 508)
Non-controlling interests 31 March 2016 / 31 December 2014	**–**	**(1 508)**

NOTE 13
Intangible assets

Amounts in NOK 1 000

	Goodwill	Fish farming licenses	Other intangible assets
Historical cost 01.01.2014	**356 377**	**1 603 152**	**20 990**
Additions, new companies	11 608	44 133	–
Additions, cost price	–	299 055	12 871
Disposals, cost price	–	(13)	–
Transfers [1)]	–	–	786
Currency effect	53 415	271 149	1 217
Historical cost 31.12.2014	**421 400**	**2 217 476**	**35 863**
Historical cost 01.01.2015	**421 400**	**2 217 476**	**35 863**
Additions, new companies			
Additions, cost price	–	20 466	852
Disposals, cost price	–	(2 252)	(10 031)
Transfers	–	–	4 176
Currency effect	33 336	154 703	779
Historical cost 31.03.2016	**454 736**	**2 390 393**	**31 638**
Accumulated amortisation and impairment 01.01.2014	**–**	**(29 136)**	**(6 243)**
Depreciation	–	–	(4 018)
Transfers [1)]	–	–	(396)
Currency effect	–	(11 975)	(844)
Accumulated amortisation and impairment 31.12.2014	**–**	**(41 111)**	**(11 501)**
Accumulated amortisation and impairment 01.01.2015		**(41 111)**	**(11 501)**
Depreciation	–	–	(9 836)
Disposals, cost price	–	–	4 434
Transfers [1)]	–	–	205
Currency effect	–	(1 998)	(637)
Accumulated amortisation and impairment 31.03.2016	**–**	**(43 108)**	**(17 335)**
Useful life	Indefinite	Indefinite	3 to 7 years
Carrying value 31 December 2014	**421 400**	**2 176 365**	**24 363**
Carrying value 31 March 2016	**454 736**	**2 347 284**	**14 304**

1) Includes transfer from construction in progress and reclassifications to/from intangible assets.

Amounts in NOK 1 000

Specification of goodwill	Acquisition year	Carrying value 31.03.2016	Carrying value 31.12.2014
Company/group			
Cermaq Chile group [1)]	2000/2001/2014	329 750	296 415
Cermaq Norway	2005/2006/2007	124 985	124 985
Total		**454 736**	**421 400**

1) There was a NOK 11.6 million goodwill additions in Chile in 2014 related to deferred taxes on the acquisition of seven new fish farming licenses in Region XII. The change as per 31 March 2016 relates only to currency effects.

Amounts in NOK 1 000

Specification of fish farming licenses	Ongrowing licenses	Acquisition year [6)]	Carrying value 31.03.2016
Country			
Chile [3)]	97	2000/2004/2007/2008/2009/ 2010/2011/2012/2014	1 515 391
Canada [4)]	28	2000/2005/2015	123 606
Norway [5)]	51	2003/2005/2006/2007/2014/ 2015/2016	708 287
Total	**176**		**2 347 284**

Amounts in NOK 1 000

Specification of fish farming licenses	Ongrowing licenses	Acquisition year [6)]	Carrying value 31.12.2014
Country			
Chile [1)]	97	2000/2004/2007/2008/2009/ 2010/2011/2012/2014	1 364 412
Canada	27	2000/2005	123 665
Norway [2)]	49	2003/2005/2006/2007/2014	688 287
Total	**173**		**2 176 365**

1) Seven fish farming licenses were acquired in Region XII in Chile in 2014.
2) Five green fish farming licenses were acquired in Norway in 2014.
3) One fish farming license was disposed in March 2016, due to the EWOS sale. The license has not been included in the number of licenses 2014.
4) One license added in Canada in 2015.
5) Three development licenses were awarded in Norway in 2015 and one viewing license was awarded in 2016.
6) Acquisition year is the Group's acquisition year.

Identification of possible loss on impairment

At acquisition, goodwill and fish farming licenses are allocated to the cash generating units to which they relate to, as specified above. Cash generating units are the different operating companies within each region.

Group management reviews carrying value of cash generating units annually or more frequently if there is an indication that an asset may be impaired. A value in use approach is used to determine recoverable amount.

Reviews are based on comparing the net present value (NPV) of projected future cash flows with the carrying value of assets taking into account circumstances which could affect asset value. The NPV is calculated by discounting estimated cash flows for the next five years on the basis of the companies' updated forecast for the coming year and the management's projection for the next four years based on economic prognoses. Due to cyclic nature of the industry the estimated cash flows can deviate significantly from the actual realized cash flows. The terminal value is calculated as the net present value of the expected net cash flow in year five over the remaining useful life of the assets, adjusted for growth.

For the fiscal years 2015 and 2014 the value in use for the cash generating units are based on the following key assumptions:

	Discount rate after tax (WACC) in %		Discount rate pre tax (WACC) in %		Nominal growth in terminal value in %	
	Year ended 31.03.2016	Year ended 31.12.2014	Year ended 31.03.2016	Year ended 31.12.2014	Year ended 31.03.2016	Year ended 31.12.2014
Norway	4,8	6,8	5,1	8,6	2,0	3,0
Chile	7,9	8,5	9,1	10,8	2,0	3,0
Canada	5,4	7,3	5,9	9,2	2,0	2,0

The Group has in the calculations applied estimated cash flows after tax and corresponding discount rate after tax. The recoverable amounts would not change significantly if pre-tax cash flows and pre-tax discount rates had rather been applied.

Sensitivities

The Group has carried out sensitivity analyses by considering changes in volume, operating profit via salmon prices and production cost and discount rates. These are considered the most important assumptions for the long-term expectations for the industry in general and the cash generating units in particular. The management's present plans and forecasts as well as the market's expectations have also been taken into consideration.

Volume – The assumptions are based on present production capacity and planned capacity utilization.

Operating profit – The margin is defined as operating profit before fair value adjustments of biological assets. The salmon prices and the company's own production costs are the significant factors that impact the operating profit. This profit is reflected by estimating the operating profit per kilogram which is based on the companies' long-term expectations of production costs and future market development. These may vary from achieved margins in the short-term mainly due to price fluctuations.

Discount rate – Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The company's weighted capital cost intends to reflect its targeted long-term capital structure of equity and debt, typically 50 and 50 percent respectively. In Chile, where a local risk-free yield does not exist, the WACC rate used in discounting the future cash flows are based on a US 10-year risk-free interest rate adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, gearing, corporate tax rate and asset beta.

The long-term assumptions are assessed on an ongoing basis and the assumptions applied in future impairment tests may vary from those applied in the fiscal year 2015. The Group has a continuously review process, which includes sensitivity analysis and analysis of actual results achieved compared to long-term assumptions, to assess whether the long-term base case assumptions continue to correctly reflect expectations.

On the basis of this analysis, management believes that there is no need for impairment of the carrying value of goodwill and fish farming licenses at 31 March 2016.

NOTE 14
Property, plant and equipment

Amounts in NOK 1 000

	Machinery, fixtures, vehicles, etc.	Buildings	Land	Construction in progress	Total
Historical cost 01.01.2014	**2 770 293**	**754 756**	**101 922**	**279 848**	**3 906 818**
Additions, cost price	135 930	6 861	350	239 430	382 570
Disposals, cost price	(151 371)	(681)	–	–	(152 052)
Transfers [1)]	203 837	61 500	(46)	(265 311)	(19)
Transfer to/(from) assets held for sale	1 381	(3 019)	–	–	(1 638)
Currency effect	364 862	134 995	15 823	33 464	549 144
Historical cost 31.12.2014	**3 324 932**	**954 412**	**118 048**	**287 431**	**4 684 824**
Historical cost 01.01.2015	**3 324 932**	**954 412**	**118 048**	**287 431**	**4 684 824**
Additions, cost price	185 708	5 125	2 586	391 608	585 027
Disposals, cost price	(60 802)	(12 460)	(431)	(10 441)	(84 134)
Transfers [1)]	158 171	79 286	61	(241 695)	(4 176)
Transfer to/(from) assets held for sale	–	–	–	–	–
Currency effect	184 541	82 826	8 496	16 511	292 374
Historical cost 31.03.2016	**3 792 550**	**1 109 188**	**128 760**	**443 416**	**5 473 915**
Accumulated depreciation 01.01.2014	**(1 668 417)**	**(290 329)**	**(246)**	**–**	**(1 958 992)**
Ordinary depreciation continuing operations	(246 464)	(45 824)	–	–	(292 288)
Accumulated depreciation on disposals	147 019	613	–	–	147 633
Transfers [1)]	–	–	–	–	-
Transfer to/(from) asset held for sale	(1 016)	1 548	–	–	532
Currency effect	(238 640)	(48 751)	–	–	(287 391)
Accumulated depreciation 31.12.2014	**(2 007 517)**	**(382 743)**	**(246)**	**–**	**(2 390 506)**
Accumulated depreciation 01.01.2015	**(2 007 517)**	**(382 743)**	**(246)**	**–**	**(2 390 506)**
Ordinary depreciation continuing operations	(388 359)	(76 449)	–	–	(464 807)
Accumulated depreciation on disposals	58 692	5 816	–	–	64 508
Transfers [1)]	(205)	–	–	–	(205)
Transfer to/(from) asset held for sale	67	2 213	139	–	2 419
Currency effect	(119 778)	(30 865)	–	–	(150 643)
Accumulated depreciation 31.03.2016	**(2 457 100)**	**(482 027)**	**(107)**	**–**	**(2 939 234)**
Useful life [2)]	3 to 10 years	25 to 50 years	50 years	–	
Depreciation method	Linear	Linear	Linear	N/A	
Carrying value 31 December 2014	**1 317 415**	**571 669**	**117 802**	**287 430**	**2 294 318**
Carrying value 31 March 2016	**1 335 450**	**627 161**	**128 653**	**443 416**	**2 534 681**

1) Includes transfer from construction in progress
2) For assets under construction, depreciation is charged when the asset is ready for its intended use

Significant restrictions on titles, pledges or other contractual commitments related to property, plant and equipment is described in note 25 and 26.

NOTE 15
Investments in associated companies

Amounts in NOK 1 000

Year ended 31.03.2016	Equity interest 31.03.2016	Carrying value 01.01.2015	Share of net income for the year 1)	Dividend	Additions or deductions	Currency effect	Carrying value 31.03.2016
Fish farming							
Ballangen Sjøfarm AS	30,00 %	27 547	6 968	(3 000)	–	–	31 515
Silver Seed AS	50,00 %	654	(111)	–	(543)	–	–
Ranfjord Fiskeprodukter AS	37,35 %	20 236	2 256	–	–	–	22 492
Nordnorsk Stamfisk AS	25,00 %	15 892	2 329	–	–	–	18 220
Total fish farming		**64 329**	**11 441**	**(3 000)**	**(543)**	**–**	**72 227**
Other activities							
Myre Bedriftsbarnehage	34.00%	331	170	–	–	–	501
San Francisco Trading Japan	30.77%	7 041	(3 778)	–	–	90	3 353
Total other activities		**7 372**	**(3 608)**	**–**	**–**	**90**	**3 854**
Total		**71 700**	**7 833**	**(3 000)**	**(543)**	**90**	**76 081**
Gain from sale of Silver Seed AS			1 256				
Sum share of net income from associates			**9 089**				

1) Share of net income is based on preliminary reporting from associated companies, adjusted for any final share of net result from previous year.

In July 2015 Cermaq sold their shares in Silver Seed AS for NOK 1.8 million. A gain of NOK 1.3 million has been included in the Cermaq consolidated financial statements in the fiscal year 2015. The investment in Silver Seed AS was held via the subsidiary Cermaq Norway AS.

Amounts in NOK 1 000

Year ended 31.12.2014	Equity interest 31.12.2014	Carrying value 01.01.2014	Share of net income for the year 1)	Dividend	Additions or deductions	Currency effect	Carrying value 31.12.2014
Fish farming							
Ballangen Sjøfarm AS	30.00%	23 441	7 105	(3 000)	–	–	27 547
Silver Seed AS	50.00%	2 115	(1 461)	–	–	–	654
Ranfjord Fiskeprodukter AS	37.35%	19 582	655	–	–	–	20 236
Nordnorsk Stamfisk AS	25.00%	2 460	3 682	–	9 750	–	15 892
Total fish farming		**47 598**	**9 981**	**(3 000)**	**9 750**	**–**	**64 329**
Other activities							
Myre Bedriftsbarnehage	34.00%	331	–	–	–	–	331
San Francisco Trading Japan	30.77%	8 409	(3 200)	(277)	–	2 109	7 041
Total other activities		**8 740**	**(3 200)**	**(277)**	**–**	**2 109**	**7 372**
Total		**56 338**	**6 781**	**(3 277)**	**9 750**	**2 109**	**71 700**

1) Share of net income is based on preliminary reporting from associated companies, adjusted for any final share of net result from previous year.

None of the associated companies are listed. The Group's share of income from associates is recognized in the profit and loss statement net of tax as "Share of net income from associates". Please refer to note 27 for transactions with related parties.

Summary of preliminary financial information for material associated companies, not adjusted for the percentage equity interest held by the Group:

Amounts in NOK 1 000

Year ended 31.03.2016	Total assets 31.03.2016	Total liabilities 31.03.2016	Total equity 31.03.2016	Operating revenues	Result for the year
Ballangen Sjøfarm AS	104 942	11 718	93 224	99 752	23 227
Silver Seed AS	–	–	–	–	(222)
Ranfjord Fiskeprodukter AS	62 023	39 280	22 743	42 944	6 039
Nordnorsk Stamfisk AS	324 088	240 607	83 481	69 332	9 314
Myre Bedriftsbarnehage	2 902	1 406	1 496	–	501
San Francisco Trading Japan	126 635	121 737	4 906	764 813	(12 279)

Amounts in NOK 1 000

Year ended 31.12.2014	Total assets 31.12.2014	Total liabilities 31.12.2014	Total equity 31.12.2014	Operating revenues	Result for the year
Ballangen Sjøfarm AS	89 243	18 195	71 048	79 614	23 684
Silver Seed AS	38 284	35 387	2 897	15 674	(2 921)
Ranfjord Fiskeprodukter AS	64 032	45 460	18 572	45 217	1 753
Nordnorsk Stamfisk AS	173 499	110 980	62 519	83 983	14 727
Myre Bedriftsbarnehage	3 098	2 003	1 095	–	–
San Francisco Trading Japan	153 362	137 997	15 364	423 655	(10 398)

NOTE 16
Other receivables

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Other non-current receivables	**59 131**	**119 579**
Prepaid income tax	**91 782**	**88 806**
Prepaid expenses	70 201	52 176
Prepaid public duties	60 987	100 783
Other current receivables	163 548	69 379
Total other current receivables	**294 736**	**222 337**
Total other receivables	**445 649**	**430 722**

Other non-current receivables mainly include the second instalment of the contingent consideration from the sale of EWOS. The gross amount of NOK 100 million will be received in two equal instalments at the end of 2016 and 2017. The discounted value recognized as non-current receivables is NOK 46.4 million.

Other receivables are measured at amortized cost using the effective interest method, less any impairment.

The line "Other current receivables" includes prepaid rentals, accrued revenues and miscellaneous other receivables. The increase in other current receivables is mainly due to the first instalment of the contingent consideration from the sale of EWOS, and the discounted value recognized as current receivables is NOK 48.5 million.

The Group's exposure to credit risks related to other receivables is disclosed in note 23.

NOTE 17
Cost of raw material and inventories

Amounts in NOK 1 000

Cost of raw materials	Year ended 31.03.2016	Year ended 31.12.2014
Cost of raw materials	4 742 690	2 346 800
Write-down of inventories	(68 933)	93 866
Other material cost	1 240	5 804
Cost of materials	**4 674 997**	**2 446 471**
Write-down of biological assets	**134 444**	**-**
Total cost of materials	**4 809 442**	**2 446 471**

In 2014 NOK 93.9 million in write-down of inventories is related to frozen stocks in Chile. In the fiscal year 2015 there has been a reversal of the earlier write-down in Chile due to better market conditions for frozen fish.

In the fiscal year 2015, both Chile and Norway recorded incident-based mortality losses. Chile recognized a write-down of NOK 116 million, mainly related to a harmful algae-bloom event in February 2016 causing mortality losses of 2.6 million fish. A write-down of biological assets of NOK 18 million was recognized in Norway mainly due to high mortality following disease in Finnmark. Incident-based mortality is accounted for when a site either experiences elevated mortality over time or substantial mortality due to an incident at the farm (outbreak of disease, lack of oxygen etc.). The biological assets in the Group are adequately insured in all operating companies.

Amounts in NOK 1 000

Inventories in the statement of financial position	31.03.2016	31.12.2014
Raw materials	152 464	163 605
Finished goods	199 334	671 319
Total inventories	**351 798**	**834 924**

Finished goods are recognized at historical cost in accordance with IAS 2 Inventories, which include fair value less estimated costs to sell at the time of harvest. The decrease in finished goods relates to reduction of frozen fish in Chile. For fair value adjustment of biological assets, see note 18.

NOTE 18
Biological assets

Biological assets are inventories of live fish held in tanks, cages and pens at locations in Norway, Chile and Canada. The table below shows the biological assets held at year-end split between harvestable and non-harvestable fish.

Tonnes (live weight)

	31.03.2016	31.12.2014
Non-harvestable fish	50 503	63 134
Harvestable fish	28 828	47 113
Total	**79 331**	**110 247**

In practice, the average weight at harvest varies from site to site and period to period. The designations shown in the table above represent typical minimum harvest weights defined as > 4.0 kilo for Atlantics and > 2.5 kilo for Coho and trout. Fish below these weights are defined as non-harvestable. Non-harvestable fish also comprise brood stock, smolts and fry. There is more uncertainty related to the valuation of small fish than harvestable fish, due to time to harvest.

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Cost of biological assets	2 591 369	3 042 737
Fair value adjustments	992 111	282 932
Total biological assets	**3 583 480**	**3 325 668**

The increase in fair value adjustment of biological assets is due to increased market prices for Atlantic salmon in all of Cermaq's main markets.

Amounts in NOK 1 000

Movements in biological assets	Year ended 31.03.2016	Year ended 31.12.2014
Biological assets at 01.01	**3 325 668**	**3 459 595**
Increase due to production	5 269 403	3 168 795
Decrease due to sales/harvest/mortality	(5 879 279)	(3 179 945)
Fair value adjustments on biological assets	730 077	(445 965)
Currency effect	137 611	323 188
Biological assets at 31.03.2016/31.12.2014	**3 583 480**	**3 325 668**

Tonnes (live weight)

	Year ended 31.03.2016	Year ended 31.12.2014
Biological assets at 01.01	**110 247**	**100 323**
Increase due to production	201 039	204 823
Decrease due to sales/harvest/mortality	(231 955)	(194 899)
Biological assets at 31.03.2016/31.12.2014	**79 331**	**110 247**

Valuation

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a valuation model which uses the most relevant price assumptions at the reporting date. This means that the valuation of biological assets is classified at level 3 in the valuation hierarchy in IFRS 13 *Fair value measurement*. The model used is the same for all farming companies in the Group. The estimated market price in each market is normally derived from the development in recent contracts as well as achieved spot prices. For salmon of Norwegian origin, quoted forward prices from a third-party (Fishpool) are used in the estimation, to improve reliability and comparability of the price estimation.

In the fiscal year 2015, the total effect in the income statement from changes in the unrealized fair value adjustments of biological assets was an income of 730.1 million (2014: expense of NOK 446.0 million). See also note 21 for provisions for onerous contracts.

Sensitivities

The estimate of unrealized fair value adjustment is based on several assumptions, such as biomass in the sea, expected growth rate, mortality, quality of the fish, costs and market price. Changes in these assumptions will impact the fair value calculation. In practice, the realized profit which is achieved on the sale of inventory will differ from the calculations of fair value because of changes in the final market destinations of sold fish, changes in price and cost levels, differences in quality etc. The key element in the fair value model is the assumed market price that is expected to be received in the future when the fish is harvested. A 10 percent increase in sales prices would increase fair value of biological assets by NOK 218.4 million. A change in own production costs will generally have a less impact on the fair value effect than the same change in sale price. Changes in biology might affect the quality of harvested fish, which may be reflected in profit margins via both achieved sales price and own production costs.

NOTE 19
Accounts receivable

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Accounts receivable	590 986	666 265
Provisions for doubtful receivables	(18 690)	(6 658)
Total accounts receivable	**572 296**	**659 606**

The Group's exposure to credit risks related to accounts receivable is disclosed in note 23.

NOTE 20
Cash and cash equivalents

As of 31 March 2016, total cash and cash equivalents amounted to NOK 772.2 million. The cash is held in current accounts with the Group's relationship banks.

As of 31 March 2016, the Group has NOK 0.27 million in restricted cash (31 December 2014: NOK 0.45 million). This is mainly related to Fish Pool collaterals.

As of 31 March 2016, the Group has an overdraft and guarantee facility of NOK 250.0 million at Danske Bank.

The Group's exposure to foreign exchange and interest rate risk is disclosed in note 23.

NOTE 21
Other non-interest bearing current liabilities

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Taxes payable	**197 682**	**88 636**
Social security taxes and VAT	8 270	14 957
Accrued expenses	237 970	198 622
Provision for onerous contracts	72 258	–
Other current liabilities	34 745	1 601
Other non-interest bearing current liabilities	**353 244**	**215 180**
Total other current liabilities	**550 926**	**303 815**

Accrued expenses are mainly related to holiday pay and bonuses as well as other operational accruals.

Provision for onerous contracts is related to fixed price sale contracts in Cermaq Norway, where provisions are made to the extent where the fixed price is lower than the market price. The market price is used for the fair value adjustments of biological assets. See also note 18.

Other non-interest bearing current liabilities are classified as financial liabilities measured at amortized cost.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

NOTE 22
Interest bearing liabilities

This note provides information about the contractual terms of the Group's interest bearing liabilities. For an analysis of the Group's exposure to interest rates, foreign currency and liquidity risk, see note 23. For information about secured debt and book value of pledged assets, see note 26.

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Loans from Mitsubishi Corporation Finance	3 619 220	–
Credit facilities	–	2 544 196
Bonds	–	740 183
Non-current financial leases	15 740	32 682
Total interest bearing non-current liabilities	**3 634 961**	**3 317 062**
Current financial leases	13 816	19 836
Current liabilities	281 153	252 922
Total interest bearing current liabilities	**294 968**	**272 759**
Total interest bearing liabilities	**3 929 929**	**3 589 820**

The Group has moved from external funding over to funding from Mitsubishi Corporation Finance Plc (MCF) during 2015.
The Group repaid the bond in February 2015 and refinanced the credit facilities in June 2015.

The Group's interest bearing debt is classified as financial liabilities measured at amortized cost. As of 31 March 2016, total interest bearing liabilities amount to NOK 3 929.9 million.

As of 31 March 2016, the fair value of interest bearing debt is NOK 4 192.7 million. The movement in the yield curve over the period is not deemed material.

As of 31 March 2016, the average time left to maturity of the Group's debt portfolio is 4.4 years, including finance lease liabilities (2014: 3.8 years). Cermaq Group has total available credit lines and cash of around NOK 1.3 billion, of which NOK 277 million is committed long-term facilities.

Current liabilities relate mainly to borrowings under uncommitted short-term lines in Chile, as well as the short term portion of financial lease.

Amounts in NOK 1 000

	Carrying amount	Contractual payments
The maturity plan of the Group's interest bearing debt is as follows:		
Loan from Mitsubishi Corporation Finance	3 619 220	3 881 989
Non-current financial leases	15 740	15 740
Current liabilities	294 968	294 968
Total interest bearing liabilities	**3 929 929**	**4 192 698**
Available credit lines of the credit facilities	–	276 884
Other available credit lines	–	205 303
Total available credit lines	**–**	**482 187**

Amounts in NOK 1 000

Maturity analysis – contractual payments	2016	2017	2018	2019	2020	After 2020
Loan from Mitsubishi Corporation Finance	54 990	54 990	54 990	779 990	2 937 030	–
Non-current financial leases	–	7 453	2 805	402	402	4 679
Current liabilities	294 968	–	–	–	–	–
Total interest bearing liabilities	**349 958**	**62 442**	**57 795**	**780 392**	**2 937 432**	**4 679**

The difference between carrying amount and total expected payments in the table above is due to interest liability over the period. The contractual payments do not reflect roll-overs dates of loans drawn, but are based on the maturity date of the credit facilities, and include the corresponding interest liability over the period.

NOTE 23
Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments; market risk, liquidity risk and credit risk. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Cermaq's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due.

Financial risk management is carried out by Group Treasury under financial risk management policies approved by the Board of Directors. These policies cover areas such as funding, foreign exchange risk, interest rate risk, credit risk, insurance coverage, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Market risk
Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices of financial instruments.

Currency risk
Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified:

Translational exposure
Being a multinational group, Cermaq faces currency risk arising from the translation of subsidiaries whose functional currency differs from the presentation currency of the Group. Translational exposure does not give rise to an immediate cash effect, however as it may impact the Group's financials, it is closely monitored. The Group seeks to mitigate balance sheet exposure by funding assets with borrowing denominated in the same currency. The exposure related to equity of foreign subsidiaries is generally not hedged.

Transactional exposure
Most of the operating companies in the Group are exposed to changes in the domestic value received or paid under foreign currency denominated committed transactions. Exposure arises mainly from export sales from Norway and Canada where future operational cash flows are denominated in EUR and USD. At a Group level this exposure is mitigated by diversification, as companies within the Group have individual exposures that to a certain extent offset each other. Transaction risk exposure is only hedged if the cash flow is predictable or the exposure is considered significant. The residual effect of adverse movements in foreign currency rates on transaction streams could negatively impact the results and financial position of the Group.

The table below summarizes the foreign currency exposure on the net monetary position of all Group entities against their functional currency. The exposure on translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Amounts in NOK 1000

Sensitivity analysis

Year ended 31.03.2016	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD	Profit & Loss
Net exposure	151 345	17 201	(11 681)	105 032	56 563	
Historical volatility	**4%**	**5%**	**6%**	**5%**	**3%**	
Total effect on Profit of + movements	6 547	876	(678)	5 064	1 505	13 314
Total effect on Profit of - movements	(6 547)	(876)	678	(5 064)	(1 505)	(13 314)

Year ended 31.12.2014	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD	Profit & Loss
Net exposure	69 978	23 282	13 775	87 592	324	
Historical volatility	**3%**	**6%**	**4%**	**2%**	**6%**	
Total effect on Profit of + movements	1 963	1 472	544	1 852	18	5 849
Total effect on Profit of - movements	(1 963)	(1 472)	(544)	(1 852)	(18)	(5 849)

The analysis is based on the currencies the Group is most exposed to at the end of March 2016.

The reasonable shifts in exchange rates in the table above are based on historical volatility. If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be NOK 13.3 million (2014: NOK 5.9 million). The Group does not hedge transaction exposure in the financial markets as a general rule. Currency protection measures may be allowed to prevent situations of financial distress, in those cases where the exposure cannot be effectively reduced by use of operational hedges.

Economic currency exposure

The Group is exposed to the risk that medium/long-term trend shifts in exchange rates might affect its competitive position. This strategic currency exposure is regularly monitored, but as the exposure is currently considered limited it is not actively hedged.

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group does not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to avoid situation of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is limited to hedge existing exposures and purely speculative transactions are not allowed.

As per 31 March 2016, the Group has two interest rate swap agreements with the underlying total of NOK 500 million, effectively reducing interest rate exposures on NOK denominated liabilities. The interest rate swaps qualify for hedge accounting, and changes in fair value of these instruments are reported in other comprehensive income.

As of 31 March 2016, fair value of the NOK interest rate swap agreements is negative and amounts to NOK 22.7 million. All interest rate swaps have quarterly settlements that match the roll-overs of the Group's NOK denominated interest bearing liabilities.

Currency	Amount (million)	Cermaq pays	Cermaq receives	Start	Maturity	Fair value (milion NOK)
NOK	250	fixed 2.100%	3M nibor	August 2014	May 2019	(11,3)
NOK	250	fixed 2.107%	3M nibor	August 2014	May 2019	(11,4)

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive significant changes in the fair value of outstanding debt.

The table below shows the Group's interest bearing debt split by currency, as well as average interest rates and the average time until the next interest rate adjustments:

Amounts in NOK 1 000

Loan portfolio by currency	31.03.2016	31.12.2014	Average fixing of interest rates	Average interest rates
USD	3 187 628	2 843 192	3 months	1,73 %
NOK	742 301	746 628	3 months	2,18 %
Interest bearing debt	**3 929 929**	**3 589 820**	**3 months**	**1,82 %**
Cash and cash equivalents	772 172	356 114		
Net interest bearing debt	**3 157 757**	**3 233 705**		

Amounts in 1000 NOK

Sensitivity analysis for variable rate instruments	Income statement		Other comprehensive income	
Year ended 31.03.2016	100 BPS increase	100 BPS decrease	100 BPS increase	100 BPS decrease
Variable rate instruments	(39 299)	39 299	–	–
Interest rate swap	5 000	(5 000)	15 409	(15 409)
Interest rate sensitivity	**(34 299)**	**34 299**	**15 409**	**(15 409)**

Sensitivity analysis for variable rate instruments	Income statement		Other comprehensive income	
Year ended 31.12.2014	100 BPS increase	100 BPS decrease	100 BPS increase	100 BPS decrease
Variable rate instruments	(35 898)	35 898	–	–
Interest rate swap	12 562	(12 562)	46 707	(46 707)
Interest rate sensitivity	**(23 336)**	**23 336**	**46 707**	**(46 707)**

A 100 basis points increase in interest rate at the reporting date would have a negative impact on profit and loss amounting to NOK 34.3 million (2014: NOK 23.3 million), and at the same time increased the market value of outstanding interest rate derivatives by NOK 15.4 million (2014: NOK 46.7 million). The latter would impact other comprehensive income due to hedge accounting. This analysis assumes that all other variables remain constant.

Other price risk

The farming business is sensitive to fluctuations in the spot prices of salmon, which is determined by global supply and demand. The impact of changes in salmon prices is normally mitigated by specie mix, long-term contracts and financial contracts, however due to long production cycles it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot price, although this would vary with different markets and with the market position of the company.

Liquidity risk

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines provided by Mitsubishi Corporation Finance or relationship banks with good credit rating and through maintaining sufficient liquid assets with the same banks.

The Group seeks to maintain medium term committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover medium sized acquisitions and unforeseen movements in cash requirements.

The committed credit facilities are supplemented by short-term overdrafts and borrowing lines in the operating companies. As of 31 March 2016, the Group had significant unused long term headroom under the Facilities provided by Mitsubishi Corporation Finance. In addition, as the group secured a short-term overdraft and guarantee facility NOK 250.0 million provided by Danske Bank. Please also refer to note 22 for information on committed credit facilities, available credit lines and maturity of interest bearing debt. Other short-term debt is specified in note 21.

Cermaq's overall liquidity as of 31 March 2016 and 31 December 2014 (see note 20) included NOK 772.2 million and NOK 356.1 million, respectively, of cash and cash equivalents held in various currencies.

Credit risk

Credit risk represents the accounting loss that would have to be recognized if other parties failed to perform as contracted and is related to financial instruments such as cash and cash equivalents, receivables and derivative financial instruments.

The Board has approved a Group-wide credit management policy governed by Cermaq credit committee. Cermaq credit committee is responsible for approving credit limits to large customers with credit limits above a NOK 50 million threshold, or payment terms exceeding 90 days. Below the authorisation level of Cermaq credit committee, the Managing Directors of each operating company are responsible for granting credit limits to the individual operating units.

To mitigate credit risk the operating companies demand cash settlements on their export sales, and if this solution is not commercially viable, credit insurance is purchased, thus reducing the actual risk on outstanding receivables significantly. Recoverable VAT included in the balance also reduces the risk. In addition to such risk mitigating measures, the Group focus on detailed credit management in operating companies supported by regular follow up by central functions.

Concentration of credit risk is at the outset not considered significant since the Group's customers operate in different market segments and geographic areas. Counterparty risk against financial institutions is not considered significant due to limited liquid assets and low traded volume in derivatives. For these transactions, the Group relies mostly upon relationship banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Amounts in NOK 1 000

Exposure to credit risk	Notes	31.03.2016	31.12.2014
Accounts receivable	19	572 296	659 606
Other receivables	16	445 649	430 722
Cash and cash equivalents	20	772 172	356 114
Total		**1 790 117**	**1 446 442**

Cermaq has implemented a Group-wide cash management policy with the overall objective of minimizing cash holdings while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The policy allows cash management investments in securities having a credit rating equal to or better than A+/A1 or equivalent, with a limit to how much can be invested in each security.

The Group does not make extensive use of financial derivatives and in those cases where it is deemed appropriate to hedge an existing exposure on the financial markets, agreements are entered into with one of the Group's relationship banks. Salmon futures are traded at the regulated market place Fish Pool and no bilateral positions are taken as all contracts are cleared by NOS.

Capital management

The Group's objective when managing capital is to maintain a capital structure able to support the operations. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position and for this reason the Board of Directors have established as policy that the consolidated equity ratio shall at no time be lower than 45 percent. At 31 March 2016, the Group's equity ratio was 46.1 percent.

At 31 March 2016, net interest bearing debt amounted to NOK 3 157.8 million.

Note 22 provide an overview of the debt's maturity profile and information on the debt's financial covenants. The Group is currently mainly financed by Mitsubishi Corporation Finance.

There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Categories and fair value of financial instruments

Fair value of financial instruments

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies per category as described below. The Group's financial instruments are classified in the category «loans and receivables», «available for sale», «financial liabilities at amortized cost» and «fair value through profit or loss» (derivatives).

The Group uses the fair value hierarchy with levels as defined below, and that reflects the input used in the preparation of the measurements.

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The carrying amount of accounts receivable, other receivables, other long-term receivables and other current liabilities are considered to be a reasonable approximation of fair value. Discounting is not expected to have any significant effect on this class of financial instruments.

Fair values of financial assets classified as «available for sale» are estimated using accepted valuation models (discounting of future cash flows).

Fair value of the Group's interest bearing debt has been measured based on level 2 inputs (inputs other than quoted prices that are observable for the liability such as interest rates and credit spreads).

Fair value of interest rate swaps and currency forwards are estimated based on calculating the net present value of future cash flows, using relevant observed swap curves and currency rates (level 2 inputs).

The fair value of cash and cash equivalents is assessed to be equal to the nominal amount.

NOTE 24
Litigation

On 1 April 2014, a lawsuit was served on Cermaq Chile. The plaintiff is the former majority owner of the company Cultivos Marinos Chiloé S.A. (CMC), which was acquired by Cermaq in October 2012. The seller claims Cermaq for damages from alleged reduction of the purchase price in the negotiation phase. The claim is estimated to be approximately USD 85 million. The final purchase price was mutually agreed by the parties after negotiations held in Oslo. Cermaq and Cermaq's lawyer find the lawsuit to be without sufficient legal fundament and consequently no provision has been made. In January 2015, the Court approved Cermaq's preliminary defence and ordered the plaintiffs to amend their complaint. Cermaq filed the defence on the merits in December 2015, and its answer to López rejoinder was filed in March 2016. Several appeals on incidental decisions have been filed and resolved in between, and the evidence period is expected to begin in the second semester of 2016.

NOTE 25
Commitments

The Group has entered into agreements with fixed payment commitments in respect of the following as of 31 March 2016 (and 31 December 2014):

Amounts in NOK 1 000

	01.01.2015 31.03.2016	01.04.2016 31.03.2017	01.04.2017 31.03.2018	01.04.2018 31.03.2019	01.04.2019 31.03.2020	01.04.2020 31.03.2021	After 31.03.2021
Total operating leases	(530 482)	(124 250)	(137 316)	(127 898)	(98 449)	(81 587)	(61 152)
Total contractual purchases	–	(150 284)	–	–	–	–	–
Total contractual investments	–	(308 840)	(20 497)	–	–	–	–
Total	**(530 482)**	**(583 374)**	**(157 813)**	**(127 898)**	**(98 449)**	**(81 587)**	**(61 152)**

Amounts in NOK 1 000

	2014	2015	2016	2017	2018	2019	After 2019
Total operating leases	(409 112)	(76 513)	(72 860)	(59 586)	(44 633)	(45 539)	(36 879)
Total contractual purchases	–	(226 572)	(16 671)	(16 671)	(13 680)	–	–
Total contractual investments	–	(212 487)	(106 965)	(10 200)	–	–	–
Total	**(409 112)**	**(515 572)**	**(196 496)**	**(86 457)**	**(58 313)**	**(45 539)**	**(36 879)**

The overview does not include agreements without binding minimum purchase. Contractual purchases of goods and services are related to deliveries of smolt and feed. Contractual investments are mainly related to building of a smolt facility in Norway.

NOTE 26
Pledges and guarantees

In June 2015, Cermaq Group AS refinanced the Group credit facilities and in that occasion removed all security on assets.

As of December 2014, Cermaq had agreed to pledge assets in favour of the Syndicated banks in connection with the refinancing of the loan facilities. The security package included share pledges, assignment of intercompany loans and charges over real estate, licenses, biomass, operating assets, receivables and inventories.

As of 31 December 2014 security in relevant assets was established for the Group with a corresponding total book value of NOK 8 452.1 million. Furthermore, the relevant Group entities established pledge of shares in subsidiaries and assignment of intercompany loans. The loan agreement also contains negative pledge clauses that prevent Cermaq Group AS and its subsidiaries from allowing security on their assets in favour of other lenders that in aggregate exceed USD 25.0 million. Group companies had also restrictions for providing financial support to third parties, including the granting of loans or issuance of guarantees.

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Liabilities secured by mortgage		
Liabilities to financial institutions	–	2 544 196
Total liabilities secured by mortgage	**–**	**2 544 196**
Book value of assets pledged as security		
Property, Plant and Equipment		
operating assets		1 550 364
freehold real estate	–	300 478
Inventories	–	833 849
Biological assets	–	3 325 668
Accounts receivables	–	645 556
Fish farming licenses	–	1 796 164
Total assets pledged as security	**–**	**8 452 078**

Purchased bank guarantees amount at year-end to NOK 44.7 million and are issued by Danske Bank under the Group's overdraft and guarantee facility (see also note 20).

NOTE 27
Transactions with related parties

The table below provides details of transactions with related parties:

Amounts in NOK 1 000

		Year ended 31.03.2016		Year ended 31.12.2014	
Related party	Transaction	Sales to	Purchases from	Sales to	Purchases from
Silver Seed AS [1)]	Smolt	120	(2 324)	512	(9 967)
Ballangen Sjøfarm AS	Processing services	60 189	(136 388)	51 584	(107 332)
Randfjord Fiskeprodukter AS	Smolt	–	(18 118)	–	(18 287)
Nord Norsk Stamfisk AS	Processing services	51 313	(59 755)	39 978	(48 854)
SFTJ (San Francisco Trading Japan)	Sale of goods	26 890	–	44 907	–

1)) Transactions with Silver Seed AS in the period as associated company until July 2015, see also note 15.

The Group had no significant liabilities or receivables to/on the above listed associated companies as of 31 March 2016 and 31 December 2014. All transactions with related parties are priced on an arm's length basis and there are no specific conditions.

In addition to the transactions stated in the table above Cermaq is financed through Mitsubishi Corporation Finance, see note 22.

Transactions with subsidiaries have been eliminated in the consolidated financial statements and do not represent related party transactions.

NOTE 28
Subsequent events

There are no significant subsequent events for the Group since 31 March 2016.

ANNUAL ACCOUNTS
CERMAQ GROUP AS

YEAR ENDED 31 MARCH 2016

Cermaq Group AS
STATEMENT OF INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2016 1)	Year ended 31.12.2014 2)
Operating revenues		79 300	76 286
Gain on sale of fixed assets		71	43 937
Personnel expenses	2, 3	(89 008)	(78 474)
Depreciations and amortisations	7, 8	(11 489)	(8 183)
Other operating expenses	4	(72 044)	(85 365)
Operating result		**(93 170)**	**(51 800)**
Net financial income/(expense)	5	153 764	70 215
Net foreign exchange gain/(loss)	5	49 014	177 594
Gain/(loss) on sale of financial instruments	5	11 226	(29 859)
Financial items, net		**214 004**	**217 950**
Net income/(loss) before taxes		**120 834**	**166 150**
Income taxes	6	16 191	(59 303)
Net income/(loss)		**137 025**	**106 847**
Allocated to other equity		137 025	106 847
Total allocation of net income/(loss) for the period	14	**137 025**	**106 847**

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12.

Cermaq Group AS
STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1 000

	Notes	31.03.2016	31.12.2014
ASSETS			
Deferred tax assets	6	3 031	–
Other intangible assets	7	5 696	17 591
Total intangible assets		**8 727**	**17 591**
Property, plant and equipment	8	**12 435**	**17 530**
Investments in subsidiaries	9	1 466 225	424 423
Non-current receivables on group companies	11	–	1 542 503
Other non-current receivables	12	46 363	89 794
Total financial fixed assets		**1 512 587**	**2 056 719**
Total non-current assets		**1 533 750**	**2 091 841**
Accounts receivables		1 930	10
Other current receivables		64 909	47 069
Current intercompany receivables	10	116 885	121 839
Cash and cash equivalents	13	3 310	66 038
Total current assets		**187 034**	**234 956**
TOTAL ASSETS		**1 720 784**	**2 326 797**
EQUITY AND LIABILITIES			
Share capital	14	924 983	925 000
Treasury shares	14	–	(17)
Total paid-in capital		**924 983**	**924 983**
Other equity	14	540 673	405 450
Total equity		**1 465 657**	**1 330 433**
Pension liabilities	3	49 032	45 146
Deferred tax liabilities	6	–	45 899
Total provisions		**49 032**	**91 045**
Interest bearing non-current liabilities	15, 19	–	740 183
Non-current intercompany liabilities	11	37 722	41 490
Total non-current liabilities		**86 754**	**872 718**
Accounts payables		3 025	30 101
Income tax	6	32 139	–
Other current liabilities	17	29 660	29 992
Current intercompany liabilities	10	103 549	63 552
Total current liabilities		**168 372**	**123 645**
TOTAL EQUITY AND LIABILITIES		**1 720 784**	**2 326 797**

Oslo, 23 June 2016

Yu Sato
Chair

Kiyotaka Kikuchi
Director

Yasumasa Kashiwagi
Director

Helge Midttun
Director

Jon Hindar
Director
Chief Executive Officer

Jan-Robert Røli-Gjervik
Director
(employee elected)

Ketil Olsen
Director
(employee elected)

Torgeir Nilsen
Director
(employee elected)

Cermaq Group AS

STATEMENT OF CASH FLOW

Amounts in NOK 1 000

	Notes	Year ended 31.03.2016 [1)]	Year ended 31.12.2014 [2)]
Net income/(loss) before taxes		**120 834**	**166 150**
(Gain)/loss on sale of tangible and intangible assets		5 373	(43 937)
Depreciations and amortisations	7, 8	11 489	8 183
Change in fair value of financial assets and gain of shares sold	5	(11 226)	29 859
Income taxes paid		–	(6 066)
Finance items, net		(108 830)	(164 889)
Recognised dividend and group contribution	5, 6	(260 926)	(83 011)
Change in accounts receivable and accounts payable		(18 868)	8 929
Change in other current operating assets and liabilities		11 035	(26 643)
Net cash flow from operating activities		**(251 120)**	**(111 425)**
Proceeds from sale of property, plant and equipment (PPE) and intangible assets		127	52 156
Purchases of PPE and intangible assets	7, 8	(12)	(21 301)
Proceeds from sales of businesses, net of cash disposed		–	(17 642)
Purchases of shares and other investments		(19 556)	–
Change in loans to group companies	11	–	(148 258)
Net cash flow from investing activities		**(19 441)**	**(135 045)**
Proceeds from borrowings		–	1 325 000
Payment of borrowings		(750 000)	(575 000)
Net change in interest bearing debt from group companies		735 662	58 768
Net change in drawing facilities		39 646	(90 936)
Interest received		692	5 723
Interest paid		(17 317)	(33 277)
Received other financial items		33 157	43 651
Paid out other financial items		(78 841)	(44 316)
Received group contribution	6	77 924	217 904
Dividend received		166 909	–
Dividend paid		–	(4 883 807)
Change in treasury shares		–	153
Net cash flow from financing activities		**207 833**	**(3 976 137)**
Net change in cash and cash equivalents for the period		**(62 728)**	**(4 222 607)**
Cash and cash equivalents at the beginning of the period	13	66 038	4 288 645
Cash and cash equivalents at the end of the period	13	**3 310**	**66 038**

1) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.
2) 12 months calendar year 2014, from 01.01 to 31.12.

Cermaq Group AS

NOTE 1
Accounting principles

Financial statements for Cermaq Group AS have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

The accounting principles described in this section are applied to Cermaq Group AS only and do not necessarily describe the principles applied to the Cermaq Group consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are valued in accordance with the cost method. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the cause for the impairment loss ceases subsequent.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends/group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Revenue recognition

Services are taken to income at the time of delivery. Cermaq Group AS operates the cash pooling arrangements in the Group. Further, Cermaq Group AS provides loans to subsidiaries at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk. In addition, Cermaq Group AS allocates cost for corporate staff services and shared services to subsidiaries.

Rental income is recognised as incurred.

Classification principles

Cash and cash equivalents are defined as cash and bank deposits.

Current assets and current liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as property, plant and equipment/non-current liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognised at nominal value.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable at the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Accounts receivables

Receivables from customers are recorded at their nominal value less deductions for any incurred losses.

Property, plant and equipment

Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life. Property, plant and equipment are carried at cost less accumulated depreciation and impairment write-downs.

Depreciations commence from the point in time when an asset is ready for its intended use. Depreciation is calculated based on the useful life of the asset.

Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

Gains or losses from the sale of property, plant and equipment are calculated as the difference between sales price and carrying value at the date of sale. Gains and losses are recognised as operating revenues or losses.

Pension costs and pension obligations

Norwegian companies are required by law to have a service pension plan according to the mandatory occupational pensions act. Cermaq Group AS' pension schemes are in compliance with the law.

Defined benefit plans

In accordance with NRS 6, the company has chosen to book pension obligations in accordance with IAS 19. Cermaq Group AS has booked the pension liabilities in accordance with IFRS since the Group's transition to IFRS in 2005.

Please refer to note 2 in the Cermaq Group accounts disclosures for a further description of the defined benefit plans.

Defined contribution plans

In 2006, the company transferred to defined contribution plans for "kollektiv tjenestepensjon". The contributions are given to the pension plan for all full-time employees, and represent 3% to 6% of salary. The company's premiums to the defined contribution plans are recognised in the income statement for the year to which the contribution applies, with no further liability for the company.

Financial assets and liabilities

Cermaq Group AS implemented in 2009 the preliminary standard on financial assets and liabilities. According to the standard, companies can choose between recognising financial instruments at fair value or off balance sheet accounting. Cermaq Group AS has chosen to follow the latter.

Taxation

The income tax expense consists of taxes payable and changes to deferred tax.

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date, which implies increased or decreased taxes payable when these differences reverse in future periods. Temporary differences are differences between taxable profits and financial results that occur in one period and reverse in a subsequent period. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

Deferred tax is calculated applying the nominal tax rate to temporary differences and accumulated tax losses carried forward.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Cash flow statement

The cash flow statement is presented using the indirect method. The cash flow statement analyses the company's overall cash flow by operating, investment and financing activities. The statement shows the effect of operations on cash and cash equivalents.

Use of estimates

Preparation of the financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of assets and liabilities on the balance sheet and reported revenues and expenses for the accounting year. The actual realised values may deviate from these estimates.

NOTE 2
Wages and other personnel expenses

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Wages and salaries including holiday pay	65 742	59 639
National insurance contributions	10 169	8 926
Pension costs	7 307	5 551
Other personnel expenses	5 790	4 358
Total wages and other personnel expenses	**89 008**	**78 474**

The number of employees at year end 31 March 2016 is 40 persons (2014: 38 persons). Number of man-years during the year was 36 (2014: 49).

For details regarding remuneration for key management, please refer to note 7 in the group accounts.

NOTE 3
Pension costs and pension obligations

In November 2006, the company changed from a defined benefit plan to a defined contribution plan for active members. The pension premiums are expensed when paid, and there is no additional obligation for the company beyond the annual premium. Contributions are given in steps of 3 and 6 percent of salary. New employees/employees with salaries above 12G after 1 January 2007 have a defined Top Hat-contribution scheme with annual contribution of 15 percent of salary above 12G, while the contribution is 20 percent of salary above 12G for the CEO. Top-hat schemes for employees in the scheme at 31 December 2006, early retirement schemes and schemes for pensioners are defined benefit schemes.

Under a defined benefit scheme, the company is responsible for providing pensions to employees who are members of the schemes. These responsibilities are funded by making contributions to insurance schemes. As at 31 December 2014, there was a deficit of NOK 49.0 million related to the funding of the pension obligations.

In addition, Cermaq Group AS has responsibility for 22 pensioners. These were transferred to Cermaq Group AS as a part of the final agreement related to the sale of Stormøllen to Felleskjøpet in 1999.

Assumptions:

Financials	Year ended 31.03.2016	Year ended 31.12.2014
Discount rate/expected return on funds	2.7%	3.0%
Wage adjustment	2.5%	3.0%
Basic amount adjustment/inflation	2.3%	3.0%
Pension adjustment	1.5%	1.5%
Demographic:		
Mortality	K-2013	K-2013
Early retirement	50% at 62 years	50% at 62 years

Amounts in NOK 1 000

Pension cost	Year ended 31.03.2016	Year ended 31.12.2014
Net present value of current year's pension benefit earned	3 200	2 056
Interest cost of pension liability	1 608	1 548
Expected return on pension funds	(208)	(246)
Recognised one off effects	–	–
Administrative expenses	211	96
Accrued National Insurance contributions	653	476
Other adjustment on pension funds	–	(302)
Net accrued pension cost defined benefit schemes	**5 464**	**3 629**
Cost defined contribution scheme and other pension costs	1 843	1 921
Total pension cost	**7 307**	**5 551**

Amounts in NOK 1 000

Pension liability, including historical information	31.03.2016	31.12.2014
Projected benefit liabilities	(48 186)	(45 391)
Estimated pension funds	5 318	6 019
Net pension funds/(liabilities)	**(42 868)**	**(39 372)**
Accrued National Insurance contributions	(6 164)	(5 774)
Pension funds/(obligations)	**(49 032)**	**(45 146)**

NOTE 4
Other operating expenses

Auditor

Expensed fees from the Cermaq Group AS auditor have been as follow (excluding VAT):

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Audit fees	620	866
Fees for additional assurance services [1)]	6 466	612
Other services [2)]	–	2 410
Total fees	**7 086**	**3 888**

1) In the fiscal year 2015, fees for additional assurance services (mostly from EY) relate to audit of sustainability reporting, agreed upon procedures required by other third parties, review procedures on interim financial information, implementation of internal control procedures according to Mitsubishi Corporation's requirements and other attestation services. In 2014, fees for additional assurance services relate to audit of sustainability reporting, agreed upon procedures required by other third parties, review procedures on interim financial information and other attestation services.

2) In 2014, other services include tax compliance and advice regarding tax rules and consequences in connection with restructurings and other transactions. Some services are including VAT due to no deduction rights.

NOTE 5
Financial income/(expenses)

Amounts in NOK 1 000

	Year ended 31.03.2016	Year ended 31.12.2014
Interest income	20 311	42 816
Gain on sale of financial assets and liabilities	4 977	–
Termination of interest rate swap	6 249	–
Dividend received	166 909	–
Group contribution received	94 017	83 011
Other financial income	3 957	5 626
Total financial income	**296 420**	**131 454**
Of which related to group items	284 494	125 729
Interest expenses	(16 939)	(36 096)
Loss on sale of financial assets and liabilities	–	(29 859)
Other financial expenses	(114 491)	(25 142)
Total financial expenses	**(131 430)**	**(91 097)**
Of which related to group items	(5 509)	(4 323)
Net foreign exchange gains/losses, external	473	1 208
Net foreign exchange gains/losses, group	48 541	176 386
Net financial items	**214 004**	**217 950**

Gain on sale of financial assets and liabilities in the fiscal year 2015 and the loss on sale of financial assets and liabilities in 2014 is mainly related to the final settlement of the EWOS transaction.

Other financial expenses are higher in the fiscal year 2015, compared to 2014. This is due to the accelerated amortisation of upfront fees and cost incurred upon refinancing of credit facilities and the early redemption premium paid to the bondholders.

NOTE 6
Income taxes

Amounts in NOK 1000

Income tax expense	Year ended 31.03.2016	Year ended 31.12.2014
Taxes payable	(32 139)	(6 066)
Changes in deferred tax	48 930	(51 565)
Deferred taxes on transactions against equity	(600)	(1 672)
Total	**16 191**	**(59 303)**

Tax base calculation	Year ended 31.03.2016	Year ended 31.12.2014
Net income/(loss) before taxes [1)]	120 834	166 150
Permanent differences [2)]	(171 762)	30 909
Changes in temporary differences	179 482	(190 866)
Of which booked directly against equity	–	(6 193)
Tax base	**128 554**	**–**
Taxes payable, 25%/27 % [5)]	**32 139**	**–**

Temporary differences:	31.03.2016	31.12.2014
Property, plant and equipment	427	353
Non current receivables	–	(166 357)
Pensions 3)	49 032	45 146
Gains and losses	(37 335)	(49 138)
Net temporary differences	**12 124**	**(169 996)**
25% deferred tax asset/(liability) 5)	**3 031**	**(45 899)**

Reconciliation of the tax of the year	Year ended 31.03.2016	Year ended 31.12.2014
25%/27% tax on net income/(loss)	(31 895)	(44 861)
25%/27% tax on permanent differences	42 940	(8 345)
Change in nominal tax rate	5 326	–
Of which is change in nominal tax rate related to transactions against equity	(180)	–
Change in tax from previous years 4)	–	(6 066)
Utilization of tax credit from previous years	–	(31)
Total tax expense recorded in income statement	**16 191**	**(59 303)**

1) Recognised income related to group contribution for the fiscal year 2015 is NOK 94.0 million (2014: NOK 83.0 million).
2) In the fiscal year 2015 tax effect of permanent differences is mainly related to dividend received from Cermaq Norway AS which is not taxable income. In 2014 tax effect of permanent differences is mainly related to gain on sales of shares in EWOS, where last year´s gain was adjusted based on the final considerations. Gain on shares held by Cermaq Group AS in Norway is not taxable income.
3) Actuarial gains and losses booked directly against equity in the fiscal year 2015 and 2014 are included in the line "Pensions" in the overview of the temporary differences.
4) Adjusted tax expense 2014 is from gain on sale of shares 2013, which was considered as a taxable income by the tax authorities and presented as a non-taxable income in the financial statements 2013.
5) In 2014 and 2015, the nominal tax rate in Norway was 27 percent. In 2016, the nominal tax rate changes to 25 percent.

NOTE 7
Intangible assets

Amounts in NOK 1 000

	Software	Construction in progress	Total
Historical cost 01.01.14	**9 920**	**4 872**	**14 792**
Additions, cost price	–	7 554	7 554
Transfers and other charges [1)]	3 179	(3 179)	–
Historical cost 31.12.14	**13 099**	**9 247**	**22 346**
Historical cost 01.01.15	**13 099**	**9 247**	**22 346**
Additions, cost price	–	12	12
Disposals, cost price	–	(5 444)	(5 444)
Transfers and other charges [1)]	3 801	(3 815)	(14)
Historical cost 31.03.16	**16 900**	**–**	**16 900**
Accumulated amortisation and impairment 01.01.14	**(1 633)**	**–**	**(1 633)**
Ordinary depreciation for the year	(3 161)	–	(3 161)
Transfers and other charges [1)]	41	–	41
Accumulated amortisation and impairment 31.12.14	**(4 753)**	**–**	**(4 753)**
Accumulated amortisation and impairment 01.01.15	**(4 753)**	**–**	**(4 753)**
Ordinary depreciation for the year	(6 450)	–	(6 450)
Transfers and other charges	–	–	–
Accumulated amortisation and impairment 31.03.16	**(11 203)**	**–**	**(11 203)**
Carrying value 31 December 2014	**8 345**	**9 247**	**17 591**
Carrying value 31 March 2016	**5 696**	**–**	**5 696**
Useful life [2)]	3 to 7 years	–	
Depreciation method	Linear	N/A	

1) Includes transfer from construction in progress.
2) For construction in progress, depreciation is charged when asset is ready for its intended use.

NOTE 8
Property, plant and equipment

Amounts in NOK 1 000

	Machinery, fixtures, vehicles, etc.	Buildings	Land	Asset under construction	Total
Historical cost 01.01.14	**26 445**	**27 271**	**999**	**8 669**	**63 384**
Additions, cost price	1 524	–	–	6 062	7 585
Disposals, cost price	(19 265)	(14 743)	(999)	–	(35 007)
Transfers [1]	14 712	–	–	(14 712)	–
Historical cost 31.12.14	**23 415**	**12 528**	**–**	**19**	**35 962**
Historical cost 01.01.15	**23 415**	**12 528**	**–**	**19**	**35 962**
Additions, cost price	–	–	–	–	–
Disposals, cost price	(395)	(3 743)	–	–	(4 138)
Transfers [1]	19	–	–	(19)	–
Historical cost 31.03.16	**23 039**	**8 785**	**–**	**–**	**31 824**
Accumulated depreciation 01.01.14	**(18 438)**	**(21 714)**	**–**	**–**	**(40 152)**
Depreciation	(4 843)	(180)	–	–	(5 023)
Accumulated depreciation on disposals	16 431	10 313	–	–	26 744
Accumulated depreciation 31.12.14	**(6 850)**	**(11 581)**	**–**	**–**	**(18 431)**
Accumulated depreciation 01.01.15	**(6 850)**	**(11 581)**	**–**	**–**	**(18 431)**
Depreciation	(4 829)	(211)	–	–	(5 039)
Accumulated depreciation on disposals	338	3 743	–	–	4 081
Accumulated depreciation 31.03.16	**(11 340)**	**(8 049)**	**–**	**–**	**(19 389)**
Carrying value 31 December 2014	**16 565**	**946**	**–**	**19**	**17 530**
Carrying value 31 March 2016	**11 699**	**736**	**–**	**–**	**12 435**
Useful life [2]	3 to 10 years	25 to 50 years	–	–	
Depreciation method	Linear	Linear	N/A	N/A	

1) Includes transfer from construction in progress.
2) For assets under construction, depreciation is charged when asset is ready for its intended use.

NOTE 9
Investments in subsidiaries

Amounts in NOK 1 000

	Ownership interest Cermaq Group AS	Equity 31.03.2016	Profit/(loss) for the year ended 2016	Carrying value 31.03.2016	Office location
Cermaq Holding AS [1)]	100%	188 633	–5 614	194 558	Oslo, Norway
NorAqua AS	100%	145	–5	152	Oslo, Norway
Inversiones Cermaq S.A.[2)]	51%	1 115 300	–14 466	1 022 934	Coronel, Chile
Cermaq Norway AS [3)]	100%	2 486 317	713 752	229 024	Steigen, Norway
Cermaq US LLC [4)]	100%	22 178	1 469	19 556	Miami, USA
Total investment in subsidiaries				**1 466 225**	

1) Cermaq Holding AS changed its corporate name from Mainstream Holding AS on 10 April 2014.
2) Inversiones Cermaq S.A. changed its corporate name from Inversiones Mainstream Ltda in October 2014. Cermaq Group wholly owns the company. Cermaq Holding AS owns the remaining interests not owned by Cermaq Group AS. On the 9 June 2015 debt to Cermaq Group AS of USD 131 million was converted to equity.
3) Cermaq Norway AS changed its corporate name from Mainstream Norway AS on 24 January 2014.
4) Cermaq US LLC was formed in March 2015, equity fully paid by Cermaq Group AS on the 25 March 2015.

NOTE 10
Intercompany receivables and liabilities

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Group contribution	94 018	83 011
Other current intercompany receivables	22 867	38 828
Total current intercompany receivables	**116 885**	**121 839**

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Cash pool liabilities [1)]	99 331	59 685
Other current intercompany liabilities	4 217	3 867
Total current intercompany liabilities	**103 549**	**63 552**

1) Cermaq Group AS was the group account holder at year end 2014. The facility is moved from Cermaq Group AS to Cermaq Norway AS on 4 January 2016 (see note 13).

NOTE 11
Non-current intercompany loans and receivables

Amounts in NOK 1 000

Loans to group companies	Currency	Currency amount	31.03.2016	31.12.2014
Loan to Chilean companies	USD	131 000	–	973 749
Loan to Norwegian companies	NOK	568 753	–	568 753
Total loans to group companies			**–**	**1 542 503**

Liabilities to group companies	Currency	Currency amount	31.03.2016	31.12.2014
Loan from Norwegian companies	NOK	37 722	37 722	41 490
Total non-current intercompany liabilities			**37 722**	**41 490**

All intercompany items are due later than one year. Intercompany items in foreign currency are translated at the exchange rate at the balance sheet date.

The interest rate charged to by Cermaq Group AS to the subsidiaries is based on the applicable market rate (3M Libor or 3M Nibor) supplemented by a margin calculated with reference to the Group's cost of funds.

Cermaq Group AS has no loans to group companies at 31 March 2016. The Group has moved from external funding over to intragroup funding from Mitsubishi Corporation Finance (MCF).

Loan to Chilean companies is converted to shares in Inversiones Cermaq S.A. in 2015, see note 9.

NOTE 12
Other non-current receivables

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Other non-current receivables	46 363	89 794
Total non-current receivables	**46 363**	**89 794**

Other non-current receivables relates to the contingent consideration from the sale of EWOS. The gross amount of NOK 100 million will be received in two equal instalments at the end of 2016 and 2017.

The discounted value recognized as non-current receivables is NOK 46.4 million, the latter of the two equal instalments that will be received at the end of 2017. (2014: NOK 89.8 million).

The first instalment will be received at the end of 2016, and the discounted value recognized as current receivables is NOK 48.5 million.

NOTE 13
Cash and cash equivalents

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Cash and cash equivalents	3 310	66 038
Total cash and cash equivalents	**3 310**	**66 038**

As of 31 March 2016 there is no restricted cash.

The Group has a multi-currency cash pool solution with Danske Bank. Under this agreement, Cermaq Group AS was the group account holder at year end 2014. The facility is moved from Cermaq Group AS to Cermaq Norway AS as from 4 January 2016.

Cermaq Norway AS is currently the group account holder and other group companies are sub-account holders or participants. The bank can offset overdrafts against deposits, so that the net position represents the net balance between the bank and the Group account holder.

NOTE 14
Equity

Amounts in NOK 1 000

	Share Capital	Treasury shares	Actuarial gains and losses	Other reserves	Total equity
Equity 01.01.2014	**925 000**	**(37)**	**(173)**	**302 973**	**1 227 762**
Net income/(loss) for the year	–	–	–	106 847	106 847
Change in treasury shares	–	20	–	132	152
Actuarial gains and losses against equity	–	–	(4 521)	–	(4 521)
Difference between proposed and paid dividend for 2013	–	–	–	193	193
Equity 31.12.2014	**925 000**	**(17)**	**(4 694)**	**410 145**	**1 330 433**

Amounts in NOK 1 000

	Share Capital	Treasury shares	Actuarial gains and losses	Other reserves	Total equity
Equity 01.01.2015	**925 000**	**(17)**	**(4 694)**	**410 145**	**1 330 433**
Net income/(loss) for the year	–	–	–	137 025	137 025
Change in treasury shares	(17)	17	–	–	–
Actuarial gains and losses against equity	–	–	(1 801)	–	(1 801)
Equity 31.03.2016	**924 983**	**-**	**(6 495)**	**547 170**	**1 465 657**

Number of shares in the company is 92 498 344. The shares have a face value of NOK 10 each. All the shares in the company have equal rights. The number of shares in the company were reduced by decrease of the remaining 1 656 own shares in the AGM at 24 July 2015.

All the shares in Cermaq Group AS are owned by Mitsubishi Corporation through its fully owned subsidiary MC Ocean Holdings Limited as of 31 March 2016.

NOTE 15
Interest bearing liabilities

As of 31 March 2016 Cermaq Group AS has no long term interest bearing liabilities (2014: NOK 740 million).

Cermaq Group AS has no current interest bearing liabilities at 31 March 2016 (2014: NOK 0 million).

For an analysis of the interest cost, please see note 23 in the Group Notes.

NOTE 16
Financial risk management

Please refer to note 23 in the Group accounts for further details related to financial risk management in the company and within the group.

NOTE 17
Other current liabilities

Amounts in NOK 1 000

	31.03.2016	31.12.2014
Social security taxes and VAT	3 889	6 144
Other short-term liabilities	25 771	23 848
Total other current liabilities	**29 660**	**29 992**

NOTE 18
Property rental agreements

Amounts in NOK 1 000

Renter	Rent	Annual rent	Duration of agreement
Cermaq Group AS	Rent - Oslo	6 083	31 12 2020

The property rental agreement is operational.

NOTE 19
Pledges and guarantees

In June 2015, Cermaq Group AS refinanced the Group credit facilities and in that occasion removed all security on assets.

Purchased bank guarantees under the Group's overdraft and guarantee facility amount to NOK 44.7 million at 31 March 2016.

NOTE 20
Transactions with related parties

See note 9 Investments in subsidiaries for identification of subsidiaries and primary relationships with those parties.

Cermaq Group AS was the group account holder at year end 2014. The facility is moved from Cermaq Group AS to Cermaq Norway AS on 4 January 2016. Cermaq Group AS extends loans to subsidiaries, associates at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk.

Cermaq Group AS charges overheads and costs for services rendered by corporate staff to subsidiaries.

Amounts in NOK 1 000

Year ended 31.03.2016	Fish farming operation	Other operation	Total
Operation			
Management Fee	45 878	–	45 878
Recharged IT services	44 310	–	44 310
Rent/other rental income	3 433	140	3 573
Finance			
Financial income	23 568	–	23 568
Group contribution	93 747	271	94 017
Dividends received Group	166 909	–	166 909
Total financial revenue	**284 223**	**271**	**284 494**
Total financial expenses	**(4 127)**	**(1 382)**	**(5 509)**

Amounts in NOK 1 000

Year ended 31.12.2014	Fish farming operation	Other operation	Total
Operation			
Management Fee	33 926	–	33 926
Recharged IT services	16 380	–	16 380
Rent/other rental income	1 266	1 410	2 676
Finance			
Financial income	42 718	–	42 718
Group contribution	77 924	5 087	83 011
Total financial revenue	**120 643**	**5 087**	**125 729**
Total financial expenses	**(1 398)**	**(2 926)**	**(4 323)**

There have been no material purchasing services in Cermaq Group AS from its subsidiaries in the fiscal year 2015 or 2014.

Principal of arm's length are used in all transactions with subsidiaries.

NOTE 21
Subsequent events

See note 27 in the Group Notes.

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To the Annual Shareholders' Meeting of Cermaq Group AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Cermaq Group AS, 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 March 31, 2016, and the income statement, the 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 statement of financial position as at March 31, 2016, and the statement of profit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Deloitte.

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Independent Auditor's Report to the Annual Shareholders' Meeting of Cermaq Group AS

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Cermaq Group AS as at March 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Cermaq Group AS as at March 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial, 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.

Oslo, June 23, 2016
Deloitte AS

Kjetil Nevstad
State Authorised Public Accountant (Norway)