Annual Report 2016

1 April 2016 -31 March 2017

CERMAQ
Your salmon farmer

THE BOARD OF DIRECTORS' ANNUAL REPORT FOR FISCAL YEAR 2016

Cermaq Group AS has 18 wholly owned subsidiaries, of which Cermaq Norway AS, Alsvåg AS, Cermaq Canada Ltd, Cermaq Canada Processing Ltd and Cermaq Chile SA are the major operating companies. In this Board of Director' Annual Report, Cermaq Group AS and its subsidiaries will together be referred to as "Cermaq". Cermaq Group AS will be referred to as the "Company".

Cermaq Group AS is a 100% owned subsidiary of MC Ocean Holdings Limited, a subsidiary of Mitsubishi Corporation (MC).

The fiscal year used by MC runs from 1 April to 31 March. In 2015 Cermaq Group AS changed its fiscal year from calendar year. This Board of Director's Annual Report and Financial Statements are for the closing of Cermaq Group AS' accounts per 31 March 2017 and covers the 12 month period between 1 April 2016 and 31 March 2017. The accounts from last year (fiscal year 2015) covered a 15 month period between1 January 2015 and 31 March 2016.

1. Operations and locations

Cermaq is a vertically integrated global producer and global supplier of salmon and trout. Cermaq has operations in Norway, Chile and Canada. The head office is in Oslo, Norway.

Cermaq Group is a wholly owned subsidiary of Mitsubishi Corporation. Through Cermaq, Mitsubishi Corporation is the world's third largest supplier of farmed salmon and trout. Cermaq has a global market share of around 7 percent.

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

2. The year in brief

The fiscal year 2016 (1 April 2016 – 31 March 2017) was Cermaq's second year as a wholly owned subsidiary of Mitsubishi Corporation.

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

Limited global supply and market prices at record high levels were the key driver for profit during the fiscal year 2016, yielding historical results for Cermaq Norway and Cermaq Canada.

Cermaq Norway delivered its best annual EBIT result ever. But despite record earnings, Cermaq Norway has suffered from elevated mortality at several sites in Finnmark during the year, which has led to biomass write downs of NOK 82m, whereof NOK 66m has been recovered by insurance. The excessive mortality was caused by HSMI/CMS (i.e. virus related disease), resulting in heart and skeletal muscle inflammation on salmon.

The official opening of the new smolt plant Forsan in Steigen The 25th of October 2016 the was a milestone for Cermaq Norway during 2016. The facility has a production capacity of 12 million smolt per year. Good smolt quality is crucial for the biological and thus the economic results in salmon farming, and Forsan is important for Cermaq's goal of becoming self-sufficient with smolt.

Cermaq Canada also delivered its best annual EBIT result ever, driven by high prices through the year. Despite record results, environmental challenges have heavily affected operations in Canada this year, with maturation problems, elevated mortality, culling related to algae blooms and low dissolved oxygen resulting in biomass write-downs totaling CAD 9.2m, whereof CAD 7.8m are recovered by insurance. Production cost has been negatively affected by environmental and biological issues causing higher mortality and lower average harvest weight than anticipated.

Significantly reduced supply in Chile resulted in record high prices through the year, but the full year EBIT result for Cermaq Chile was heavily impacted by one-off write downs. The write downs for the year totaled USD 57m, related to goodwill of impairment of 36.9m, processing plant 12.1m, seawater assets 6.7m and freshwater assets of 1m. Volumes were negatively impacted by reduced harvest following the algae-bloom, leaving excess capacity at processing plants and higher production cost due to higher share of fixed cost per kg. Main challenges were higher mortality and poor eFCR in region X and XI, due to SRS, ISA and predator attacks. The annual accounts includes a positive effect of insurance payments of USD 19.7m received during 2016 for biomass losses and other losses occurring during 2015, mainly due to volcano eruption and algae-bloom. Biomass write downs of 10.1m has been made for losses occurring during the year 2016, with insurance cases not yet fully settled and expected to result in partly coverage.

In June 2016, Cermaq's CEO Jon Hindar left the company after almost five years. Chief Operating Officer in Cermaq Norway, Geir Molvik, took up the position as new CEO of Cermaq.

In December 2016, the merger between Cermaq Chile and Salmones Humboldt was completed. The two companies, both subsidiaries of Mitsubishi Corporation, were merged into one company, under the name Cermaq Chile.

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

Cermaq has committed to certify all its sea sites in accordance with the Aquaculture Stewardship Council (ASC) standard by 2020. During the fiscal year 2016 Cermaq achieved in total 12 new certifications in accordance with the ASC standard, with new certifications in all three regions. As of March 2017, Cermaq has in total 21 ASC-certified sites.

The Board recognizes that global challenges must be solved through pre-competitive partnerships and industry collaboration. In the fiscal year 2016, Cermaq continued its active participation in Global Salmon Initiative (GSI), a leadership initiative by global producers of farmed salmon, 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.

Cermaq is partner 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.

During the fiscal year 2016, Cermaq also engaged in a new partnership with eight of the world's largest seafood companies; the Seafood Business for Ocean Stewardship (SeaBOS) initiative. SeaBOS aims to connect the global seafood business to science, wild capture fisheries to aquaculture, and seafood companies worldwide, and has the ambition is to lead a global shift towards sustainable seafood production and a healthy ocean.

Cermaq also participates in Food Reform for Sustainability and Health (FReSH), a joint program between EAT and the World Business Council on Sustainable Development (WBCSD), a program designed to accelerate transformational change in global food systems. Cermaq contributes in two work streams: (A) healthy and sustainable diets; and (B) food production. Launched in January 2017, the program is designed to accelerate transformational change in global food systems.

In the report *Future of Spaceship Earth* by DNV GL published in September 2016, Cermaq was selected as the show-case company of how industry can work to meet UN's sustainable development goal (SDG) no.14 "Life below water".

In FY2016 Cermaq's new strategy was rolled out and implemented in all levels of the company. The Board is strongly supporting the new strategy, through which Cermaq will focus on developing long term partnerships with its customers; sell more salmon directly to retailers, and increase long term contract sale. An important part of the new strategy is the branding of Cermaq, and in March 2017 a branding platform was launched, including new company logo and visual identity.

Following the launch of the new strategy, Cermaq also expanded its sales office in Miami, USA, as an integral part of building a customer and market-oriented organization closer to our customers.

3. Explanation of the accounts

3.1 Profit and loss statement

The fiscal year 2016 covers 12 months and is not directly comparable with fiscal year 2015 which covered 15 months.

Operating revenues were NOK 8 529.5 million in fiscal year 2016, while 2015 showed total operating revenue of NOK 8 198.7 million. Despite lower sales volumes, operating revenues increased due to higher market prices in all main markets (US, Europe and Asia) following a global supply shortfall of Atlantics and Coho in 2016.

Operating profit before fair value adjustment for biological assets and non-recurring items was positive NOK 1 514.7 million (2015: negative NOK 354.8 million), which is a significant increase compared with 2015.

The change in fair value adjustment for biological assets was an income of NOK 642.0 million (2015: income of NOK 730.1 million), mostly explained by increased biomass in Chile. The share of net income from associated companies amounted to NOK 34.1 million in 2016 (2015: NOK 9.1 million).

Net financial expenses for fiscal year 2016 were NOK 82.9 million (2015: NOK 216.9 million). Net interest expenses ended at NOK 84,4 million compared to NOK 115.5 million in 2015.

Net tax expense for the year was NOK 655.3 million (2015: income of NOK 15.3 million). Cermaq's net income after tax for 2016 was a gain of NOK 1 512.4 million (2015: gain of NOK 110.4 million).

Cermaq Group AS' net income in 2016 was NOK 400.1 million (2015: NOK 137.0 million). The positive result in 2016 was mainly due to dividend received from Cermaq Canada and Cermaq Norway of NOK 404.0 million and group contribution received from Cermaq Holding and Cermaq Norway of NOK 105.9 million.

All internal R&D is expensed as incurred. Development cost are only capitalised if the criteria are met. In the fiscal year 2016, all development costs have been expensed.

3.2 Financial position

The book value of Cermaq's total assets was NOK 15 421.0 million as of 31 March 2017, compared with NOK 11 623.1 million as of 31 March 2016. The increase is essentially explained by the acquisition of MC's Chilean operations, Salmones Humboldt, resulting in higher value of biological inventory, (NOK 1 635 million), property plant and equipment (NOK 791 million), and licenses (NOK 456 million). In addition Cermaq had larger cash reserves (NOK 487 million).

The equity book value 31 March 2017 was NOK 7 288.6 million compared to NOK 5 361.3 million as of 31 March 2016. The increase is mainly due the positive net results for the year (NOK 1 512 million) and the acquisition of shares in Salmones Humboldt following the pooling of interest method (NOK 328.3 million). The equity ratio increased to 47.3 percent 31 March 2017, from 46.1 percent 31 March 2016.

The book value of the parent company's assets was NOK 2 131.7 million as of 31 March 2017, an increase of NOK 410.9 million from NOK 1 720.8 million from 31 March 2016.

3.3 Financing

Cermaq's net interest bearing debt increased by NOK 905.0 million, from NOK 3 157.8 million at 31 March 2016, to NOK 4 062.5 million at 31 March 2017. This net increase is mainly explained by the acquisition of MC's Chilean operation, Salmones Humboldt, and the consolidation of the relative debt positions, as well as by adverse translation effects caused by the depreciation of the NOK against USD. The latter effects were to a large extent offset by strong cash flow from operating activities. As of 31 March 2017, Cermaq has total available credit lines and cash of around NOK 4 300 million, of which NOK 3 012.6 million is a committed long-term undrawn facility.

3.4 Cash flow

Cermaq's net cash flow from operational activities was NOK 1 782.2 million in 2016 (12 months) and NOK 1 159.0 million in 2015 (15 months). The increase is primarily due to substantially higher income before taxes partly offset negative cash flow effects from changes in working capital with changes in biological assets and inventories as the main drivers. Income before taxes for 2016 was NOK 2 167.7 million which was NOK 2 072.6 million higher than 2015. Taxes paid totalled to NOK 2.7 million in 2016.

Net cash flow from investment activities was an outflow of NOK 617.7 million (2015: outflow of NOK 534.0 million), of which payments for investments in property, plant and equipment amounted to NOK 639 million (2015: NOK 537.5 million). A major part of the payments for investments in property, plant and equipment is for the Forsan project (a new smolt hatchery) in Cermaq Norway.

Net cash flow from financing activities was an outflow of NOK 695.2 million (2015: NOK 224.4 million). Payment of net interest expenses and other financial items were NOK 123.7 million (2015: NOK 217.8 million).

The change in cash and cash equivalents for the period was an inflow of NOK 487.5 million (2015: outflow of NOK 416.1 million).

Cermaq Group AS reported a net cash outflow of NOK 3.1 million (2015: outflow of NOK 62.7 million). Cash outflow from operating activities with NOK 89.3 million was partly offset by cash inflow from financing activities with NOK 84.3 million. Received dividend and group contribution is included in operating activities with NOK 509.9 million.

3.5 Going concern

Based on the above report of the Cermaq`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 400.1 million*. The Board proposes to the Annual General Meeting to allocate the profit of *NOK 400.1million* as follows:

Net income	*NOK 400.1 million*
Allocated to dividends	*NOK 404.0 million*
Transferred from other equity	*NOK -3.9 million*

4. Risk management

The Board has approved a framework for risk management to ensure that Cermaq 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 has implemented J-SOX as an internal control framework to comply with Mitsubishi Corporation requirements.

4.1 Financial risk

Cermaq 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 mitigate 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 Cermaq's finance policy.

4.1.1 Currency risk

Upon translating foreign subsidiaries' income statements and statements of financial position, Cermaq'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 2017, 99.8 percent (2015:81.1 percent) of Cermaq'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 respectively, as well as sales from Chile denominated in JPY. Net exposure for Cermaq is partially reduced by diversification as well as indirectly by the purchase of feed.

4.1.2 Interest rate risk

Cermaq is exposed to interest rate risk through its funding activities and to minor extent through management of excess liquidity.

As of 31 March 2017, Cermaq had only floating rate interest bearing debt.

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 Cermaq as a whole. Credit and collections activities are managed within the framework of Cermaq Finance Policy and adequate trade credit insurance is purchased if available.

4.1.4 Liquidity risk

Cermaq can rely upon substantial available financial headroom under facilities provided by Mitsubishi Corporation Finance PLC. As of 31 March 2017, Cermaq has approximately NOK 4 300 million in cash and unused credit facilities.

4.2 Strategic, operational and market risks

4.2.1 Salmon prices

It is difficult for salmon producers to adapt their production volume to short term price fluctuations due to the long production cycles and regulatory restrictions related to maximum allowed biomass and hence, the prices fluctuate more than for other food production industries (compared to e.g. poultry production).

Cermaq reduces market risk primarily by selling its salmon in a number of 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 increasing the product portfolio by value added processing for parts of its production.

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. Cargill (EWOS) remains Cermaq's main feed supplier. However, since 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 is internationally traded commodities, including marine raw materials (fishmeal and fish oil), soya beans, wheat and corn. Price and availability will fluctuate, especially on marine raw materials, which are becoming a scarce resource.

4.2.3 Biological risk

Together with market risk, biological risks have the largest impact on Cermaq's profitability and cash flow. Biological risks include 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 insurance coverage for certain incidents caused by biological risks.

To mitigate biological risks, research and development plays an important role. Cermaq has one of the largest R&D teams in the salmon farming industry, working primarily within four areas of expertise; fish health and fish welfare, technology, feed and nutrition plus breeding and genetics.

4.2.4 Regulatory risk

To ensure responsible and 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 as a result of investments in fixed assets as well as other measures reducing operating risks.

Cermaq has determined that operational risks shall be governed and controlled by way of management systems certified according to ISO or equivalent standards.

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 and shared value creation with society and local communities through employment and economic activity in rural areas.

Cermaq considers transparency to be 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. Our operational performance and the topics of dialogue with local communities in Chile, Canada and Norway are presented in our sustainability report, as well as in our reporting to the Global Salmon Initiative (GSI). Since April 2016, we have been publishing quarterly sustainability results on our website.

Sustainability and corporate responsibility are integrated parts of the Board’s monitoring of operations and Cermaq’s sustainability performance is discussed and evaluated on a quarterly basis. Cermaq’s standards are described in the company guidelines for ethics and corporate responsibility, which also include our policy on anti-corruption. In the Cermaq Supplier Code of Conduct, expectations to suppliers are communicated and followed up to manage risks in our supply chain. 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.

For a complete account of corporate responsibility, the Board refers to this year’s sustainability report available on cermaq.com. Cermaq is reporting in accordance with the Global Reporting Initiative (GRI) standards and independent assurance has been provided by our company auditor to ensure high quality of our sustainability reporting.

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 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. Biodiversity and environmental impacts are reported in our sustainability report.

7. Fish health

The Board’s ambition is that Cermaq shall be a leading company in preventive fish health. Satisfactory 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. Fish health parameters are subject to monthly and quarterly reporting to management and the Board.

8. Impact on wild salmon

In Norway and Canada there is a concern regarding the possibility that the fish farming industry may affect the 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 populations genetically. Cermaq has an important goal of zero escapes, and any incidents are publically reported at the latest on a quarterly basis on our web page.

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 2017, Cermaq employed 3 712 persons (31 March 2016 2 693). Of Cermaq's employees, 473 were employed in Norway and 3 239 outside of Norway. Cermaq Group AS employed 46 persons at 31 March 2017 (31 March 2016 40).

Cermaq's employees shall have a high level of safety in their working environment. All of the operative companies in Cermaq 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 2016.

In 2016, Cermaq reached its objective of less than 8 lost time injuries per million working hours for the calendar year, achieving 4.5 lost time injuries rate for Cermaq as a whole. This is an improvement from 5.8 in 2015, 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 2015 and 2016, and was 2.5 percent for 2016. The Board will continue to have a strong focus on health and safety.

In fiscal year 2016, nineteen 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 166.611.

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.

10. Diversity

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

The ratio of women in Cermaq was 25 percent at the close of fiscal year 2016. The ratio for women in the parent company Cermaq Group AS was 36 percent. At the close of fiscal year 2016 Cermaq management comprised six persons; all men. One member of Cermaq management was Chilean citizens; one was Canadian, and four were Norwegian. There were no women amongst Cermaq's managing directors. In total 13.5 percent of Cermaq's managerial groups are women (including all managers that report to the Managing Directors in Cermaq's companies).

Cermaq's Board of Directors consists of eight members, of which all are men. Four board members are Japanese citizens and four board members are Norwegian. Three board members are elected from and among employees in the Norwegian operating companies.

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

11. Corporate governance

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

Cermaq’s corporate governance principles are based on the corporate governance principles of Mitsubishi Corporation, Norwegian legislation and recognised principles for good corporate governance.

12. Future prospects

Cermaq Group AS is well prepared for the future. Norway performs well from an operational point of view, and production is expected to increase from the green licenses and improved internal smolt capacity now in place. Canadian volumes are close to current production capacity with overall good biological performance. Cermaq Group AS will continue its efforts to improve the Chilean operations and secure a sustainable and profitable salmon farming industry in Chile going forward. Biological issues, with SRS in particular, are expected to remain the main 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 Cermaq for their continuous good work and solid efforts in the fiscal year 2016. The Board looks forward to working together with our highly valued people.

Forsan, 3 July 2017

Forsan, 3th July 2017

Yu Sato Chair	Kiyotaka Kikuchi Director	Yasumasa Kashiwagi Director	Helge Midttun Director
Haruki Hayashi Director	Jan-Robert Røli-Gjervik Director (employee elected)	Ketil Olsen Director (employee elected)	Torgeir Nilsen Director (employee elected)

Geir Molvik

Chief Executive Officer

CERMAQ GROUP

Financial Statements

For

The Year Ended 31 March 2017

Cermaq Group
STATEMENT OF INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2017 1)	Year ended 31.03.2016 2)
Operating revenues		**8 529 451**	**8 198 678**
Cost of raw materials	15	(2 757 770)	(4 674 997)
Write-down of biological assets	15	(225 115)	(134 444)
Personnel expenses	6, 7	(943 891)	(1 001 214)
Other operating expenses	8	(2 100 997)	(2 268 208)
Depreciations, amortisations and impairments	11, 12	(986 945)	(474 644)
Operating result before fair value adjustments of biological assets		**1 514 734**	**(354 829)**
Fair value adjustment on biological assets	16	642 015	730 077
Provision for onerous contracts	19	59 770	(72 258)
Operating result		**2 216 519**	**302 989**
Share of net income from associates	13	34 112	9 089
Financial income	9	12 073	9 820
Financial expenses	9	(111 505)	(252 346)
Net foreign exchange gain/(loss)	9	31 302	19 339
Gain/(loss) on derivatives	9	(14 765)	6 249
Financial items, net	9	**(82 895)**	**(216 939)**
Net income/(loss) before taxes		**2 167 736**	**95 139**
Income taxes	10	(655 309)	15 254
Net income/(loss)		**1 512 427**	**110 393**
Net income/(loss) attributable to:			
Owners of the parent		1 512 427	104 810
Non-controlling interests	12	-	5 583

1) 12 months year from 01.04.2016 to 31.03.2017, Cermaq Group fiscal year, ending 31 March.
2) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.

Cermaq Group

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2017 [1)]	Year ended 31.03.2016 [2)]
Net income/(loss)		**1 512 427**	**110 393**
Other comprehensive income, net of tax:			
Items to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**75 553**	**207 336**
- currency translation taken to equity		*75 553*	*207 336*
- transferred to profit/loss		-	-
Change in fair value of cash flow hedge instruments		**21 076**	**(6 126)**
- fair value adjustment taken to equity		*9 855*	*(1 440)*
- transferred to profit/loss [3)]	9	*11 221*	*(4 686)*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	7	**(9 837)**	**(1 801)**
Total other comprehensive income		**86 792**	**199 408**
Total comprehensive income		**1 599 219**	**309 802**
Total comprehensive income attributable to:			
Owners of the parent		1 599 219	304 219
Non-controlling interests		-	5 583

1) 12 months year from 01.04.2016 to 31.03.2017, Cermaq Group fiscal year, ending 31 March.

2) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.

3) Changes in fair value of cash flow hedge instruments affected gain/(loss) on derivatives in the statement of income.

Cermaq Group

STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1 000

	Notes	31.03.2017	31.03.2016
ASSETS			
Fish farming licenses	11	2 802 991	2 347 284
Goodwill	11	466 968	454 736
Deferred tax assets	10	432 704	469 079
Other intangible assets	11	10 536	14 304
Total intangible assets		**3 713 198**	**3 285 403**
Property, plant and equipment	12	**3 325 144**	**2 534 681**
Investments in associates	13	103 178	76 081
Investments in other companies		724	724
Other non-current receivables	14	4 546	59 131
Total financial fixed assets		**108 448**	**135 936**
Total non-current assets		**7 146 790**	**5 956 020**
Inventories	15	449 819	351 798
Biological inventories	16	5 218 979	3 583 480
Accounts receivables	17	766 798	572 296
Prepaid income taxes	10, 14	74 712	91 782
Other current receivables	14	504 265	295 563
Cash and cash equivalents	18	1 259 647	772 172
Total current assets		**8 274 220**	**5 667 092**
TOTAL ASSETS		**15 421 010**	**11 623 112**
EQUITY AND LIABILITIES			
Total equity		**7 288 637**	**5 361 261**
Pension liabilities	7	63 002	49 432
Deferred tax liabilities	10	1 078 167	1 054 194
Total provisions		**1 141 169**	**1 103 626**
Interest bearing non-current liabilities	20	3 224 964	3 634 961
Other non interest bearing non-current liabilities		-	22 730
Total non-current liabilities		**4 366 132**	**4 761 316**
Current interest bearing liabilities	20	2 097 145	294 968
Accounts payables		734 595	654 641
Income taxes	10, 19	517 019	197 682
Other non-interest bearing current liabilities	19	417 481	353 244
Total current liabilities		**3 766 240**	**1 500 534**
TOTAL EQUITY AND LIABILITIES		**15 421 010**	**11 623 112**

Forsan, 3 July 2017

Yu Sato
Chair

Kiyotaka Kikuchi
Director

Yasumasa Kashiwagi
Director

Haruki Hayashi
Director

Helge Midttun
Director

Jan-Robert Røli-Gjervik
Director (employee elected)

Ketil Olsen
Director (employee elected)

Torgeir Nilsen
Director (employee elected)

Geir Molvik
Chief Executive Officer

Cermaq Group

STATEMENT OF CASH FLOW

Amounts in NOK 1 000

	Notes	Year ended 31.03.2017 1)	Year ended 31.03.2016 1)
Net income/(loss) before taxes		**2 167 736**	**95 140**
(Gain)/loss on sale of tangible and intangible assets		407	19 688
Depreciations, amortisations and impairments	11, 12	986 945	474 644
Writedown of biological assets		225 115	134 444
(Gain)/loss on derivatives	9	14 765	(6 249)
Net interest expense		99 432	242 526
Changes in fair value of biological assets	16	(701 785)	(657 819)
Income taxes paid		(2 736)	(87 909)
(Income)/loss from associated companies	13	(34 112)	(9 089)
Dividends received from associated companies	13	4 643	3 099
Change in inventories, accounts receivable and accounts payable		(1 005 614)	947 934
Change in other current operating assets and liabilities		27 401	2 541
Net cash flow from operating activities		**1 782 197**	**1 158 952**
Proceeds from sale of property, plant, equipment (PPE) and intangible assets	11, 12	12 104	5 367
Purchases of PPE and intangible assets	11, 12	(639 234)	(537 522)
Proceeds from sale of operations, net of cash disposed	5, 13	(367)	(2 276)
Purchases of operations, net of cash acquired	5, 13	1 172	-
Proceeds from sale of shares and other investments		-	8 021
Purchases of shares and other investments		8 666	(7 626)
Net cash flow from investing activities		**(617 660)**	**(534 036)**
Proceeds from borrowings	20	811 468	3 574 653
Repayment of borrowings	20	(1 390 876)	(3 584 973)
Interest received	9, 20	7 900	3 714
Interest paid	9, 20	(90 757)	(128 708)
Paid other financial items	9, 20	(32 958)	(89 057)
Net cash flow from financing activities		**(695 222)**	**(224 371)**
Foreign exchange effect		18 161	15 513
Net change in cash and cash equivalents for the period		**487 476**	**416 058**
Cash and cash equivalents at the beginning of the period		**772 172**	**356 114**
Cash and cash equivalents at the end of the period	18	**1 259 647**	**772 172**

1) 12 months year from 01.04.2016 to 31.03.2017, Cermaq Group fiscal year, ending 31 March.
2) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.

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 2015	**925 000**	**(17)**	**3 735 015**	**(4 694)**	**(8 059)**	**409 796**	**5 057 042**	**(1 508)**	**5 055 534**
Net income/(loss)	-	-	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**	**-**	**3 839 826**	**(6 495)**	**(14 186)**	**617 132**	**5 361 261**	**-**	**5 361 261**
Equity 1 April 2016	**924 983**	**-**	**3 839 826**	**(6 495)**	**(14 186)**	**617 132**	**5 361 261**	**-**	**5 361 261**
Net income/(loss)	-	-	1 512 427	-	-	-	1 512 427	-	1 512 427
Other comprehensive income	-	-	-	(9 837)	21 076	75 553	86 792	-	86 792
Total comprehensive income	-	-	*1 512 427*	*(9 837)*	*21 076*	*75 553*	*1 599 219*	-	*1 599 219*
Acquisition of subsidiaries	-	-	328 157	-	-	-	328 157	-	328 157
Equity 31 March 2017	**924 983**	**-**	**5 680 410**	**(16 332)**	**6 890**	**692 685**	**7 288 637**	**-**	**7 288 637**

Notes to the consolidated financial accounts

NOTE 1

Corporate information

Cermaq Group AS is a company incorporated and domiciled in Norway owned by Mitsubishi Corporation through its fully owned subsidiary MC Ocean Holdings Limited. The Group Financial Statements for Cermaq Group AS are available at the main office in Dronning Eufemias gate 16, Oslo, Norway.

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.

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	
	31.03.2017	31.03.2016	01.04.2016-31.03.2017	01.01.2015-31.03.2016
USD/NOK	8,5757	8,2692	8,5093	8,0727
CAD/NOK	6,4271	6,3879	6,3552	6,3096

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.

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. The application of accounting principles for fair value adjustment is further described under "NOTE 3 Critical accounting judgements and estimates" and "NOTE 16 Biological assets".

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.

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 2016, 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. The pension schemes are described in detail in note 7 Pensions.

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.

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.

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.

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 and the effects are expected to be limited.

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 Group will evaluate potential effects of IFRS 15 and the effects are expected to be limited.

IAS 1 Presentation of financial statements

IAS 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.

IFRS 16 Leases

The IASB and FASB has published a new converged standard for leases; IFRS 16 *Leases.* The standard replaces all existing standards and interpretations relating to leases. The core principle for leases is that most, if not all, leases will be classified as financial leases with effect for the company's balance sheet and profit and loss statement. The Group will evaluate potential effects of IFRS 16 and the effects are expected to be substantial.

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 11, 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 10.

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.

NOTE 4

Companies in the Group

The consolidated financial statements for the fiscal year 2016 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 AS	Norway	NOK	924 983	
Subsidiaries				
Cermaq Norway AS	Norway	NOK	5 440	100 %
Cermaq Alsvåg AS	Norway	NOK	2 000	100 %
Cermaq Holding AS	Norway	NOK	81 000	100 %
Cermaq Canada Ltd.	Canada	CAD	15 000	100 %
Southern Cross Seafoods S.A.	Norway	NOK	238 787	100 %
Salmones Humboldt SpA	Chile	USD	268 720	100 %
Mainstream Chile S.A.	Chile	USD	11 250	100 %
Cermaq Chile S.A.	Chile	USD	238 222	100 %
Cermaq US LLC	USA	USD	2 500	100 %

In 2016, The Chilean companies Southern Cross Seafoods and Salmones Humbolt was acquired from Mitsubishi Corporation. Details are included in Note 5 Business Combinations.

NOTE 5

Business combinations

Cermaq Group AS (CEQ) became a subsidiary of MC Ocean Holding Limited and ultimately Mitsubishi Corporation (MC) in October 2014. MC had two subgroups (subsidiaries) for fish farming operating in Chile. One (Cermaq Chile) was owned through CEQ and one (Salmones Humbolt Chile) was owned directly by MC. The management of MC decided to merge CEQ's and MC's Chilean businesses with CEQ as the owner of the Chilean fish farming business. The objective was to reduce duplicated functions and realize synergies.

The reorganization in Chile was made in two major steps:

- Buyout of MC shares and a minor (0.2%) shareholding of an external company in the Chilean company Southern Cross Seafoods S.A by Cermaq Group AS.
- Reorganization of the Chilean holding structure and operating structure. The Holding companies was merged with Southern Cross Seafoods and Salmones Humbolt as the surviving companies owning the operating companies. The major part of the operating assets in the Operating companies was transfer to Cermaq Chile.

Accounting method
There is currently no specific guidance on accounting for common control transactions under IFRSs. In the absence of specific guidance, entities involved in common control transactions should select an appropriate accounting policy using the guidelines in IAS 8. Accounting for business combinations involving entities or business under common control should apply either the pooling of interest method or the acquisition method. Cermaq have used the pooling of interest method for accounting of the reorganization in Chile.

Cermaq Group and Salmones Humbolt Group was controlled by the same ultimate parent, Mitsubishi Corporation. The buyout of MC's shares in the Chilean companies Southern Cross Seafoods S.A and Salmones Humboldt Ltda was done prior to the mergers within the Cermaq Group. The transfer from Mitsubishi Corporation to Cermaq Group is a cross border transfer and must take place at fair market value.
The merger transactions in Chile is considered to be a combination of entities under common control at Cermaq Group level and is for accounting purposes done with continuity.
From a Mitsubishi Corporation group perspective, none of these transactions should have any impact on the consolidated financial statements.

The pooling of interests method applied involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to align accounting policies.
- No 'new' goodwill is recognized as a result of the combination.
- The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity.
- The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Accounting effects for Cermaq Group accounts for the financial year 2016

- The income statement effects for the former Salmones Humbolt Group is included in Cermaq Group Financial Statements (Income Statement) with effect from April 1, 2016.
- Statement of Financial Position (Balance sheet) for the former Salmones Humbolt Group is included from November 30, 2016. The effect of asset transfer is included accordingly.

The carrying values of net assets acquired in the transaction are shown in the table below:

Amounts in NOK 1 000

	Balance values at transaction date
ASSETS	
Fish farming licenses	387 752
Goodwill	308 010
Deferred tax assets	247 644
Total intangible assets	**943 407**
Property, plant and equipment	**724 556**
Other non-current receivables	52
Total financial fixed assets	**52**
Total non-current assets	**1 668 014**
Inventories	81 606
Biological inventories	362 458
Accounts receivables	132 976
Prepaid income taxes	1 775
Other current receivables	54 064
Cash and cash equivalents	15 826
Total current assets	**648 705**
Total assets	**2 316 719**
LIABILITIES	
Other financial liabilities	1 745 969
Accounts payables	192 207
Income taxes	339
Other non-interest bearing current liabilities	1 218
Total current liabilities	**1 939 734**
Total liabilities	**1 939 734**
Net assets aquired	**376 985**
Equity contribution	328 157
Total consideration for shares	**48 828**

NOTE 6

Wages and other personnel expenses

Amounts in NOK 1 000	Year ended 31.03.2017	Year ended 31.03.2016
Wages and salaries including holiday pay	864 488	917 778
National insurance contributions	40 327	46 063
Pension costs	31 896	22 763
Other personnel expenses	7 179	14 611
Total wages and other personnel expenses	**943 891**	**1 001 214**

The number of employees in the Cermaq Group at 31 March 2017 was 3 712 persons (31 March 2016 was 2 693 persons).

Remuneration – key management personnel

Chief Executive Officer and the Cermaq Board of Directors were entitled to the following remuneration:

	2016 (April 2016 - March 2017)				
Amounts in NOK 1 000	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost 2)
CEO Geir Molvik(From 04.07.16)	4 011	760	182	4 953	2 209
CEO Jon Hindar (01.04.16- 04.07.16)	5 655	889	42	6 587	219
Total	**9 666**	**1 649**	**224**	**11 540**	**2 428**

	2016 (January 2016 - March 2016)				
Amounts in NOK 1 000	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost 2)
CEO Jon Hindar	**1 235**	**889**	**30**	**2 154**	**246**

	2015 (January 2015 - December 2015)				
Amounts in NOK 1 000	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost 2)
CEO Jon Hindar	**4 941**	**384**	**120**	**5 445**	**847**

1) Former CEO Jon Hindar is entitled to twelve months salary compensation from July 4 2016.
2) Pension cost is this years' service cost and payments to defined contribution schemes.

Amounts in NOK 1 000	Board fee for the year ended 31.03.2017 1)	Board fee for the year ended 31.03.2016 2)
The Board of Directors	2 222	2 155

1) At year-end March 2017, The Board of Directors consisted of Yu Sato (Chair), Kiyotaka Kikuchi (Director), Yasumasa Kashiwagi (Director), Haruki Hayashi (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 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).

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

For FY2016, the Board determined a bonus scheme for the CEO 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 are related to target achievement within customer leadership, operational leadership, sustainability leadership and people leadership. The total bonus is limited to 50 percent of the fixed salary. The bonus for CEO for FY2016 will be subject to board approval in May 2017. The estimated bonus for FY2016 includes the 15 month period from January 1 2016 to March 31 2017 due to change in fiscal year and has been provided for in FY2016 financial statements (01.04.16-31.03.17).

The CEO is a member of the Group's pension schemes described in note 8. CEO Geir Molvik is entitled to twelve months salary compensation if the company terminates the employment. The chair is not entitled to any compensation in such matter.

NOTE 7

Pension costs and pension obligations

Of the 3 707 employees at 31 March 2017, 737 are members of pension schemes within the Group. 261 of these are located in Canada and the remaining 476 in Norwegian companies.

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

All Norwegian fully owned subsidiaries have defined contribution programs for active members. Contributions are given in steps of 6 percent (from 0G up to 7.1G) and 15 percent (above 7.1G and up to 12G) of salary (12G is equivalent to annual salary of around NOK 1 123 600).

The Top Hat program in Norwegian companies is a Defined Contribution program with a contribution of 15 % of annual salary above 12 G. The CEO has a closed Top Hat Defined Benefit program.

Early retirement programs are defined benefit programs. Under defined benefit programs, the Group is responsible for providing pensions to employees who are members of the programs.

Pension funds are mainly invested in various bonds, mutual funds, real estate, stocks and money market funds. Actual return on pension fund was 4.1 percent in the fiscal year 2016 (2015: 4.9 percent).

Assumptions:

Financials	Year ended 31.03.2017	Year ended 31.03.2016
Discount rate/expected return on funds	2,60 %	2,70 %
Wage adjustment	2,50 %	2,50 %
Basic amount adjustment/inflation	2,25 %	2,25 %
Pension adjustment	1,50 %	1,50 %
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 31.03.2017	Year ended 31.03.2016
Net present value of current year's pension benefit earned	3 523	3 208
Interest cost of pension liability	1 062	1 608
Expected return on pension funds	(126)	(208)
Administrative expenses	228	263
Accrued National Insurance contributions	578	653
Net accrued pension cost defined benefit programs	**5 265**	**5 524**
Cost defined contribution program and other pension costs	26 632	17 239
Total pension cost	**31 897**	**22 763**

Amounts in NOK 1 000

Pension liability	Funded 31.03.2017	Non-Funded 31.03.2017	Total 31.03.2017	Total 31.03.2016
Projected benefit liabilities	(3 696)	(56 039)	(59 735)	(50 650)
Estimated pension funds	4 510	-	4 510	7 382
Estimated net pension funds/(liabilities)	**814**	**(56 039)**	**(55 225)**	**(43 268)**
Accrued National Insurance contributions	-	(7 777)	(7 777)	(6 164)
Pension funds/(obligations)	**814**	**(63 816)**	**(63 002)**	**(49 432)**

Amounts in NOK 1 000

Changes in the present value of the defined benefit liability	Year ended 31.03.2017	Year ended 31.03.2016
Opening defined benefit liabilites at 1 April	50 650	50 846
Interest cost	1 062	1 608
Current service cost	3 524	3 213
Benefits paid	(4 608)	(4 210)
Effects from companies disposed	-	(3 001)
Actuarial gains and losses recognized in other comprehensive income	11 165	2 197
Currency effects	-	(1)
Projected benefit liabilites at 31 March 2017 / 31 March 2016	**61 793**	**50 650**

Amounts in NOK 1 000

Changes in estimated pension funds	Year ended 31.03.2017	Year ended 31.03.2016
Estimated pension funds at 1 April	7 382	11 004
Expected return	126	208
Contributions paid	121	262
Benefits paid	(649)	(936)
Effects from companies disposed	-	(2 868)
Actuarial gains and losses recognized in other comprehensive income	(185)	184
Administrative expenses	(228)	(471)
Currency effects	-	
Estimated pension funds at 31 March 2017 / 31 March 2016	**6 567**	**7 382**

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

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 8

Other operating expenses

Amounts in NOK 1 000	Year ended 31.03.2017	Year ended 31.03.2016
Operational leasing	458 903	530 482
Sales and administration	293 232	263 417
Professional fees	163 643	162 854
Bad debt[1)]	8 666	10 793
Audit fees	12 669	13 852
Customer freight	358 565	437 662
Operation and maintenance	746 693	780 380
Other operating expenses	58 626	68 767
Total other operating expenses	**2 100 997**	**2 268 208**

1) The Group's exposure to credit risks related to accounts receivable is disclosed in note 21.

Research and development cost is expensed with NOK 41.3 million in FY 2016.

Auditor

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

Amounts in NOK 1 000	Year ended 31.03.2017	Year ended 31.03.2016
Ordinary audit fees	6 462	1 030
Fees for additional assurance services	6 206	8 673
Total fees	**12 669**	**9 703**
Audit fees to other auditors		**4 149**
Total fees to auditors	**12 669**	**13 852**

NOTE 9

Financial income/expenses

Recognised in profit and loss	Year ended 31.03.2017	Year ended 31.03.2016
Interest income on cash deposits and other receivables	11 537	8 940
Dividend income on available-for-sale financial assets	143	107
Other financial income	393	773
Total financial income	**12 073**	**9 820**
Interest expenses on financial liabilities measured at amortised cost	(95 927)	(124 407)
Capitalization of interest	3 274	5 469
Other financial expenses	(18 852)	(133 408)
Total financial expenses	**(111 505)**	**(252 346)**
Net foreign exchange gains/(losses)	**31 302**	**19 339**
Gain/(loss) on derivatives	**(14 765)**	**6 249**
Net gains on financial assets and liabilities	**-**	**-**
Net financial items	**(82 895)**	**(216 939)**

Total financial expenses are higher in the fiscal year 2015 than in 2016. 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 gain/(loss) on derivatives in the fiscal year 2016 is related to early termination of the two NOK interest rate swaps agreements and in 2015 it is related to early termination of two USD interest rate swaps agreements.

NOTE 10

Income taxes

Amounts in NOK 1 000

Income tax	Year ended 31.03.2017	Year ended 31.03.2016
Taxes payable	(342 976)	(238 285)
Change in deferred tax	(312 333)	253 539
Income tax	**(655 309)**	**15 254**

Amounts in NOK 1 000

Distribution of income tax	Year ended 31.03.2017	Year ended 31.03.2016
Norway	(288 837)	(139 546)
Abroad	(366 472)	154 800
Income tax	**(655 309)**	**15 254**

Effective tax rate

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 table below provides a reconciliation of the recognized income based on a nominal tax rate in Norway of 24 percent in 2017 (27 percent in 2015 for the three months and 25 percent in fiscal year 2015 for the twelve months).

Amounts in NOK 1 000

Effective tax rate	Year ended 31.03.2017	Year ended 31.03.2016
Income tax expense at corporate income tax rate in Norway (24%/25%)	(520 257)	(23 785)
Tax rates outside Norway different from 24%/25%	(20 625)	16 975
24%/25% tax effect on permanent differences	(133 714)	2 693
Effects of changes in nominal tax rate	20 760	20 147
Valuation allowances tax losses carried forward	-	-
Change in previously not recognised deferred tax assets	-	204
Adjustment of prior year's income taxes	484	(510)
Other differences	(1 957)	(470)
Income tax	**(655 309)**	**15 254**
Effective tax rate in %	**N/A**	**N/A**

Nominal tax rate for companies resident in Norway is 24% for 2017 (27 percent in 2015 and 25 percent in 2016). 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 is permanent differences related to Chile reorganization.

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	31.03.2017	31.03.2016
Intangible assets	286 205	261 111
Tangible assets	181 609	241 637
Inventories	934 735	727 368
Accounts receivables	17 907	22 122
Provisions	(18 117)	(12 358)
Other	120 701	94 847
Tax losses carried forward	(877 577)	(749 613)
Not recognised deferred tax assets	-	-
Net deferred tax liabilities/(assets)	**645 463**	**585 115**

Amounts in NOK 1 000

Net deferred tax liabilities/(assets)	31.03.2017	31.03.2016
Deferred tax liabilities	1 078 167	1 054 194
Deferred tax assets	432 704	469 079
Net deferred tax liabilities/(assets)	**645 463**	**585 115**

Amounts in NOK 1 000

Changes in net deferred taxes	Year ended 31.03.2017	Year ended 31.03.2016
As of 1 April (1 January)	**585 115**	**838 393**
Recognised in the income statement	312 333	(253 539)
Acquisitions/(disposals) of companies	(247 644)	-
Recognised in other comprehensive income/equity	4 328	(31 246)
Group contribution	-	27 339
Other effects	(5 240)	-
Currency effects	(3 429)	4 168
As of 31 March 2017 (31 March 2016)	**645 463**	**585 115**

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.

Amounts in NOK 1 000

Tax losses carried forward	31.03.2017	31.03.2016
Norway	-	8
Abroad	3 250 679	2 780 641
Total	**3 250 679**	**2 780 649**

Amounts in NOK 1 000

Tax losses carried forward expire as follows	31.03.2017	31.03.2016
2020 and later	9 416	15 727
No expiration	3 241 263	2 764 922
Total tax losses carried forward	**3 250 679**	**2 780 649**

NOTE 11

Intangible assets

Amounts in NOK 1 000	Goodwill	Fish farming licenses	Other intangible assets
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**
Historical cost 01.04.2016	**454 736**	**2 390 393**	**31 638**
Additions, acquisition of subsidiaries	308 010	386 961	2 397
Additions, cost price	-	-	420
Disposals, cost price	-	(233)	-
Transfers 1)	-	-	101
Currency effect	20 527	70 259	489
Historical cost 31.03.2017	**783 272**	**2 847 381**	**35 045**
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)**
Accumulated amortisation and impairment 01.04.2016	**-**	**(43 108)**	**(17 335)**
Additions, acquisition of subsidiaries	-	-	(1 606)
Depreciation	-	-	(5 152)
Disposals, cost price	-	-	-
Impairment	(308 010)	-	-
Transfers 1)	-	-	-
Currency effect	(8 294)	(1 282)	(417)
Accumulated amortisation and impairment 31.03.2017	**(316 305)**	**(44 390)**	**(24 509)**
Useful life	Indefinite	Indefinite	3 to 7 years
Carrying value 31 March 2016	**454 736**	**2 347 284**	**14 304**
Carrying value 31 March 2017	**466 968**	**2 802 991**	**10 536**

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

The impairment NOK 308 million is related to aquired goodwill from the purchase of Southern Cross Seafood Group, where all aquired goodwill were impaired at the time of recognition in Cermaq Accounts.

Amounts in NOK 1 000

Specification of goodwill	Acquisition year	Carrying value 31.03.2017	Carrying value 31.03.2016
Company/group			
Cermaq Chile group 1)	2000/2001/2014	341 968	329 750
Cermaq Norway	2005/2006/2007	125 000	124 985
Total		**466 968**	**454 736**

1) The change as per 31 March 2017 relates only to currency effects.

Amounts in NOK 1 000

Specification of fish farming licenses	Ongrowing licenses	Acquisition year 4)	Carrying value 31.03.2017
Chile 1)	123	2000/2004/2007/2008/2009/2010 /2011/2012/2014/2016	1 970 566
Canada 2)	28	2000/2005/2015	124 371
Norway 3)	51	2003/2005/2006/2007/2014/2015 /2016	708 054
Total	**202**		**2 802 991**

Amounts in NOK 1 000

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

1) 25 farming licenses were assigned Cermaq Chile through the merger with Salmones Humbolt in 2016. In addition one license was acquired in Region XII in Chile in 2016.
2) One license added in Canada in 2015.
3) Three development licenses were awarded in Norway in 2015 and one viewing license was awarded in 2016.
4) 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 upcoming three years and the management's projection for the next two 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 2016 and 2015 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 31.03.2017	Year ended 31.03.2016	Year ended 31.03.2017	Year ended 31.03.2016	Year ended 31.03.2017	Year ended 31.03.2016
Norway	4,9	4,8	5,3	5,1	2,0	2,0
Chile	7,2	7,9	8,2	9,1	2,0	2,0
Canada	5,0	5,4	5,4	5,9	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 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 2017.

NOTE 12

Property, plant and equipment

Amounts in NOK 1 000	Machinery, fixtures, vehicles, etc.	Buildings	Land	Construction in progress	Total
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**
Historical cost 01.04.2016	**3 792 550**	**1 109 188**	**128 760**	**443 416**	**5 473 915**
Additions, cost price	183 573	15 585	73	489 247	688 478
Additions, acquisition of subsidiaries	279 071	685 848	30 947	29 361	1 025 227
Disposals, cost price	(393 909)	(202 117)	(15)	(5 278)	(601 318)
Transfers [1)]	508 370	184 072	36 849	(729 582)	(292)
Currency effect	407 821	(282 940)	4 974	3 946	133 801
Historical cost 31.03.2017	**4 777 476**	**1 509 637**	**201 588**	**231 111**	**6 719 811**
Accumulated depreciation 01.01.2015	**(2 007 517)**	**(382 743)**	**(246)**	**-**	**(2 390 506)**
Ordinary depreciation	(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)**
Accumulated depreciation 01.04.2016	**(2 457 100)**	**(482 027)**	**(107)**	**-**	**(2 939 234)**
Additions, acquisition of subsidiaries	(85 929)	(214 743)	-	-	(300 672)
Ordinary depreciation	(379 309)	(113 108)	-	-	(492 416)
Accumulated depreciation on disposals	394 124	201 897	15	-	596 037
Impairment [3)]	(80 384)	(100 983)	-	-	(181 367)
Transfers [1)]	(3 048)	3 237	-	-	189
Currency effect	(205 738)	128 534	-	-	(77 204)
Accumulated depreciation 31.03.2017	**(2 817 382)**	**(577 193)**	**(92)**	**-**	**(3 394 667)**
Useful life [2)]	3 to 10 years	25 to 50 years	50 years	-	
Depreciation method	Linear	Linear	Linear	N/A	

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 23 and 24.
3) The impairment NOK 181.4 million is related to reorganization in Chile and excess capacity of processing. The write down is related to one processing plant.

NOTE 13

Investments in associated companies

Amounts in NOK 1 000

Year ended 31.03.2017	Equity interest 31.03.2017	Carrying value 01.04.2016	Share of net income for the year 1)	Dividend	Additions or deductions	Currency effect	Carrying value 31.03.2017
Fish farming							
Ballangen Sjøfarm AS	30,00 %	31 515	18 941	(4 500)			45 956
Ranfjord Fiskeprodukter AS	37,35 %	22 492	586				23 078
Nordnorsk Stamfisk AS	25,00 %	18 220	15 412				33 632
Total fish farming		**72 227**	**34 939**	**(4 500)**	**-**	**-**	**102 666**
Other activities							
Myre Bedriftsbarnehage	34,00 %	501	10	-	-	-	511
San Francisco Trading Japan	30,77 %	3 353	1 547	-	(5 067)	167	-
Total other activities		**3 854**	**1 557**	**-**	**(5 067)**	**167**	**512**
Total		**76 081**	**36 496**	**(4 500)**	**(5 067)**	**167**	**103 178**
Loss from sale of SFTJ			(2 384)				
Sum share of net income from associates			**34 112**				

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		**71 701**	**7 833**	**(3 000)**	**(543)**	**90**	**76 081**
Gain from sale of Silver Seed AS			1 256				

1) Share of net income is based on preliminary reporting from associated companies, adjusted for any final share of net result from previous year. San Francisco Trading Japan (SFTJ) is sold in FY2016.

NOTE 14

Other receivables

Amounts in NOK 1 000	31.03.2017	31.03.2016
Other non-current receivables	**4 546**	**59 131**
Prepaid income tax	**74 712**	**91 782**
Prepaid expenses	95 298	70 201
Prepaid public duties	285 094	60 987
Other current receivables	123 874	164 375
Total other current receivables	**504 265**	**295 563**
Total other receivables	**583 532**	**445 649**

NOTE 15

Cost of raw material and inventories

Amounts in NOK 1 000

Cost of raw materials	Year ended 31.03.2017	Year ended 31.03.2016
Cost of raw materials	2 816 595	4 742 690
Write-down of inventories	(58 947)	(68 933)
Other material cost	121	1 240
Cost of materials	**2 757 770**	**4 674 997**
Write-down of biological assets	225 115	134 444
Total cost of materials	**2 982 885**	**4 809 442**

In the fiscal year 2016, all of Cermaq's operating regions recorded incident-based mortality losses due to environmental and biological challenges. Chile recognized a write-down of NOK 84.6 million, mainly related to an outbreak of SRS at a trout site and elevated mortality over time at four Atlantic sites due to SRS, maturation and predator attacks. Finnmark in Norway has continued to struggle with mortality following disease (HSMI/CMS) and recognized a write-down of biological assets of NOK 82 million. Mortality losses were also accounted for in Canada by NOK 58.5 million, mainly caused by algae blooms and culling of fish.

Incident-based mortality is accounted for when a site either experiences elevated mortality over time or substantial mortality due to a sudden 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	31.03.2017	31.03.2016
Raw materials	193 637	152 464
Finished goods	256 183	199 334
Total inventories	**449 819**	**351 798**

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 16.

NOTE 16

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)	31.03.2017	31.03.2016
Non-harvestable fish	66 732	50 503
Harvestable fish	33 576	28 828
Total	**100 308**	**79 331**

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, in terms of time to harvest and relevance of hypothetical market prices.

Amounts in NOK 1 000	31.03.2017	31.03.2016
Cost of biological assets	3 561 711	2 591 369
Fair value adjustments	1 657 268	992 111
Total biological assets	**5 218 979**	**3 583 480**

The increase in fair value adjustment of biological assets is due to increased valuated biomass of Atlantic salmon in Cermaq Chile.

Movement in biological assets in the year:

Amounts in NOK 1 000	Year ended 31.03.2017	Year ended 31.03.2016
Biological assets at 01.04/01.01	**3 583 480**	**3 325 668**
Increase due to production	4 988 328	5 269 403
Decrease due to sales/harvest/mortality	(4 081 700)	(5 879 279)
Fair value adjustments on biological assets	642 015	730 077
Currency effect	86 856	137 611
Biological assets at 31.03.2017/31.03.2016	**5 218 979**	**3 583 480**

Tonnes (live weight)	Year ended 31.03.2017	Year ended 31.03.2016
Biological assets at 01.04/01.01	**79 331**	**110 247**
Increase due to production	172 543	201 039
Decrease due to sales/harvest/mortality	(151 566)	(231 955)
Biological assets at 31.03.2017/31.03.2016	**100 308**	**79 331**

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 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 2016, the total effect in the income statement from changes in the unrealized fair value adjustments of biological assets was an income of 642.0 million (2015: income of NOK 730.1 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 319.6 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 17

Accounts receivable

Amounts in NOK 1 000	31.03.2017	31.03.2016
Accounts receivable	788 293	590 986
Provisions for doubtful receivables	(21 496)	(18 690)
Total accounts receivable	**766 798**	**572 296**

The Group's exposure to credit risks related to accounts receivable is disclosed in note 21.

Note 18

Cash and cash equivalents

As of 31 March 2017, total cash and cash equivalents amounted to NOK 1 259.6 million. The cash is held in current accounts with the Group's relationship banks.

As of 31 March 2017, the Group has NOK 0.25 million in restricted cash (31 March 2016: NOK 0.27 million). This is mainly related to Fish Pool collaterals.

As of 31 March 2017, the Group has a guarantee facility of NOK 75.0 million at Danske Bank. The overdraft facility was terminated in November 2016.

The Group's exposure to foreign exchange and interest rate risk is disclosed in note 21.

NOTE 19

Other non-interest bearing current liabilities

Amounts in NOK 1 000	31.03.2017	31.03.2016
Taxes payable	**517 019**	**197 682**
Social security taxes and VAT	53 764	8 270
Accrued expenses	350 239	237 970
Provision for onerous contracts	12 488	72 258
Other current liabilities	990	34 745
Other non-interest bearing current liabilities	**417 481**	**353 244**
Total other current liabilities	**934 500**	**550 926**

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

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 21.

NOTE 20

Interest bearing liabilities

This note provides information about the Group's interest bearing liabilities. For an analysis of the Group's exposure to interest rates, foreign currency and liquidity risk, see note 21.

Amounts in NOK 1 000	31.03.2017	31.03.2016
Non-current loan from Mitsubishi Corporation Finance	3 215 888	3 619 220
Non-current financial leases	9 076	15 740
Total interest bearing non-current liabilities	**3 224 964**	**3 634 961**
Current financial leases	6 672	13 816
Current liabilities	2 090 473	281 153
Total interest bearing current liabilities	**2 097 145**	**294 968**
Total interest bearing liabilities	**5 322 109**	**3 929 929**

The Group's interest bearing debt is classified as financial liabilities measured at amortized cost.

As of 31 March 2017, the fair value of interest bearing debt is NOK 5 414.4 million.

As of 31 March 2017, the average time left to maturity of the Group's debt portfolio is 2.5 years, including finance lease liabilities (2015: 4.4 years). Cermaq Group has total available credit lines and cash of around NOK 4.3 billion.

Current liabilities relate mainly to borrowings from Mitsubishi Corporation Finance and Bank of Tokyo Mitsubishi, as well as the short term portion of financial lease.

Amounts in NOK 1 000	Carrying amount
The maturity plan of the Group's interest bearing debt is as follows:	
Non-current loan from Mitsubishi Corporation Finance	3 215 888
Non-current financial leases	9 075
Current liabilities	2 097 146
Total interest bearing liabilities	**5 322 109**
Available credit lines of the credit facilities	3 012 636
Total available credit lines	**3 012 636**

Maturity analysis - Carrying amount	2017	2018	2019	2020	2021	After 2021
Non-current loan from Mitsubishi Corporation Finance	-	-	1 758 019	1 457 869	-	
Non-current financial leases	3 669	402	402	402	4 201	
Current liabilities	2 097 146	-	-	-	-	
Total interest bearing liabilities	**2 100 815**	**402**	**1 758 420**	**1 458 271**	**4 201**	

Note 21

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 31.03.2017	NOK/EUR	GBP/NOK	USD/CLP	CAD/USD	JPY/USD	Profit & Loss
Net exposure	130 856	(62 131)	(52 357)	376 550	90 727	
Historical volatility	**2 %**	**6 %**	**2 %**	**2 %**	**5 %**	
Total effect on Profit of + movements	2 454	(3 505)	(991)	6 516	4 375	8 849
Total effect on Profit of - movements	(2 454)	3 505	991	(6 516)	(4 375)	(8 849)

Year ended 31.03.2016	NOK/EUR	GBP/NOK	USD/CLP	CAD/USD	JPY/USD	Profit & Loss
Net exposure	151 345	27 117	(11 681)	105 032	56 563	
Historical volatility	**4 %**	**4 %**	**6 %**	**5 %**	**3 %**	
Total effect on Profit of + movements	6 547	1 153	(678)	5 064	1 505	13 591
Total effect on Profit of - movements	(6 547)	(1 153)	678	(5 064)	(1 505)	(13 591)

The analysis is based on the currencies the Group is most exposed to at the end of March 2017.

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 8.8 million (31 March 2016: NOK 13.6 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 2017, the Group has no interest rate derivatives. As of 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. The two interest rate swaps was terminated in August 2016 and February 2017.

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	31.03.2017	31.03.2016	Average fixing of interest rates	Average interest rates
USD	5 309 465	3 187 628	3 months	1,85 %
NOK	12 644	742 301	4 months	2,75 %
Interest bearing debt	**5 322 109**	**3 929 929**	**3 months**	**1,86 %**
Cash and cash equivalents	1 259 647	772 172		
Net interest bearing debt	**4 062 462**	**3 157 757**		

Amounts in 1000 NOK

Sensitivity analysis for variable rate instruments	Income statement		Other comprehensive income	
	100 BPS increase	100 BPS decrease	100 BPS increase	100 BPS decrease
Year ended 31.03.2017				
Variable rate instruments	(53 221)	53 221	-	-
Interest rate swap	-	-	-	-
Interest rate sensitivity	**(53 221)**	**53 221**	**-**	**-**
Year ended 31.03.2016				
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)**

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, Bank of Tokyo-Mitsubishi 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.

As of 31 March 2017, the Group has significant unused long term headroom under the Facilities provided by Mitsubishi Corporation Finance. In addition, the group has a short-term guarantee facility NOK 75.0 million provided by Danske Bank. Please also refer to note 20 for information on committed credit facilities, available credit lines and maturity of interest bearing debt. Other short-term debt is specified in note 19.

Cermaq's overall liquidity as of 31 March 2017 and 31 March 2016 (see note 18) included NOK 1259.6 million and NOK 772.2 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 any net exposure exceeding the equivalent of USD 2.5 million, or payment terms exceeding 60 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	31.03.2017	31.03.2016
Accounts receivable	17	766 798	572 296
Other receivables	14	583 532	445 649
Cash and cash equivalents	18	1 259 647	772 172
Total		**2 609 976**	**1 790 117**

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 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.

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. At 31 March 2017, the Group's equity ratio was 47.3 percent.

At 31 March 2017, net interest bearing debt amounted to NOK 4 062.5 million.

Note 20 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 22

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. Final court decision is not expected by the end of fiscal year 2017.

Note 23

Commitments

The Group has entered into agreements with fixed payment commitments in respect of the following as of 31 March 2017 (and 31 March 2016):

Amounts in NOK 1 000	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	01.04.2021 - 31.03.2022	After 31.03.2022
Total operating leases	(458 903)	(149 243)	(125 236)	(77 803)	(56 904)	(54 339)	(8 084)
Total contractual purchases of goods and services	-	(359 446)	-	-	-	-	-
Total contractual investments	-	(600 875)	-	-	-	-	-
Total	**(458 903)**	**(1 109 564)**	**(125 236)**	**(77 803)**	**(56 904)**	**(54 339)**	**(8 084)**

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

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 of goods and services	-	(150 284)	-	-	-	-	-
Total contractual investments	-	(308 840)	(20 497)	-	-	-	-
Total	**(530 482)**	**(583 374)**	**(157 813)**	**(127 898)**	**(98 449)**	**(81 587)**	**(61 152)**

NOTE 24

Pledges and guarantees

Purchased bank guarantees amount at year-end to NOK 49.9 million and are issued by Danske Bank under the Group's guarantee facility of which NOK 22 million is to secure the pension commitment for a previous employee and his wife.

NOTE 25

Transactions with related parties

The table below provides details of transactions with related parties:

Amounts in NOK 1 000

Related party	Transaction	Year ended 31.03.2017		Year ended 31.03.2016	
		Sales to	Purchases from	Sales to	Purchases from
Silver Seed AS 1)	Smolt	-	-	120	(2 324)
Ballangen Sjøfarm AS	Processing services	54 191	(182 532)	60 189	(136 388)
Randfjord Fiskeprodukter AS	Smolt	-	(13 524)	-	(18 118)
Nord Norsk Stamfisk AS	Processing services	26 248	(31 814)	51 313	(59 755)
SFTJ (San Francisco Trading Japan)	Sale of goods	-	-	26 890	-
Mitsubishi Corporation companies	Sale of goods	233 968	-	-	-
Mitsubishi Corporation Finance	Financial services	-	90 255	-	56 618

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 2017 and 31 March 2016. 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 is Cermaq financed through Mitsubishi Corporation Finance, see note 20.

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

NOTE 26

Subsequent events

There are no significant subsequent events for the Group since 31 March 2017.

CERMAQ GROUP AS

Financial Statements

For

The Year Ended 31 March 2017

Cermaq Group AS
Statement of Income

Amounts in NOK 1 000

	Notes	Year ended 31.03.2017 1)	Year ended 31.03.2016 2)
Operating revenues		53 566	79 300
Gain on sale of fixed assets		-	71
Personnel expenses	2, 3	(80 126)	(89 008)
Depreciations and amortisations	7, 8	(6 079)	(11 489)
Other operating expenses	4	(63 034)	(72 044)
Operating result		**(95 673)**	**(93 170)**
Income from subsidiaries	5	404 000	-
Net financial income/(expense)	5	98 394	153 764
Net foreign exchange gain/(loss)	5	822	49 014
Gain/(loss) on sale of financial instruments	5	(11 128)	11 226
Financial items, net		**492 088**	**214 004**
Net income/(loss) before taxes		**396 416**	**120 834**
Income taxes	6	3 674	16 191
Net income/(loss)		**400 090**	**137 025**
Proposed dividend		404 000	-
Allocated (from)/ to other equity		(3 910)	137 025
Total allocation of net income/(loss) for the period	14	**400 090**	**137 025**

1) 12 months from 01.04.2016 to 31.03.2017
2) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.

Cermaq Group AS
Statement of Financial Position

Amounts in NOK 1 000

	Notes	31.03.2017	31.03.2016
ASSETS			
Deferred tax assets	6	8 104	3 031
Other intangible assets	7	3 577	5 696
Total intangible assets		**11 681**	**8 727**
Property, plant and equipment	8	**9 387**	**12 435**
Investments in subsidiaries	9	1 513 335	1 466 225
Other non-current receivables	12	-	46 363
Total financial fixed assets		**1 513 335**	**1 512 587**
Total non-current assets		**1 534 404**	**1 533 750**
Accounts receivables		1 293	1 930
Other current receivables		62 093	64 909
Current intercompany receivables	10	533 693	116 885
Cash and cash equivalents	13	243	3 310
Total current assets		**597 322**	**187 034**
TOTAL ASSETS		**2 131 726**	**1 720 784**
EQUITY AND LIABILITIES			
Share capital	14	924 983	924 983
Total paid-in capital		**924 983**	**924 983**
Other equity	14	526 926	540 673
Total equity		**1 451 910**	**1 465 657**
Pension liabilities	3	62 118	49 032
Total provisions		**62 118**	**49 032**
Non-current intercompany liabilities	11	38 842	37 722
Total non-current liabilities		**100 960**	**86 754**
Accounts payables		3 778	3 025
Income tax	6	32 139	32 139
Other current liabilities	17	430 935	29 660
Current intercompany liabilities	10	112 004	103 549
Total current liabilities		**578 855**	**168 372**
TOTAL EQUITY AND LIABILITIES		**2 131 726**	**1 720 784**

Forsan, 3 July 2017

Yu Sato
Chair

Kiyotaka Kikuchi
Director

Yasumasa Kashiwagi
Director

Haruki Hayashi
Director

Helge Midttun
Director

Jan-Robert Røli-Gjervik
Director (employee elected)

Ketil Olsen
Director (employee elected)

Torgeir Nilsen
Director (employee elected)

Geir Molvik
Chief Executive Officer

Cermaq Group AS
Statement of Cash Flow

Amounts in NOK 1 000

	Notes	Year ended 31.03.2017 [1)]	Year ended 31.03.2016 [2)]
Net income/(loss) before taxes		**396 416**	**120 834**
(Gain)/loss on sale of tangible and intangible assets		-	5 373
Depreciations and amortisations	7, 8	6 079	11 489
Change in fair value of financial assets and gain of shares sold	5	11 128	(11 226)
Income taxes paid		1 708	-
Finance items, net		7 099	(108 830)
Recognised dividend and group contribution	5, 6	(509 906)	(260 926)
Change in accounts receivable and accounts payable		3 966	(18 868)
Change in other current operating assets and liabilities		(5 784)	11 035
Net cash flow from operating activities		**(89 295)**	**(251 120)**
Proceeds from sale of property, plant and equipment (PPE) and intangible assets		-	127
Purchases of PPE and intangible assets	7, 8	(913)	(12)
Purchases of shares and other investments		2 889	(19 556)
Net cash flow from investing activities		**1 976**	**(19 441)**
Payment of borrowings		-	(750 000)
Net change in interest bearing debt from group companies		-	735 662
Net change in drawing facilities		11 424	39 646
Interest received		43	692
Interest paid		(3 404)	(17 317)
Received other financial items		14	33 157
Paid out other financial items		(17 842)	(78 841)
Received group contribution	6	94 017	77 924
Dividend received		-	166 909
Net cash flow from financing activities		**84 252**	**207 833**
Net change in cash and cash equivalents for the period		**(3 067)**	**(62 728)**
Cash and cash equivalents at the beginning of the period	13	3 310	66 038
Cash and cash equivalents at the end of the period	13	**243**	**3 310**

1) 12 months from 01.04.2016 to 31.03.2017
2) 15 months year from 01.01.2015 to 31.03.2016, due to changed fiscal year, ending 31 March.

Notes to the financial accounts – Cermaq Group AS

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

Cermaq Group AS has a defined contribution program for active members. Contributions are given in steps of 6 percent (from 0G up to 7.1G) and 15 percent (above 7.1G and up to 12G) of salary (12G is equivalent to annual salary of around NOK 1 123 600).

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 31.03.2017	Year ended 31.03.2016
Wages and salaries including holiday pay	58 528	65 742
National insurance contributions	9 437	10 169
Pension costs	8 104	7 307
Other personnel expenses	4 058	5 790
Total wages and other personnel expenses	**80 126**	**89 008**

The number of employees at year-end 31st March 2017 is 46 persons (year-end 31st March 2016: 40 persons). Number of man-years during the year was 36 (year-end 31st March 2016: 49).

For details regarding remuneration for CEO, please refer to note 6 in the group accounts.

Note 3

Pension costs and pension obligations

Cermaq Group AS has a defined contribution program for active members. Contributions are given in steps of 6 percent (from 0G up to 7.1G) and 15 percent (above 7.1G and up to 12G) of salary (12G is equivalent to annual salary of around NOK 1 123 600).

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 March 2017, there was a deficit of NOK 62.0 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 31.03.2017	Year ended 31.03.2016
Discount rate/expected return on funds	2,6 %	2,7 %
Wage adjustment	2,5 %	2,5 %
Basic amount adjustment/inflation	2,3 %	2,3 %
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 31.03.2017	Year ended 31.03.2016
Net present value of current year's pension benefit earned	3 039	3 200
Interest cost of pension liability	1 062	1 608
Expected return on pension funds	(126)	(208)
Recognised one off effects	-	-
Administrative expenses	228	211
Accrued National Insurance contributions	578	653
Other adjustment on pension funds	-	-
Net accrued pension cost defined benefit schemes	**4 781**	**5 464**
Cost defined contribution scheme and other pension costs	3 323	1 843
Total pension cost	**8 104**	**7 307**

Amounts in NOK 1 000

Pension liability, including historical information	31.03.2017	31.03.2016
Projected benefit liabilities	(58 851)	(48 186)
Estimated pension funds	4 510	5 318
Net pension funds/(liabilities)	**(54 341)**	**(42 868)**
Accrued National Insurance contributions	(7 777)	(6 164)
Pension funds/(obligations)	**(62 118)**	**(49 032)**

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 31.03.2017	Year ended 31.03.2016
Audit fees	1 975	620
Fees for additional assurance services 1)	837	6 466
Total fees	**2 812**	**7 086**

1) In the year-end 31st March 2017, fees for additional assurance services from Deloitte relate to audit of sustainability reporting, and supporting for implementation and attestation of J-SOX.

In the year-end 21st March 2016, 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.

Note 5

Financial income/(expenses)

Amounts in NOK 1 000	Year ended 31.03.2017	Year ended 31.03.2016
Interest income	58	20 311
Gain on sale of financial assets and liabilities	3 637	4 977
Termination of interest rate swap	-	6 249
Dividend received	404 000	166 909
Group contribution received	105 906	94 017
Other financial income	-	3 957
Total financial income	**513 601**	**296 420**
Of which related to group items	509 920	284 494
Interest expenses	(6 626)	(16 939)
Termination of interest rate swap	(14 765)	-
Other financial expenses	(944)	(114 491)
Total financial expenses	**(22 334)**	**(131 430)**
Of which related to group items	(3 759)	(5 509)
Net foreign exchange gains/losses, external	(212)	473
Net foreign exchange gains/losses, group	1 033	48 541
Net financial items	**492 088**	**214 004**

Gain on sale of financial assets and liabilities are mainly related to the final settlement of the EWOS transaction.

Other financial expenses are lower compared to year-end 31st March 2016. 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 31.03.2017 1)	Year ended 31.03.2016 2)
Taxes payable	-	(32 139)
Changes in deferred tax	5 073	48 930
Deferred taxes on transactions against equity	(3 106)	(600)
Adjustment of prior year's income taxes	1 708	-
Total	**3 674**	**16 191**

Tax base calculation	Year ended 31.03.2017 1)	Year ended 31.03.2016 2)
Net income/(loss) before taxes	396 416	120 834
Permanent differences	(511 021)	(171 762)
Changes in temporary differences	21 642	181 883
Of which booked directly against equity	(12 943)	(2 401)
Group contribution	105 906	-
Tax base	**-**	**128 554**
Taxes payable, 24%/25% 5)	**-**	**32 139**

Temporary differences:	31.03.2017	31.03.2016
Property, plant and equipment	1 527	427
Non current receivables	-	-
Pensions	62 118	49 032
Gains and losses	(29 879)	(37 335)
Net temporary differences	**33 767**	**12 124**
Tax losses carried forward and other tax credits	105 906	-
Group contribution	(105 906)	-
Total	**33 767**	**12 124**
24% deferred tax asset/(liability) 3)	**8 104**	**3 031**

Reconciliation of the tax of the year	Year ended 31.03.2017 1)	Year ended 31.03.2016 2)
Net Profit/Loss before tax	396 416	120 834
Calculated 24%/(25%-27%) tax on Net Profit/Loss before tax	(95 140)	(31 895)
24%/(25%-27%) tax on permanent differences	97 228	42 940
Change in nominal tax rate	-	5 326
Of which is change in nominal tax rate related to transactions against equity	(251)	(180)
Change in tax from previous years	129	-
Utilization of tax credit from previous years	1 708	-
Total tax income/expense(-) recorded in income statement	**3 674**	**16 191**

In 2015 the nominal tax rate in Norway was 27 percent. In 2016, the nominal tax rate changes to 25 percent. In 2017, the nominal tax rate changed to 24% Deferred tax calculations and payable tax is calculated with 24% due to tax filing of the financial year 2016 (1 April 2016 to 31 March 2017) in 2017 with the tax rates for 2017.

Note 7

Intangible assets

Amounts in NOK 1 000	Software	Construction in progress	Total
Historical cost 01.01.15	**13 099**	**9 247**	**22 346**
Additions, cost price	-	12	12
Disposals, cost price	(3 801)	(5 444)	(9 245)
Transfers and other charges [1)]	3 801	(3 815)	(14)
Historical cost 31.03.16	**13 099**	**(0)**	**13 099**
Historical cost 01.04.16	**13 099**	**(0)**	**13 099**
Additions, cost price	-	-	-
Disposals, cost price	-	-	-
Transfers and other charges [1)]	-	-	-
Historical cost 31.03.17	**13 099**	**(0)**	**13 099**
Accumulated amortisation and impairment 01.01.15	**(4 753)**	**-**	**(4 753)**
Ordinary depreciation for the year	(6 450)	-	(6 450)
Transfers and other charges	3 802	-	3 802
Accumulated amortisation and impairment 31.03.16	**(7 403)**	**-**	**(7 403)**
Accumulated amortisation and impairment 01.04.16	**(7 403)**	**-**	**(7 403)**
Ordinary depreciation for the year	(2 119)	-	(2 119)
Transfers and other charges	-	-	-
Accumulated amortisation and impairment 31.03.17	**(9 523)**	**-**	**(9 523)**
Carrying value 31 March 2016	**5 696**	**-**	**5 696**
Carrying value 31 March 2017	**3 577**	**-**	**3 577**
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	Asset under construction	Total
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**
Historical cost 01.04.16	**23 039**	**8 785**	**-**	**31 824**
Additions, cost price	913	-	-	913
Disposals, cost price	(4 394)	-	-	(4 394)
Transfers 1)	-	(189)	-	(189)
Historical cost 31.03.17	**19 558**	**8 596**	**-**	**28 154**
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)**
Accumulated depreciation 01.04.16	**(11 340)**	**(8 049)**	**-**	**(19 389)**
Depreciation	(3 792)	(168)	-	(3 960)
Accumulated depreciation on disposals	4 394		-	4 394
Transfers 1)	-	189	-	189
Accumulated depreciation 31.03.17	**10 738**	**8 029**	**-**	**18 767**
Carrying value 31 March 2016	**11 699**	**736**	**-**	**12 435**
Carrying value 31 March 2017	**8 819**	**567**	**-**	**9 387**
Useful life 2)	3 to 10 years	25 to 50 years	-	
Depreciation method	Linear	Linear	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 31.03.2017	Profit/(loss) for the year ended 31.03.2017	Carrying value 31.03.2017	Office location
Cermaq Holding AS	100 %	189 573	940	194 558	Oslo, Norway
NorAqua AS	100 %	140	-5	152	Oslo, Norway
Cermaq Norway AS	100 %	3 617 479	1 127 132	229 024	Steigen, Norway
Cermaq US LLC	100 %	26 079	2 998	19 556	Miami, USA
Southercross Seafoods S.A. 1)	51,94 %	150 654	-38 378	1 070 026	Puerto Montt, Chile
Salmones Humboldt SPA 1)	0,001 %	197 591	-23 105	19	Puerto Montt, Chile
Total investment in subsidiaries				**1 513 335**	

1) Due to reorganisation in Chile, Southerncross Seafoods S.A. and Salmones Humboldt SPA were bought in November 2016.

Note 10

Intercompany receivables and liabilities

Amounts in NOK 1 000	31.03.2017	31.03.2016
Group contribution	105 906	94 018
Dividend from subsidiaries	404 000	-
Other current intercompany receivables	23 787	22 867
Total current intercompany receivables	**533 693**	**116 885**

Amounts in NOK 1 000	31.03.2017	31.03.2016
Cash pool liabilities [1)]	110 480	99 331
Other current intercompany liabilities	1 524	4 217
Total current intercompany liabilities	**112 004**	**103 549**

1) Cermaq Group AS was earlier the group account holder; the cashpool facility is transferred from Cermaq Group AS to Cermaq Norway AS on January 4th 2016 (see Note 13).

Note 11

Non-current intercompany loans and receivables

Amounts in NOK 1 000

Liabilities to group companies	Currency	31.03.2017	31.03.2016
Loan from Norwegian companies	NOK	38 842	37 722
Total non-current intercompany liabilities		**38 842**	**37 722**

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.

Cermaq Group AS has no loans to group companies at 31 March 2017. The Group has moved from external funding over to intragroup funding from Mitsubishi Corporation Finance (MCF).

Note 12

Other non-current receivables

Amounts in NOK 1 000	31.03.2017	31.03.2016
Other non-current receivables	-	46 363
Total non-current receivables	**-**	**46 363**

Other non-current receivables relates to the contingent consideration from the sale of EWOS. The gross amount of NOK 50 million was received in December 2016, and further NOK 50 million will be received at the end of 2017.

After received payment in December 2016, the non-current receivables were reclassified to current receivables and therefore non-current receivables is zero. Discounted value recognized as current receivables is NOK 48,5 million.

Note 13

Cash and cash equivalents

Amounts in NOK 1 000	31.03.2017	31.03.2016
Cash and cash equivalents	243	3 310
Total cash and cash equivalents	**243**	**3 310**

As of 31 March 2017 there is no restricted cash.

The Group has a multi-currency cash pool solution with Danske Bank. Cermaq Norway AS is 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 01.01.2015	**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**

Amounts in NOK 1 000	Share Capital	Treasury shares	Actuarial gains and losses	Other reserves	Total equity
Equity 01.04.2016	**924 983**	**-**	**(6 495)**	**547 170**	**1 465 657**
Net income/(loss) for the year	-	-	-	400 090	400 090
Change in treasury shares			-	-	-
Actuarial gains and losses against equity	-	-	(9 837)	-	(9 837)
Proposed dividend	-	-	-	(404 000)	(404 000)
Equity 31.03.2017	**924 983**	**-**	**(16 332)**	**543 259**	**1 451 910**

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.

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 2017.

Note 15

Interest bearing liabilities

As of 31 March 2017 Cermaq Group AS has no long term interest bearing liabilities (31 March 2016: NOK 0 million).

Cermaq Group AS has no current interest bearing liabilities at 31 March 2017 (31 March 2016: 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	31.03.2017	31.03.2016
Social security taxes and VAT	2 314	3 889
Dividend	404 000	-
Other current liabilities	24 621	25 771
Total other current liabilities	**430 935**	**29 660**

Note 18

Property rental agreements

Amounts in NOK 1 000

Tenant	Rent	Annual rent	Duration of agreement
Cermaq Group AS	Rent - Oslo	6 770	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 guarantee facility amount to NOK 49.9 million at 31 March 2017.

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

Amounts in NOK 1 000

Year ended 31.03.2017	Fish farming operation	Other operation	Total
Operation			
Management Fee	26 687	-	26 687
Recharged IT services	28 421	-	28 421
Marketing	6 541	-	6 541
Rent/other rental income	2 358	-	2 358
Finance			
Financial income	14	-	14
Group contribution	104 670	1 236	105 906
Dividends received Group	404 000	-	-
Total financial revenue	**508 684**	**1 236**	**105 920**
Total financial expenses	**2 550**	**1 120**	**3 671**

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)**

There have been no material purchasing services in Cermaq Group AS from its subsidiaries in the fiscal year 2016 or 2015. Principal of arm's length are used in all transactions with subsidiaries.

Note 21

Subsequent events

See note 27 in the Group Notes.

Deloitte.

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To the General Meeting of Cermaq Group AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cermaq Group AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 March 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 March 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 3 July 2017
Deloitte AS

Kjetil Nevstad

Kjetil Nevstad
State Authorised Public Accountant