Annual Report 2017

1 April 2017 - 31 March 2018

CERMAQ
Your salmon farmer

Photo: Kenneth Soløy

The BOARD OF DIRECTORS' ANNUAL REPORT for fiscal year 2017

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. The Board of Director's Annual Report and Financial Statements are for the closing of Cermaq Group AS' accounts per 31 March 2018.

1. Operations and locations

Cermaq is a vertically integrated global producer and 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 MC. Through Cermaq, Mitsubishi Corporation is the world's second largest supplier of farmed salmon and trout. Cermaq has a global market share of around 6.4 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

During the fiscal year 2017, 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 high market prices were key drivers for profit during the fiscal year 2017, which together with significantly higher volume and good cost control, gave strong annual results for all three OpCos.

Revised harvest plan and good growth in Finnmark during summer and autumn increased volume significantly in Cermaq Norway. Lower feed cost, improved eFCR and reduced lice treatment costs in Finnmark contributed to lower production cost than budgeted. The year ended with write-downs of NOK 81 million from elevated mortality in Nordland and Finnmark

Through the year, Cermaq Canada has worked actively with changing original harvest plan to take advantage of rising prices and reduce biological risks, which has yielded positive effects on both volume and achieved prices. Environmental conditions and algae blooms have affected results negatively, but less than expected. Market prices for Canadian whole fish have been strong in 2017, in addition to good price achievement with good prices for ASC certified fish (ASC = The Aquaculture Stewardship Council)

The result for Cermaq Chile is impacted by one-offs amounting to USD 22 million for the year, related to lay-off cost, write-down of biomass and fixed assets. EBIT adjusted for these effects ended at positive NOK 767m. The Coho season finished with strong performance on all parameters and outperformed budget on volume, price and cost with a premium quality of 83%. Atlantics in all Chilean regions ended with higher mortality than budgeted largely due to SRS and predators. The impact of SRS has been less than prior years. Region XII exhibits more favorable cost than the other regions with 7% lower ex-cage cost

Norway is also constructing a new processing plant in Nordland, restructuring its processing capacity in the region. When finished, the new plant will increase processing capacity in Nordland significantly. The plant will also have a pre rigor filleting line, adding value added products to the company's product line.

In Norway, Cermaq is implementing new technology to create biogas from sludge at the freshwater facility in Forsan. When fully operative, this will be the first biogas reactor that is run solely on sludge from fish farming.

3. Explanation of the accounts

3.1 Profit and loss statement

Cermaq's operating revenues were NOK 9 891.7 million in fiscal year 2017, while 2016 showed total operating revenue of NOK 8 529.5 million. Operating revenues increased due to higher sales volume, but lower market prices in all main markets (US, Europe and Asia).

Cermaq's operating profit before fair value adjustment for biological assets and non-recurring items was positive NOK 2 138.1 million (2016: positive NOK 1 514.7 million), which is a significant increase compared with 2016.

The change in fair value adjustment for biological assets in Cermaq was a loss (expense) of NOK -201.0 million (2016: income of NOK 642.0 million), mostly explained by decreased biomass at year end in Chile. The share of net income from associated companies amounted to NOK 22.8 million in 2017 (2016: NOK 34.1 million).

Cermaq's net financial expenses for fiscal year 2017 were NOK 93.9 million (2016: NOK 82.9 million). Net interest expenses ended at NOK 97.0 million compared to NOK 84.4 million in 2016.

Cermaq's net tax expense for the year was NOK 486.7 million (2016: expense of NOK 655.3 million). Cermaq's net income after tax for 2017 was a gain of NOK 1 384.5 million (2016: gain of NOK 1 512.4 million).

The company's net income in 2017 was NOK 816.4 million (2016: NOK 400.1 million). The positive result in 2017 was mainly due to dividend received from Cermaq Canada and Cermaq Norway of NOK 823.0 million and group contribution received from Cermaq Norway of NOK 24.6 million.

All internal R&D is expensed as incurred. Development cost are only capitalised if the criteria are met. In the fiscal year 2017, all development costs have been expensed.

3.2 Financial position

The book value of Cermaq's total assets was NOK 15 517.8 million as of 31 March 2018, compared with NOK 15 421.0 million as of 31 March 2017. The increase is essentially explained by property plant and equipment (NOK 222.9 million), Financial fixed assets (NOK 95.8 million) and Accounts Receivables (NOK 431.9 million) partly offset by decrease licenses (NOK 85.0 million), Goodwill (NOK 31.8 million), Deferred tax asset (NOK 69.8 million), Inventory (NOK 227.6 million) and Other receivables (NOK 224.5 million). Changes in assets are affected by changes in currency rates (Translation differences) from 2016 to 2017. In addition Cermaq had lower cash reserves (NOK 12.3 million).

The equity book value 31 March 2018 was NOK 7 969.4 million compared to NOK 7 288.6 million as of 31 March 2017. The increase is mainly due the positive net results for the year (NOK 1 384.5 million) offset by negative translation differences (NOK 300.4) and Dividends paid (NOK 404.0). The equity ratio increased to 51.4 percent 31 March 2018, from 47.3 percent 31 March 2017.

The book value of the parent company's assets was NOK 2 440.4 million as of 31 March 2018, an increase of NOK 308.7 million from NOK 2 131.7 million from 31 March 2017.

3.3 Financing

Cermaq's net interest bearing debt decreased by NOK 686.4 million, from NOK 5 322.1 million at 31 March 2017, to NOK 4 635.7 million at 31 March 2018. This net decrease is mainly explained by a NOK 486.5 million in translation effects caused by the appreciation of the NOK against USD and a net repayment of debt of NOK 194.4 million.

3.4 Cash flow

Cermaq's net cash flow from operational activities was NOK 1 732.2 million in 2017 and NOK 1 782.2 million in 2016. Income before taxes for 2017 was NOK 1 871.2 million which was NOK 296.6 million lower than 2016. Taxes paid totalled to NOK 485.6 million in 2017.

Net cash flow from investment activities was an outflow of NOK 1 009.5 million (2016: outflow of NOK 617.7 million), of which payments for investments in property, plant and equipment amounted to NOK 1 059.5 million (2016: NOK 639 million). A major part of the payments for investments in property, plant and equipment is related to the processing plant Storskjæret in Cermaq Norway.

Net cash flow from financing activities was an outflow of NOK 692.9 million (2016: NOK 695.2 million). Proceeds from borrowings were NOK 81.1 million and Repayment of borrowings were NOK 275.5 million and paid Dividend were NOK 404.0 million. Payment of net interest expenses and other financial items were NOK 105.3 million (2016: NOK 123.7 million).

The change in cash and cash equivalents for the period was an outflow of NOK 12.3 million (2016: inflow of NOK 487.5 million).

Cermaq Group AS reported a net cash flow of NOK 0.0 million (2016: outflow of NOK 3.1 million). Cash outflow from operating activities with NOK 79.6 million was offset by cash inflow from investing activities with NOK 50.0 million and financing activities with NOK 29.6 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 816.4 million*. The Board proposes to the Annual General Meeting to allocate the profit of *NOK 816.4 million* as follows:

Net income	***NOK 816.4 million***
Allocated to dividends	*NOK 823.0 million*
Transferred from other equity	*NOK (6.6) 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 2018, 100.0% percent (2016: 99.8 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 2018, 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 2018, 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. 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), soy beans, wheat and corn. Price and availability will fluctuate, especially on marine raw materials. To reduce dependency on marine ingredients, Cermaq is investigating the potential for utilizing alternative ingredients together with its feed suppliers.

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's aim is to be a sustainability leader in its field and to make a positive impact. To achieve this, Cermaq has aligned its approach with the UN Sustainable Development Goals (SDGs). Cermaq has a responsibility towards society with regards to the social and environmental impact of our activities, and through sustainable farming and responsible business conduct, Cermaq works to create shared value with society and the local communities in our areas of operation.

Cermaq has defined the priority topics the organization works with to reach its strategic goals which are strongly linked to the sustainability of the operations. In these areas, there are established key performance indicators to measure and monitor performance.

Cermaq's approach to sustainability is based on three pillars: transparency, partnership and performance. Transparency is important to build trust and communicate what we do to our stakeholders. Our results on key performance indicators are published on our webpage on a quarterly and annual basis. In addition we publish annual performance data with our partners in the Global Salmon Initiative (GSI).

Cermaq's goal is to be a sustainability leader and drive progress towards the SDGs, and in particular goal 14 Life below water. The past year, Cermaq joined the UN Global Compact Action platform for Sustainable Ocean Business, as the first company. The goal is to work with the maritime industries, governments, research institutions and the wider UN system to develop roadmaps for the blue economy including the seafood industry. This work will build on our experiences from our industry partnerships, including the Seafood Business for Ocean Stewardship (SeaBOS) initiative, where Cermaq is working with nine of the world's largest seafood companies to enhance the sustainability of our value chain.

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 monthly and 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.

Transparency

In August, Cermaq was ranked number one in Seafood Intelligence's annual transparency benchmark report, maintaining the position as the most transparent seafood company globally. Cermaq is unique by having external audit of the sustainability report and also publishing quarterly sustainability performance results.

During the fiscal year 2017, Cermaq's application for development licences in Norway with the iFarm concept was partly approved by the Directorate of Fisheries, but limited to 4 licences and not 10 as Cermaq applied for. Cermaq has appealed the decision. In November, Cermaq applied for 13 development licences in Norway with a concept called FlexiFarm. It is a closed containment system with water treatment against infections. A decision from the Directorate of Fisheries is expected during the fiscal year 2018.

Cermaq has committed to certify all its sea sites in accordance with ASC standard by 2020. During the fiscal year 2017 Cermaq achieved in total 17 new certifications in accordance with the ASC standard, with new certifications in all three regions. As of March 2018, Cermaq has in total 38 ASC-certified sites.

Sustainability

The Board recognizes that global challenges must be solved through pre-competitive partnerships and industry collaboration. In the fiscal year 2017, 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.

The Sustainable Development Goals are integrated in Cermaq's strategy. As one of the first business partners, Cermaq joined the initiative Business Action Platform for Oceans, together with UN Global Compact, The Norwegian Government and other engaged companies. The Ocean Action Platform is one of several partnership initiatives managed by UN Global Compact. This initiative focuses on the Sustainable Development Goal 14 Life Below Water, and will engage UN partners, private sector partners, government partners, academia and NGOs.

Cermaq is also still engaged in the Seafood Business for Ocean Stewardship (SeaBOS) initiative – a partnership with eight of the world's largest seafood companies. 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. Launched in January 2017, the program is designed to accelerate transformational change in global food systems.

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 which is available on our webpage.

7. Fish health

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

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 2018, Cermaq employed 3 779 persons (31 March 2017 3 712). Of Cermaq's employees, 599 were employed in Norway and 3 180 outside of Norway. Cermaq Group AS employed 47 persons at 31 March 2018 (31 March 2017 46).

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 2017.

In 2017, Cermaq reached its objective of less than 5 lost time injuries per million working hours for the calendar year, achieving 5 lost time injuries rate for Cermaq as a whole. This is an improvement from 6 in 2016, 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 2016 and 2017, and was 2,2 percent for 2017. The Board will continue to have a strong focus on health and safety.

In fiscal year 2017, twelve 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 228 749.

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 28 percent at the close of fiscal year 2017. The ratio for women in the parent company Cermaq Group AS was 32 percent. At the close of fiscal year 2017 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 14 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 7 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 with higher capacity utilisation. Canadian volumes are close to current production capacity with overall good performance. Structured efforts to improve the Chilean operations are showing good progress towards securing 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 2017. The Board looks forward to working together with our highly valued people.

Vancouver, 25 June 2018

Vancouver, 25 June 2018

Yasuhiro Kawakami Chair	Kiyotaka Kikuchi Director	Yasumasa Kashiwagi Director	Helge Midttun Director
Isao Kano Director	Lisbeth Pedersen Director (employee elected)	Börkur Árnason Director (employee elected)	Torgeir Nilsen Director (employee elected)
Geir Molvik Chief Executive Officer			

CERMAQ GROUP

Financial Statements

For

The Year Ended 31 March 2018

Cermaq Group

STATEMENT OF INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2018	Year ended 31.03.2017
Operating revenues		**9,891,712**	**8,529,451**
Cost of raw materials	15	(3,263,471)	(2,757,770)
Write-down of biological assets	15	(159,912)	(225,115)
Personnel expenses	6, 7	(1,072,550)	(943,891)
Other operating expenses	8	(2,704,396)	(2,100,997)
Depreciations, amortisations and impairments	11, 12	(553,286)	(986,945)
Operating result before fair value adjustments of biological assets		**2,138,098**	**1,514,734**
Fair value adjustment on biological assets	16	(201,009)	642,015
Provision for onerous contracts	19	5,106	59,770
Operating result		**1,942,195**	**2,216,519**
Share of net income from associates	13	22,827	34,112
Financial income	9	13,464	12,073
Financial expenses	9	(112,939)	(111,505)
Net foreign exchange gain/(loss)	9	5,607	31,302
Gain/(loss) on derivatives	9	-	(14,765)
Financial items, net	9	**(93,868)**	**(82,895)**
Net income/(loss) before taxes		**1,871,154**	**2,167,736**
Income taxes	10	(486,673)	(655,309)
Net income/(loss)		**1,384,481**	**1,512,427**

Cermaq Group

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK 1 000

	Notes	Year ended 31.03.2018	Year ended 31.03.2017
Net income/(loss)		**1,384,481**	**1,512,427**
Other comprehensive income, net of tax:			
Items to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**(300,431)**	**75,553**
- currency translation taken to equity		*(300,431)*	*75,553*
- transferred to profit/loss		-	-
Change in fair value of cash flow hedge instruments		**2,152**	**21,076**
- fair value adjustment taken to equity		*2,152*	*9,855*
- transferred to profit/loss [1)]	9	-	*11,221*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	7	**(1,437)**	**(9,837)**
Total other comprehensive income		**(299,716)**	**86,792**
Total comprehensive income		**1,084,765**	**1,599,219**

1) 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	31/03/2018	31/03/2017
ASSETS			
Fish farming licenses	11	2,718,012	2,802,991
Goodwill	11	435,133	466,968
Deferred tax assets	10	362,881	432,704
Other intangible assets	11	7,724	10,536
Total intangible assets		**3,523,750**	**3,713,198**
Property, plant and equipment	12	**3,548,056**	**3,325,144**
Investments in associates	13	119,528	103,178
Investments in other companies		683	724
Other non-current receivables	14	84,069	4,546
Total financial fixed assets		**204,280**	**108,448**
Total non-current assets		**7,276,086**	**7,146,790**
Inventories	15	786,851	449,819
Biological inventories	16	4,654,334	5,218,979
Accounts receivables	17	1,198,672	766,798
Prepaid income taxes	10, 14	5,001	74,712
Other current receivables	14	324,534	504,265
Assets held for sale		24,977	-
Cash and cash equivalents	18	1,247,309	1,259,647
Total current assets		**8,241,678**	**8,274,220**
TOTAL ASSETS		**15,517,765**	**15,421,010**
EQUITY AND LIABILITIES			
Total equity		**7,969,401**	**7,288,637**
Pension liabilities	7	65,191	63,002
Deferred tax liabilities	10	1,150,908	1,078,167
Total provisions		**1,216,098**	**1,141,169**
Interest bearing non-current liabilities	20	2,527,623	3,224,964
Other non interest bearing non-current liabilities		9,386	-
Total non-current liabilities		**3,753,107**	**4,366,132**
Current interest bearing liabilities	20	2,108,087	2,097,145
Accounts payables		760,918	734,595
Income taxes	10, 19	380,304	517,019
Other non-interest bearing current liabilities	19	536,546	417,481
Liabilities Held for Sale		9,403	
Total current liabilities		**3,795,256**	**3,766,240**
TOTAL EQUITY AND LIABILITIES		**15,517,765**	**15,421,010**

Vancouver, 25 June 2018

Yasuhiro Kawakami
Chair

Kiyotaka Kikuchi
Director

Yasumasa Kashiwagi
Director

Isao Kano
Director

Helge Midttun
Director

Lisbeth Pedersen
Director (employee elected)

Börkur Arnason
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 31.03.2018	Year ended 31.03.2017
Net income/(loss) before taxes		1,871,154	2,167,736
Net income/(loss) before taxes		**1,871,154**	**2,167,736**
(Gain)/loss on sale of tangible and intangible assets		6,924	407
Depreciations, amortisations and impairments	11, 12	553,286	986,945
Writedown of biological assets		159,912	225,115
(Gain)/loss on derivatives	9	-	14,765
Net interest expense		99,476	99,432
Changes in fair value of biological assets	16	195,903	(701,785)
Income taxes paid		(485,560)	(2,736)
(Income)/loss from associated companies	13	(22,827)	(34,112)
Dividends received from associated companies	13	6,218	4,643
Change in inventories, accounts receivable and accounts payable		(852,534)	(1,005,614)
Change in other current operating assets and liabilities		200,229	27,401
Net cash flow from operating activities		**1,732,180**	**1,782,197**
Proceeds from sale of property, plant, equipment (PPE) and intangible assets	11, 12	3,137	12,104
Purchases of PPE and intangible assets	11, 12	(1,059,519)	(639,234)
Proceeds from sale of operations, net of cash disposed	5, 13	50,000	(367)
Purchases of operations, net of cash acquired	5, 13	(175)	1,172
Purchases of shares and other investments		(2,946)	8,666
Net cash flow from investing activities		**(1,009,502)**	**(617,660)**
Proceeds from borrowings	20	81,098	811,468
Repayment of borrowings	20	(275,495)	(1,390,876)
Interest received	9, 20	10,801	7,900
Interest paid	9, 20	(102,498)	(90,757)
Paid other financial items	9, 20	(2,776)	(32,958)
Paid dividends, including distribution to non-controlling interests		(404,000)	-
Net cash flow from financing activities		**(692,872)**	**(695,222)**
Foreign exchange effect		(42,144)	18,161
Net change in cash and cash equivalents for the period		**(12,338)**	**487,476**
Cash and cash equivalents at the beginning of the period		**1,259,647**	**772,172**
Cash and cash equivalents at the end of the period	18	**1,247,309**	**1,259,647**

Cermaq Group

STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities

Amounts in NOK 1 000

	31.03.2017	Cash Flows	Foreign exchange movements	Transfer non-current to Current	Other	31.03.2018
Non-current loan from Mitsubishi Corporation Finance	3 215 887	-	(282 777)	(405 489)		2 527 622
Non-current financial leases	9 076	(3 556)	(64)		(5 457)	(0)
Total interest bearing non-current liabilities	**3 224 964**	**(3 556)**	**(282 841)**	**(405 489)**	**(5 457)**	**2 527 622**
Current loan from Mitsubishi Corporation Finance	2 043 306	(162 195)	(200 206)	405 489		2 086 393
Current financial leases	6 672	(4 317)	(104)		0	2 251
Current liabilities	47 166	(24 329)	(3 394)			19 443
Total interest bearing current liabilities	**2 097 145**	**(190 842)**	**(203 705)**	**405 489**	**0**	**2 108 087**
Total interest bearing liabilities	**5 322 108**	**(194 398)**	**(486 545)**	**-**	**(5 456)**	**4 635 709**

Cermaq Group

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK 1 000	Share Capital	Retained earnings	Actuarial gains and losses reserve	Cash flow hedge reserve	Translation differences	Total equity
Equity 1 April 2016	**924 983**	**3 839 826**	**(6 495)**	**(14 186)**	**617 132**	**5 361 261**
Net income/(loss)	-	1 512 427	-	-	-	1 512 427
Other comprehensive income	-	-	(9 837)	21 076	75 553	86 792
Total comprehensive income	-	*1 512 427*	*(9 837)*	*21 076*	*75 553*	*1 599 219*
Acquisition of subsidiaries	-	328 157	-	-	-	328 157
Equity 31 March 2017	**924 983**	**5 680 410**	**(16 332)**	**6 890**	**692 685**	**7 288 637**
Equity 1 April 2017	**924 983**	**5 680 410**	**(16 332)**	**6 890**	**692 685**	**7 288 637**
Net income/(loss)	-	1 384 481	-	-	-	1 384 481
Other comprehensive income	-	-	(1 437)	2 152	(300 431)	(299 716)
Total comprehensive income	-	*1 384 481*	*(1 437)*	*2 152*	*(300 431)*	*1 084 765*
Dividends paid	-	(404 000)	-	-	-	(404 000)
Equity 31 March 2018	**924 983**	**6 660 890**	**(17 769)**	**9 042**	**392 255**	**7 969 401**

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.

The consolidated financial statements of Cermaq Group AS for the fiscal year ended 31 March 2018 were authorized for issue in accordance with the Board of Directors’ resolution on 25 June 2018.

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	
	31.03.2018	31.03.2017	01.04.2017-31.03.2018	01.04.2016-31.03.2017
USD/NOK	7,77730	8,26920	8,10977	8,07267
CAD/NOK	6,03620	6,38790	6,32699	6,30964

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. For new standards not yet effective, see section 2.4 below.

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.

2.4 New IFRS standards

New standards issued but not yet effective

At the end of 2017, there are new standards/interpretations and amendments to existing standards/interpretations that are not yet effective, but will be relevant for Cermaq Group at implementation. Cermaq Group will adopt the relevant new and amended standards and interpretations when they become effective, if applicable.

IFRS 9 *Financial Instruments*

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 mandatory effective date has been postponed to 2018, and will be applicable for Cermaq Group for the year starting 1 April 2018. Cermaq Group has finalized its deliberations of the effects of the implementation of IFRS 9, and the new standard will not have any material impact on the recognition and measurement of financial assets and liabilities.

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 effective date is 2018, and will be applicable for Cermaq Group for the year starting 1 April 2018. Cermaq Group has finalized its deliberations of the effects of the implementation of IFRS 15, and the standard will not have any material effects for revenue recognition for Cermaq Group.

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. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The new leasing standard requires lessees to recognize assets and liabilities for leases with longer than 12 months duration. The asset and liability to be recognized is the present value of the lease payments to be made over the lease term. Lease payments for low value assets may be recognized as they accrue.

The standard will affect primarily the accounting for the Group’s operational leases. As at the reporting date, Cermaq Group has future non-cancellable operating lease commitments of NOK 822.7 million, see Note 23. The significant part of these lease commitments will be covered by IFRS 16, and hence recognised. We are currently assessing the potential impact, but it is not practicable to provide a reasonable estimate of the financial effect until we have completed the review.

The standard is mandatory for financial years commencing on or after January 1, 2019. Cermaq Group does not intend to adopt the standard before its effective date.

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.

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 2017 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	342 893	100 %
Cermaq US LLC	USA	USD	2 500	100 %

There have been no business combinations in 2017. 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 had no business combinations in FY2017. The 100% owned processing plant Cermaq Alsvåg AS was reclassified as assets held for sale for FY2017, year ended 31 March 2018. Cermaq Alsvåg AS was sold in May 2018.

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. CEQ's and MC's Chilean businesses was merged in FY 2016 with CEQ as the owner of the Chilean fish farming business.

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 31.03.2018	Year ended 31.03.2017
Wages and salaries including holiday pay	959 361	864 488
National insurance contributions	48 642	40 327
Pension costs	36 994	31 896
Other personnel expenses	27 552	7 179
Total wages and other personnel expenses	**1 072 550**	**943 891**

The number of employees in the Cermaq Group at 31 March 2018 was 3 551 persons (31 March 2017 was 3 712 persons).

Remuneration – key management personnel

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

Amounts in NOK 1 000	2017 (April 2017 - March 2018)				
	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [1)]
CEO Geir Molvik	4 404	1 400	206	6 011	2 721

Amounts in NOK 1 000	2016 (April 2016 - March 2017)				
	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [1)]
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**

1) Pension cost is this years' service cost and payments to defined contribution schemes.

Amounts in NOK 1 000	Board fee for the year ended 31.03.2018	Board fee for the year ended 31.03.2017
The Board of Directors	2 222	2 222

1) At year-end March 2018, The Board of Directors consisted of Yu Sato (Chair), replaced by Yasuhiro Kawakami in April 2018, Kiyotaka Kikuchi (Director), Yasumasa Kashiwagi (Director), Haruki Hayashi (Director), Helge Midttun (Director), Lisbeth Pedersen (Employee elected Director), Torgeir Nilsen (Employee elected Director) and Börkur Arnason (Employee elected Director).
2) 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).

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

For FY2017, 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 FY2017 will be subject to board approval in May 2018. 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 3 551 employees at 31 March 2018, 831 are members of pension schemes within the Group. 275 of these are located in Canada and the remaining 556 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 4.7 percent in the fiscal year 2017 (2016: 4.4 percent).

Assumptions:

Financials	Year ended 31.03.2018	Year ended 31.03.2017
Discount rate/expected return on funds	2,60 %	2,60 %
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 31.03.2018	Year ended 31.03.2017
Net present value of current year's pension benefit earned	3 513	3 523
Interest cost of pension liability	1 431	1 062
Expected return on pension funds	(107)	(126)
Administrative expenses	118	228
Accrued National Insurance contributions	626	578
Net accrued pension cost defined benefit programs	**5 581**	**5 265**
Cost defined contribution program and other pension costs	31 413	26 632
Total pension cost	**36 994**	**31 897**

Amounts in NOK 1 000

Pension liability	Funded 31.03.2018	Non-Funded 31.03.2018	Total 31.03.2018	Total 31.03.2017
Projected benefit liabilities	(2 912)	(60 327)	(63 239)	(59 735)
Estimated pension funds	4 031	2 056	6 087	4 510
Estimated net pension funds/(liabilities)	**1 119**	**(58 271)**	**(57 152)**	**(55 225)**
Accrued National Insurance contributions	-	(8 039)	(8 039)	(7 777)
Pension funds/(obligations)	**1 119**	**(66 310)**	**(65 191)**	**(63 002)**

Amounts in NOK 1 000

Changes in the present value of the defined benefit liability	Year ended 31.03.2018	Year ended 31.03.2017
Opening defined benefit liabilites at 1 April	61 793	50 650
Interest cost	1 431	1 062
Current service cost	3 513	3 524
Benefits paid	(5 045)	(4 608)
Effects from companies disposed	117	-
Actuarial gains and losses recognized in other comprehensive income	1 430	11 165
Currency effects	-	-
Projected benefit liabilites at 31 March 2018 / 31 March 2017	**63 238**	**61 793**

Amounts in NOK 1 000

Changes in estimated pension funds	Year ended 31.03.2018	Year ended 31.03.2017
Estimated pension funds at 1 April	6 568	7 382
Expected return	107	126
Contributions paid	99	121
Benefits paid	(514)	(649)
Effects from companies disposed	-	-
Actuarial gains and losses recognized in other comprehensive income	(173)	(185)
Administrative expenses	(0)	(227)
Currency effects	-	-
Estimated pension funds at 31 March 2018 / 31 March 2017	**6 087**	**6 568**

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 31.03.2018	Year ended 31.03.2017
Operational leasing	544 452	458 903
Sales and administration	329 877	293 232
Professional fees	238 160	163 643
Bad debt[1)]	1 259	8 666
Audit fees	11 375	12 669
Customer freight	497 833	358 565
Operation and maintenance	963 518	746 693
Other operating expenses	117 921	58 626
Total other operating expenses	**2 704 396**	**2 100 997**

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 80.5 million in FY 2018 (NOK 41.3 million in FY 2017).

Auditor

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

Amounts in NOK 1 000	Year ended 31.03.2018	Year ended 31.03.2017
Ordinary audit fees	6 373	6 462
Fees for additional assurance services	5 002	6 206
Total fees to auditors	**11 375**	**12 669**

NOTE 9
Financial income/expenses

Amounts in NOK 1 000

Recognised in profit and loss	Year ended 31.03.2018	Year ended 31.03.2017
Interest income on cash deposits and other receivables	12 394	11 537
Dividend income on available-for-sale financial assets	210	143
Other financial income	860	393
Total financial income	**13 464**	**12 073**
Interest expenses on financial liabilities measured at amortised cost	(109 424)	(95 927)
Capitalization of interest	-	3 274
Other financial expenses	(3 516)	(18 852)
Total financial expenses	**(112 939)**	**(111 505)**
Net foreign exchange gains/(losses)	**5 607**	**31 302**
Gain/(loss) on derivatives	**-**	**(14 765)**
Net gains on financial assets and liabilities	**-**	**-**
Net financial items	**(93 868)**	**(82 895)**

Total financial expenses are higher in the fiscal year 2017 than in 2016. In the fiscal year 2017, 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 31.03.2018	Year ended 31.03.2017
Taxes payable	(338 205)	(342 976)
Change in deferred tax	(148 467)	(312 333)
Income tax	**(486 673)**	**(655 309)**

Amounts in NOK 1 000

Distribution of income tax	Year ended 31.03.2018	Year ended 31.03.2017
Norway	(287 529)	(288 837)
Abroad	(199 143)	(366 472)
Income tax	**(486 673)**	**(655 309)**

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 23 percent in 2017 (24 percent in 2016).

Amounts in NOK 1 000

Effective tax rate	Year ended 31.03.2018	Year ended 31.03.2017
Income tax expense at corporate income tax rate in Norway (23%/24%)	(430 365)	(520 257)
Tax rates outside Norway different from 23%/24%	(22 988)	(20 625)
23%/24% tax effect on permanent differences	(2 054)	(133 714)
Effects of changes in nominal tax rate	(30 522)	20 760
Adjustment of prior year's income taxes	(946)	484
Withholding tax on dividends	(33 500)	
Other differences	33 702	(1 957)
Income tax	**(486 673)**	**(655 309)**
Effective tax rate in %	**N/A**	**N/A**

Nominal tax rate for companies resident in Norway is 23% for 2017 (24 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.

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	31.03.2018	31.03.2017
Intangible assets	264 044	286 205
Tangible assets	172 150	181 609
Inventories	853 799	934 735
Accounts receivables	27 197	17 907
Provisions	(41 177)	(18 117)
Other	146 309	120 701
Tax losses carried forward	(634 295)	(877 577)
Net deferred tax liabilities/(assets)	**788 027**	**645 463**

Amounts in NOK 1 000

Net deferred tax liabilities/(assets)	31.03.2018	31.03.2017
Deferred tax liabilities	1 150 908	1 078 167
Deferred tax assets	362 881	432 704
Net deferred tax liabilities/(assets)	**788 027**	**645 463**

Amounts in NOK 1 000

Changes in net deferred taxes	Year ended 31.03.2018	Year ended 31.03.2017
As of 1 April (1 January)	**645 463**	**585 115**
Recognised in the income statement	148 467	312 333
Acquisitions/(disposals) of companies	-	(247 644)
Recognised in other comprehensive income/equity	(47)	4 328
Other effects	2 962	(5 240)
Currency effects	(8 820)	(3 429)
As of 31 March 2018 (31 March 2017)	**788 025**	**645 463**

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	31.03.2018	31.03.2017
Abroad	2 381 311	3 250 679
Total	**2 381 311**	**3 250 679**

Amounts in NOK 1 000

Tax losses carried forward expire as follows	31.03.2018	31.03.2017
2021 and later	2 414	9 416
No expiration	2 378 897	3 241 263
Total tax losses carried forward	**2 381 311**	**3 250 679**

NOTE 11
Intangible assets

Amounts in NOK 1 000	Goodwill	Fish farming licenses	Other intangible assets
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**
Historical cost 01.04.2017	**783 272**	**2 847 381**	**35 045**
Additions, acquisition of subsidiaries	-	(8)	214
Additions, cost price	-	125 543	968
Currency effect	(61 285)	(198 492)	(1 406)
Historical cost 31.03.2018	**721 987**	**2 774 424**	**34 822**
Accumulated amortisation and impairment 01.04.2016	**-**	**(43 108)**	**(17 335)**
Additions, acquisition of subsidiaries	**-**	**-**	**(1 606)**
Depreciation	-	-	(5 152)
Impairment	(308 010)	-	-
Currency effect	(8 294)	(1 282)	(417)
Accumulated amortisation and impairment 31.03.2017	**(316 305)**	**(44 390)**	**(24 509)**
Accumulated amortisation and impairment 01.04.2017	**(316 305)**	**(44 390)**	**(24 509)**
Depreciation	0	-	(3 819)
Impairment	-	(19 585)	-
Transfers [1)]	2	-	(29)
Currency effect	29 449	7 563	1 259
Accumulated amortisation and impairment 31.03.2018	**(286 854)**	**(56 413)**	**(27 098)**
Useful life	Indefinite	Indefinite	3 to 7 years
Carrying value 31 March 2017	**466 968**	**2 802 991**	**10 536**
Carrying value 31 March 2018	**435 133**	**2 718 011**	**7 724**

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

The impairment NOK 19.6 million in FY2017 is related to Fish Farming Licenses in Chile. The impaied licenses is not expected to be used in the foreseeable future. The impairment NOK 308 million in FY2016 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 31.03.2018	Carrying value 31.03.2017
Company/group			
Cermaq Chile group [1)]	2000/2001/2014	310 131	341 968
Cermaq Norway	2005/2006/2007	125 002	125 000
Total		**435 133**	**466 968**

1) The change as per 31 March 2018 relates to currency effects.

Amounts in NOK 1 000

Specification of fish farming licenses	Ongrowing licenses	Acquisition year	Carrying value 31.03.2018
Chile	123	2000/2004/2007/2008/2009/2010/2011/2012/2014/2016	1 787 071
Canada	28	2000/2005/2015	116 807
Norway [1)]	51	2003/2005/2006/2007/2014/2015/2016	814 134
Total	**202**		**2 718 012**

Amounts in NOK 1 000

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

1) Cermaq Norway has purchased additional production capacity on existing licenses in both Finnmark and Nordland.

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 2018 and 2017 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 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017
Norway	4,6	4,9	4,8	5,3	1,0	2,0
Chile	7,1	7,2	8,1	8,2	1,0	2,0
Canada	4,7	5,0	5,1	5,4	1,0	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 2017. 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 01.04.2016	**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	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**
Historical cost 01.04.2017	**4 777 476**	**1 509 637**	**201 588**	**231 111**	**6 719 811**
Additions, cost price	272 383	37 738	(230)	662 936	972 828
Additions, acquisition of subsidiaries	-	-	-	-	-
Disposals, cost price	(641 996)	(48 297)	(5 952)	(916)	(697 162)
Transfers 1)	297 794	80 860	-	(378 654)	0
Transfer to/(from) assets held for sale	(46 135)	(35 947)	(30)	-	(82 112)
Currency effect	(263 691)	(109 116)	(12 345)	(17 331)	(402 483)
Historical cost 31.03.2018	**4 395 831**	**1 434 874**	**183 031**	**497 146**	**6 510 882**
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	(80 384)	(100 983)	-	-	(181 367)
Transfers	(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)**
Accumulated depreciation 01.04.2017	**(2 817 382)**	**(577 193)**	**(92)**	**-**	**(3 394 667)**
Ordinary depreciation	(395 486)	(78 383)	-	-	(473 869)
Accumulated depreciation on disposals	634 598	46 651	-	-	681 248
Impairment 3)	(41 453)	(14 559)			(56 013)
Transfer to/(from) asset held for sale	34 636	27 476	-	-	62 112
Currency effect	174 859	43 512	(8)	-	218 364
Accumulated depreciation 31.03.2018	**(2 410 228)**	**(552 497)**	**(100)**	**-**	**(2 962 825)**
Useful life 2)	3 to 10 years	25 to 50 years	50 years	-	
Depreciation method	Linear	Linear	Linear	N/A	
Carrying value 31 March 2017	**1 960 094**	**932 443**	**201 496**	**231 111**	**3 325 144**
Carrying value 31 March 2018	**1 985 602**	**882 377**	**182 931**	**497 146**	**3 548 056**

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) Of the impairment of MNOK 56.0, MNOK 41.5 is related to reorganization in Chile and excess capacity of processing. The remaining MNOK 14.5 is mainly related to impairment of the fixed assets in Alsvåg when reclassified to "Asset Held for Sale".

NOTE 13
Investments in associated companies

Amounts in NOK 1 000

Year ended 31.03.2018	Equity interest 31.03.2018	Carrying value 01.04.2017	Share of net income for the year	Dividend	Additions or deductions	Currency effect	Carrying value 31.03.2018
Fish farming							
Ballangen Sjøfarm AS	30,00 %	45 956	6 810	(6 036)			46 730
Ranfjord Fiskeprodukter AS	37,35 %	23 078	724				23 802
Nordnorsk Stamfisk AS	25,00 %	33 632	15 189				48 821
Løvold Industri AS	25,00 %				175		175
Total fish farming		**102 666**	**22 723**	**(6 036)**	**175**	**-**	**119 528**
Other activities							
Myre Bedriftsbarnehage	34,00 %	511	104	-	(615)	-	0
Total other activities		**511**	**104**	**-**	**(615)**	**-**	**0**
Share of Equity and net income from associates		**103 177**	**22 827**	**(6 036)**	**(440)**	**-**	**119 528**

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		**41 969**	**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**				

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

NOTE 14
Other receivables

Note 14 Other receivables

Amounts in NOK 1 000	31.03.2018	31.03.2017
Other non-current receivables	**84 069**	**4 546**
Prepaid income tax	**5 001**	**74 712**
Prepaid expenses	94 114	95 298
Prepaid public duties	149 565	285 094
Other current receivables	80 855	123 874
Total other current receivables	**324 535**	**504 265**
Total other receivables	**413 605**	**583 532**

NOTE 15
Cost of raw material and inventories

Amounts in NOK 1 000

Cost of raw materials	Year ended 31.03.2018	Year ended 31.03.2017
Cost of raw materials	3 252 497	2 816 595
Write-down of inventories	10 975	(58 947)
Other material cost	-	121
Cost of materials	**3 263 471**	**2 757 770**
Write-down of biological assets	159 912	225 115
Total cost of materials	**3 423 384**	**2 982 885**

In the fiscal year 2017, all of Cermaq's operating regions recorded incident-based mortality losses due to environmental and biological challenges. Chile recognized a write-down of biological assets of NOK 64.5 million. Norway recognized a write-down of biological assets of NOK 81.4 million. Canada recognized a write-down of biological assets of NOK 14.0 million.

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	31.03.2018	31.03.2017
Raw materials	214 654	193 637
Finished goods	572 197	256 183
Total inventories	**786 851**	**449 819**

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)	31.03.2018	31.03.2017
Non-harvestable fish	57 852	66 732
Harvestable fish	37 501	33 576
Total	**95 353**	**100 308**

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	31.03.2018	31.03.2017
Cost of biological assets	3 282 501	3 561 711
Fair value adjustments	1 371 833	1 657 268
Total biological assets	**4 654 334**	**5 218 979**

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

Movement in biological assets in the year:

Amounts in NOK 1 000	Year ended 31.03.2018	Year ended 31.03.2017
Biological assets at 01.04	**5 218 979**	**3 583 480**
Increase due to production	5 757 050	4 988 328
Decrease due to sales/harvest/mortality	(5 829 636)	(4 081 700)
Fair value adjustments on biological assets	(201 009)	642 015
Currency effect	(291 051)	86 856
Biological assets at 31.03.2018/31.03.2017	**4 654 334**	**5 218 979**

Tonnes (live weight)	Year ended 31.03.2018	Year ended 31.03.2017
Biological assets at 01.04	**100 308**	**79 331**
Increase due to production	223 115	172 543
Decrease due to sales/harvest/mortality	(228 070)	(151 566)
Biological assets at 31.03.2018/31.03.2017	**95 353**	**100 308**

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 2017, the total effect in the income statement from changes in the unrealized fair value adjustments of biological assets was a loss of 201.0 million (2016: income of NOK 642.0 million). See also note 21 for provisions for onerous contracts.

Sensitivities

The estimate of unrealized fair value adjustment is based on several assumptions, such as biomass in the sea, expected growth rate, mortality, quality of the fish, costs and market price. Changes in these assumptions will impact the fair value calculation. In practice, the realized profit which is achieved on the sale of inventory will differ from the calculations of fair value because of changes in the final market destinations of sold fish, changes in price and cost levels, differences in quality etc. The key element in the fair value model is the assumed market price that is expected to be received in the future when the fish is harvested. A 10 percent increase in sales prices would increase fair value of biological assets by NOK 333.9 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	31.03.2018	31.03.2017
Accounts receivable	1 210 787	788 293
Provisions for doubtful receivables	(12 115)	(21 496)
Total accounts receivable	**1 198 672**	**766 798**

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 2018, total cash and cash equivalents amounted to NOK 1 247.3 million. The cash is held in current accounts with the Group's relationship banks.

As of 31 March 2018, the Group has NOK 0.27 million in restricted cash (31 March 2017: NOK 0.25 million).

As of 31 March 2018, the Group has a guarantee facility of NOK 75.0 million at Danske Bank.

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	31.03.2018	31.03.2017
Taxes payable	**380 304**	**517 019**
Social security taxes and VAT	12 026	53 764
Accrued expenses	503 641	350 239
Provision for onerous contracts	7 266	12 488
Other current liabilities	13 612	990
Other non-interest bearing current liabilities	**536 546**	**417 481**
Total other current liabilities	**916 849**	**934 500**

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	31.03.2018	31.03.2017
Non-current loan from Mitsubishi Corporation Finance	2 527 623	3 215 888
Non-current financial leases	-	9 076
Total interest bearing non-current liabilities	**2 527 623**	**3 224 964**
Current loan from Mitsubishi Corporation Finance	2 086 393	2 043 306
Current financial leases	2 251	6 672
Current liabilities	19 443	47 166
Total interest bearing current liabilities	**2 108 087**	**2 097 145**
Total interest bearing liabilities	**4 635 709**	**5 322 109**

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

As of 31 March 2018, the fair value of interest bearing debt is NOK 4 635.7 million.

As of 31 March 2018, the average time left to maturity of the Group's debt portfolio is 1.1 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	2 527 623
Non-current financial leases	-
Current liabilities	2 108 087
Total interest bearing liabilities	**4 635 709**
Available credit lines of the credit facilities	3 005 556
Total available credit lines	**3 005 556**

Maturity analysis - Carrying amount	2017	2018	2019	2020	2021	After 2021
Non-current loan from Mitsubishi Corporation Finance	2 527 623		1 594 347	933 276		
Non-current financial leases	-					
Current loan from Mitsubishi Corporation Finance	2 086 393	2 086 393				
Current financial leases	2 251	2 251				
Current liabilities	19 443	19 443	-	-	-	
Total interest bearing liabilities	**4 635 709**	**2 108 087**	**1 594 347**	**933 276**	**-**	

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 31.03.2018	NOK/EUR	USD/NOK	USD/CLP	CAD/USD	NOK/JPY	Profit & Loss
Net exposure	(78 021)	59 034	(169 997)	471 188	15 610	
Historical volatility	**2 %**	**4 %**	**4 %**	**3 %**	**3 %**	
Total effect on Profit of + movements	(1 544)	2 103	(6 534)	14 958	474	9 457
Total effect on Profit of - movements	1 544	(2 103)	6 534	(14 958)	(474)	(9 457)

Year ended 31.03.2017	NOK/EUR	GBP/NOK	USD/CLP	CAD/USD	USD/JPY	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)

The analysis is based on the currencies the Group is most exposed to at the end of March 2018.

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 9.5 million (31 March 2017: NOK 8.8 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. As per 31 March 2018, the Group has no interest rate derivatives.

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	31.03.2018	31.03.2017	Average fixing of interest rates	Average interest rates
USD	4 633 459	5 309 465	3 months	2,68 %
NOK	2 251	12 644	na	na
Interest bearing debt	**4 635 710**	**5 322 109**	**3 months**	**2,68 %**
Cash and cash equivalents	1 247 309	1 259 647		
Net interest bearing debt	**3 388 401**	**4 062 462**		

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 31.03.2018				
Variable rate instruments	(53 221)	53 221	-	-
Interest rate swap	-	-	-	-
Interest rate sensitivity	**(53 221)**	**53 221**	**-**	**-**
Year ended 31.03.2017				
Variable rate instruments	(53 221)	53 221	-	-
Interest rate swap	-	-	-	-
Interest rate sensitivity	**(53 221)**	**53 221**	**-**	**-**

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.

In order to partially mitigate the price risk arising from spot sales of Atlantic salmon, Cermaq Norway AS entered Financial Salmon Contracts on the regulated marketplace Fish Pool. During 2017, contracts for a total of 4 573 tons were settled by Cermaq Norway AS with a net realized gain of NOK 19.9 million. Contracts to be settled during 2018 had a fair value of NOK 9 million at year end 2017, and amount to a volume of 4 410 tons, evenly spread throughout the year.

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 2018, 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 2018 and 31 March 2017 (see note 18) included NOK 1247.3 million and NOK 1259.6 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	31.03.2018	31.03.2017
Accounts receivable	19	1 198 672	766 798
Other receivables	16	413 605	583 532
Cash and cash equivalents	20	1 247 309	1 259 647
Total		**2 859 586**	**2 609 976**

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 2018, the Group's equity ratio was 51.4% (At 31 March 2017, 47.3 percent).

At 31 March 2018, net interest bearing debt amounted to NOK 3 388.4 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 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 2018.

Note 23

Commitments

The Group has entered into agreements with fixed payment commitments in respect of the following as of 31 March 2018 (and 31 March 2017):

Amounts in NOK 1 000	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	01.04.2022 - 31.03.2023	After 31.03.2023
Total operating leases	(544 452)	(262 568)	(191 028)	(155 814)	(121 598)	(68 005)	(23 642)
Total contractual investments	-	(707 725)	(20 929)	-	-	-	-
Total	**(544 452)**	**(970 293)**	**(211 957)**	**(155 814)**	**(121 598)**	**(68 005)**	**(23 642)**

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	01.04.2016 - 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 investments	-	(600 875)	-	-	-	-	-
Total	**(458 903)**	**(750 118)**	**(125 236)**	**(77 803)**	**(56 904)**	**(54 339)**	**(8 084)**

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 31.03.2018		Year ended 31.03.2017	
		Sales to	Purchases from	Sales to	Purchases from
Ballangen Sjøfarm AS	Processing services	60 850	(114 533)	54 191	(182 532)
Randfjord Fiskeprodukter AS	Smolt	-	(2 307)	-	(13 524)
Nord Norsk Stamfisk AS	Processing services	24 343	(33 945)	26 248	(31 814)
Mitsubishi Corporation companies	Sale of goods	747 494	-	233 968	-
Mitsubishi Corporation Finance	Financial services	-	(105 549)	-	(90 255)

The Group had no significant liabilities or receivables to/on the above listed associated companies as of 31 March 2018 and 31 March 2017. 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

The 100% owned subsidiary Cermaq Alsvåg AS was sold in May 2018. There are no other significant subsequent events for the Group since 31 March 2018.

CERMAQ GROUP AS

Financial Statements

For

The Year Ended 31 March 2018

Cermaq Group AS
Statement of Income

Amounts in NOK 1 000	Notes	Year ended 31.03.2018 1)	Year ended 31.03.2017 2)
Operating revenues		111 971	53 566
Personnel expenses	2, 3	(74 854)	(80 126)
Depreciations and amortisations	7, 8	(6 101)	(6 079)
Other operating expenses	4	(63 832)	(63 034)
Operating result		**(32 816)**	**(95 673)**
Income from subsidiaries	5	823 000	404 000
Net financial income/(expense)	5	22 518	98 394
Net foreign exchange gain/(loss)	5	271	822
Gain/(loss) on sale of financial instruments	5	1 592	(11 128)
Financial items, net		**847 381**	**492 088**
Net income/(loss) before taxes		**814 566**	**396 416**
Income taxes	6	1 818	3 674
Net income/(loss)		**816 384**	**400 090**
Proposed dividend		823 000	404 000
Allocated (from)/ to other equity		(6 616)	(3 910)
Total allocation of net income/(loss) for the period	14	**816 384**	**400 090**

1) 12 months from 01.04.2017 to 31.03.2018
2) 12 months from 01.04.2016 to 31.03.2017

Cermaq Group AS

Statement of Financial Position

Amounts in NOK 1 000	Notes	31.03.2018	31.03.2017
ASSETS			
Deferred tax assets	6	10 351	8 104
Other intangible assets	7	543	3 577
Total intangible assets		**10 894**	**11 681**
Property, plant and equipment	8	**1 103**	**9 387**
Investments in subsidiaries	9	1 513 335	1 513 335
Total financial fixed assets		**1 513 335**	**1 513 335**
Total non-current assets		**1 525 332**	**1 534 404**
Accounts receivables		828	1 293
Other current receivables	12	15 370	62 093
Current intercompany receivables	10	898 657	533 693
Cash and cash equivalents	13	228	243
Total current assets		**915 084**	**597 322**
TOTAL ASSETS		**2 440 416**	**2 131 726**
EQUITY AND LIABILITIES			
Share capital	14	924 983	924 983
Total paid-in capital		**924 983**	**924 983**
Other equity	14	518 873	526 926
Total equity		**1 443 856**	**1 451 910**
Pension liabilities	3	63 935	62 118
Total provisions		**63 935**	**62 118**
Non-current intercompany liabilities	11	39 484	38 842
Total non-current liabilities		**103 420**	**100 960**
Accounts payables		2 244	3 778
Income tax	6	-	32 139
Other current liabilities	17	853 240	430 935
Current intercompany liabilities	10	37 656	112 004
Total current liabilities		**893 140**	**578 855**
TOTAL EQUITY AND LIABILITIES		**2 440 416**	**2 131 726**

Vancouver, 25 June 2018

Yasuhiro Kawakami Chair	Kiyotaka Kikuchi Director	Yasumasa Kashiwagi Director	Isao Kano Director
Helge Midttun Director	Lisbeth Pedersen Director (employee elected)	Börkur Arnason 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 31.03.2018 1)	Year ended 31.03.2017 2)
Net income/(loss) before taxes		**814 566**	**396 416**
(Gain)/loss on sale of tangible and intangible assets		-	-
Depreciations and amortisations	7, 8	6 101	6 079
Change in fair value of financial assets and gain of shares sold	5	(1 592)	11 128
Income taxes paid		(32 139)	1 708
Finance items, net		(1 817)	7 099
Recognised dividend and group contribution	5, 6	(847 606)	(509 906)
Change in accounts receivable and accounts payable		(23 861)	3 966
Change in other current operating assets and liabilities		6 753	(5 784)
Net cash flow from operating activities		**(79 595)**	**(89 295)**
Proceeds from sale of property, plant and equipment (PPE) and intangible assets		-	-
Purchases of PPE and intangible assets	7, 8	-	(913)
Proceeds from sale of shares and other investments		50 000	-
Purchases of shares and other investments		-	2 889
Net cash flow from investing activities		**50 000**	**1 976**
Net change in drawing facilities		(75 309)	11 424
Interest received		-	43
Interest paid		(80)	(3 404)
Received other financial items		1 162	14
Paid out other financial items		(2 099)	(17 842)
Received group contribution	6	105 906	94 017
Dividend received		-	-
Net cash flow from financing activities		**29 580**	**84 252**
Net change in cash and cash equivalents for the period		**(15)**	**(3 067)**
Cash and cash equivalents at the beginning of the period	13	243	3 310
Cash and cash equivalents at the end of the period	13	**228**	**243**

1) 12 months from 01.04.2017 to 31.03.2018
2) 12 months from 01.04.2016 to 31.03.2017

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 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 31.03.2018	Year ended 31.03.2017
Wages and salaries including holiday pay	53 280	58 528
National insurance contributions	9 213	9 437
Pension costs	8 820	8 104
Other personnel expenses	3 541	4 058
Total wages and other personnel expenses	**74 854**	**80 126**

The number of employees at year-end 31st March 2018 is 47 persons (year-end 31st March 2017: 46 persons). Number of man-years during the year was 41 (year-end 31st March 2017: 36).

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 2018, there was a deficit of NOK 63.9 million related to the funding of the pension obligations.

In addition, Cermaq Group AS has responsibility for 16 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 31.03.2018	Year ended 31.03.2017
Discount rate/expected return on funds	2.6 %	2.6 %
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 31.03.2018	Year ended 31.03.2017
Net present value of current year's pension benefit earned	3 101	3 039
Interest cost of pension liability	1 431	1 062
Expected return on pension funds	(107)	(126)
Recognised one off effects	-	-
Administrative expenses	118	228
Accrued National Insurance contributions	626	578
Other adjustment on pension funds	-	-
Net accrued pension cost defined benefit schemes	**5 169**	**4 781**
Cost defined contribution scheme and other pension costs	3 651	3 323
Total pension cost	**8 820**	**8 104**

Amounts in NOK 1 000

Pension liability, including historical information	31.03.2018	31.03.2017
Projected benefit liabilities	(59 927)	(58 851)
Estimated pension funds	4 031	4 510
Net pension funds/(liabilities)	**(55 896)**	**(54 341)**
Accrued National Insurance contributions	(8 039)	(7 777)
Pension funds/(obligations)	**(63 935)**	**(62 118)**

Note 4

Other operating expenses

Amounts in NOK 1 000	Year ended 31.03.2018	Year ended 31.03.2017
Operational leasing	6 567	6 683
Sales and administration	21 818	22 733
Professional fees	9 655	7 300
Audit fees	3 124	2 812
Operation and maintenance IT	19 848	21 506
Operation and maintenance other	1 262	1 528
Other operating expenses	1 558	472
Total other operating expenses	**63 832**	**63 034**

Auditor

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

Amounts in NOK 1 000	Year ended 31.03.2018	Year ended 31.03.2017
Audit fees	2 522	1 975
Fees for additional assurance services [1)]	602	837
Total fees	**3 124**	**2 812**

1) Fees for additional assurance services from Deloitte relate to audit of sustainability reporting, and supporting for implementation and attestation of J-SOX.

Note 5

Financial income/(expenses)

Amounts in NOK 1 000	Year ended 31.03.2018	Year ended 31.03.2017
Interest income	441	58
Gain on sale of financial assets and liabilities	1 592	3 637
Dividend received	823 000	404 000
Group contribution received	24 606	105 906
Total financial income	**849 639**	**513 601**
Of which related to group items	848 125	509 920
Interest expenses	(2 100)	(6 626)
Termination of interest rate swap	-	(14 765)
Other financial expenses	(429)	(944)
Total financial expenses	**(2 530)**	**(22 334)**
Of which related to group items	(2 099)	(3 759)
Net foreign exchange gains/losses, external	260	(212)
Net foreign exchange gains/losses, group	12	1 033
Net financial items	**847 381**	**492 088**

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

Note 6
Income taxes

Amounts in NOK 1000

Income tax expense	Year ended 31.03.2018	Year ended 31.03.2017
Taxes payable	-	-
Changes in deferred tax	2 247	5 073
Deferred taxes on transactions against equity	(429)	(3 106)
Adjustment of prior year's income taxes	-	1 708
Total	**1 818**	**3 674**

Tax base calculation	Year ended 31.03.2018	Year ended 31.03.2017
Net income/(loss) before taxes	814 566	396 416
Permanent differences	(848 544)	(511 021)
Changes in temporary differences	11 239	21 642
Of which booked directly against equity	(1 867)	(12 943)
Group contribution	24 606	105 906
Tax base	**-**	**-**
Taxes payable, 23%/24%	**-**	**-**

Temporary differences:	31.03.2018	31.03.2017
Property, plant and equipment	4 974	1 527
Non current receivables	-	-
Pensions	63 935	62 118
Gains and losses	(23 903)	(29 879)
Net temporary differences	**45 006**	**33 767**
Tax losses carried forward and other tax credits	24 606	105 906
Group contribution	(24 606)	(105 906)
Total	**45 006**	**33 767**
23%/24% deferred tax asset/(liability)	**10 351**	**8 104**

Reconciliation of the tax of the year	Year ended 31.03.2018	Year ended 31.03.2017
Net Profit/Loss before tax	814 566	396 416
Calculated 23%/24% tax on Net Profit/Loss before tax	(187 350)	(95 140)
23%/24% tax on permanent differences	189 506	97 228
Change in nominal tax rate	(338)	(121)
Utilization of tax credit from previous years	-	1 708
Total tax income/expense(-) recorded in income statement	**1 818**	**3 674**

The nominal tax rate in Norway changed from 24 percent in 2017 to 23% in 2018. The fiscal year 2017 ends in 2018, and will be subject to 23% tax.

Note 7
Intangible assets

Note 7 Intangible assets

Amounts in NOK 1 000	Software
Historical cost 01.04.16	**13 099**
Additions, cost price	-
Historical cost 31.03.17	**13 099**
Historical cost 01.04.17	**13 099**
Additions, cost price	-
Transfers and other charges 1)	(2 797)
Historical cost 31.03.18	**10 301**
Accumulated amortisation and impairment 01.04.16	**(7 402)**
Ordinary depreciation for the year	(2 119)
Accumulated amortisation and impairment 31.03.17	**(9 522)**
Accumulated amortisation and impairment 01.04.17	**(9 522)**
Ordinary depreciation for the year	(2 119)
Transfers and other charges 1)	1 882
Accumulated amortisation and impairment 31.03.18	**(9 759)**
Carrying value 31 March 2017	**3 577**
Carrying value 31 March 2018	**543**
Useful life 2)	3 to 7 years
Depreciation Method	Linear

1) In March 2018, Cermaq Group sold their datacentre to Cermaq Norway AS. Software related to the datacentre was sold by consideration of book value at kNOK 915.

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	Total
Historical cost 01.04.16	**23 039**	**8 785**	**31 824**
Additions, cost price	913	-	913
Disposals, cost price	(4 394)	-	(4 394)
Transfers 2)	-	(189)	(189)
Historical cost 31.03.17	**19 558**	**8 596**	**28 154**
Historical cost 01.04.17	**19 558**	**8 596**	**28 154**
Additions, cost price	-	-	-
Disposals, cost price	(100)	(209)	(309)
Transfers 1)	(15 225)	-	(15 225)
Historical cost 31.03.18	**4 233**	**8 387**	**12 620**
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 2)	-	189	189
Accumulated depreciation 31.03.17	**(10 738)**	**(8 029)**	**(18 767)**
Accumulated depreciation 01.04.17	**(10 738)**	**(8 029)**	**(18 767)**
Depreciation	(3 694)	(166)	(3 860)
Accumulated depreciation on disposals	101	87	188
Transfers 1)	10 923	-	10 923
Accumulated depreciation 31.03.18	**(3 409)**	**(8 107)**	**(11 517)**
Carrying value 31 March 2017	**8 819**	**567**	**9 387**
Carrying value 31 March 2018	**824**	**280**	**1 103**
Useful life 3)	3 to 10 years	25 to 50 years	
Depreciation method	Linear	Linear	

1) In March 2018, Cermaq Group sold their datacentre to Cermaq Norway AS. In addition to Software related to the datacentre of kNOK 915, IT hardware was sold by consideration of book value at kNOK 4 302.

2) Includes transfer from construction in progress

3) 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	Office location	Ownership interest Cermaq Group AS	Equity 31.03.2018	Profit/(loss) for the year ended 31.03.2018	Carrying value 31.03.2018
Cermaq Holding AS	Oslo, Norway	100 %	186 935	302 301	194 558
NorAqua AS	Oslo, Norway	100 %	134	-6	152
Cermaq Norway AS	Steigen, Norway	100 %	4 414 587	974 509	229 024
Cermaq US LLC	Miami, USA	100 %	26 847	3 341	19 556
Southercross Seafoods S.A. 1)	Puerto Montt, Chile	51.94 %	1 167 622	-4 233	1 070 026
Salmones Humboldt SPA 1)	Puerto Montt, Chile	0.001 %	1 530 246	-6 755	19
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	31.03.2018	31.03.2017
Group contribution	24 606	105 906
Dividend from subsidiaries	823 000	404 000
Other current intercompany receivables	51 051	23 787
Total current intercompany receivables	**898 657**	**533 693**

Amounts in NOK 1 000	31.03.2018	31.03.2017
Cash pool liabilities [1)]	35 171	110 480
Other current intercompany liabilities	2 485	1 524
Total current intercompany liabilities	**37 656**	**112 004**

1) The Group has a multi-currency cash pool solution with Danske Bank. Cermaq Norway AS is the group account holder. See Note 13 for further information.

Note 11

Non-current intercompany loans and receivables

Liabilities to group companies	Currency	31.03.2018	31.03.2017
Loan from Norwegian companies	NOK	39 484	38 842
Total non-current intercompany liabilities		**39 484**	**38 842**

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 2018. The Group has moved from external funding over to intragroup funding from Mitsubishi Corporation Finance (MCF).

Note 12

Other current receivables

In December 2017, Cermaq Group AS received the final payment of NOK 50 million related to the contingent consideration from the sale of EWOS. Discounted value recognized as other current receivables at 31.03.2017 was NOK 48,5 million.

Note 13
Cash and cash equivalents

Amounts in NOK 1 000	31.03.2018	31.03.2017
Cash and cash equivalents	228	243
Total cash and cash equivalents	**228**	**243**

As of 31 March 2018 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 01.04.2016	**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**

Amounts in NOK 1 000	Share Capital	Treasury shares	Actuarial gains and losses	Other reserves	Total equity
Equity 01.04.2017	**924 983**	**-**	**(16 332)**	**543 259**	**1 451 910**
Net income/(loss) for the year	-	-	-	816 383	816 383
Change in treasury shares	-	-	-	-	-
Actuarial gains and losses against equity	-	-	(1 437)	-	(1 437)
Proposed dividend	-	-	-	(823 000)	(823 000)
Equity 31.03.2018	**924 983**	**-**	**(17 769)**	**536 642**	**1 443 856**

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 2018.

Note 15
Interest bearing liabilities

As of 31 March 2018 Cermaq Group AS has no external interest bearing liabilities

Note 16
Financial risk management

Please refer to note 21 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	31.03.2018	31.03.2017
Social security taxes and VAT	5 613	2 314
Dividend	823 000	404 000
Other current liabilities	24 627	24 621
Total other current liabilities	**853 240**	**430 935**

Note 18

Property rental agreements

Tenant	Rent	Annual rent	Duration of agreement
Cermaq Group AS	Rent - Oslo	7 341	31 12 2020

The property rental agreement is operational.

Note 19

Pledges and guarantees

Purchased bank guarantees under the Group's guarantee facility amount to NOK 49.9 million at 31 March 2018.

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 31.03.2018	Fish farming operation	Other operation	Total
Operation			
Management Fee	98 544	-	98 544
Recharged IT services	15 370	-	15 370
Marketing	-	-	-
Rent/other rental income	2 569	-	2 569
Sale of datacentre	-	5 218	5 218
Finance			
Financial income	519	-	519
Group contribution	24 606	-	24 606
Dividends received Group	823 000	-	823 000
Total financial revenue	**848 125**	**-**	**848 125**
Total financial expenses	**1 457**	**642**	**2 099**

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	-	404 000
Total financial revenue	**508 684**	**1 236**	**509 920**
Total financial expenses	**2 550**	**1 120**	**3 671**

Effective from April 2017, Cermaq Group entered into an IT Service agreement with Cermaq Norway AS who provide it service and support. NOK 4,4 million is expensed for the services in 2017.

In March 2018, the datacentre and related software owned by Cermaq Group AS was sold to Cermaq Norway AS at book value. The net amount of NOK 5,2 million was booked against Property plant and expenses and software. No gain or loss was recognized.

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

Note 21

Subsequent events

See note 26 in the Group Notes.

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel.: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

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 2018, 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 2018, and income statement, statement of comprehensive income, 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 2018, 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 present fairly, in all material respects, the financial position of the group as at 31 March 2018, 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.

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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We communicate with 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 June 2018
Deloitte AS

Kjetil Nevstad

Kjetil Nevstad
State Authorised Public Accountant (Norway)