Austevoll Seafood ASA

Annual Report 2016

Gadus Neptun, one of nine vessels in the Group's whitefish fishing fleet, currently operating in Norway.

Built in 2013, Gadus Neptun is a freezer trawler for whitefish and shrimps.

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This is Austevoll Seafood ASA

A leading seafood industry specialist within the salmon, white fish and pelagic sector.

Austevoll Seafood ASA (AUSS) is a globally integrated pelagic, white fish and salmon industry specialist with operations in Norway, Chile, Peru and North Atlantic region. Our beginning can be traced back to Austevoll Havfiske AS, a company established in 1981 by Helge Møgster, Ole Rasmus Møgster and their father. The fishing activities were small-scale up until 1991, when the Møgster family purchased their second fishing vessel, including fishing license, in Norway. Over the last decade, AUSS has acquired a significant number of companies of a complementary nature to its existing business areas.

In 1991 the Møgster family entered into the pelagic wild catch in Chile after being invited by EWOS to operate their fishing vessels. The Chilean operation was gradually expanded and AUSS now controls approx. 9.1% of the Chilean horse mackerel quotas in the South of Chile.
The next major investments were done in 2006, by entering into the fishmeal and fish oil operation in Norway and Peru through the acquisitions of Welcon Invest AS (Norway) and Austral Group S.A.A (Peru). In 2006, AUSS was established based on Austevoll Havfiske AS, by then one of the top pelagic fishery and salmon farming companies in Norway. The main shareholder of the company is LACO AS, a company under joint control by the Møgster family.

Today our investments include ownership and operation of fishing vessels, fishmeal plants, canning plants, freezing plants, salmon farming, trading, processing, sales and distribution of fish. The total number of full-time equivalents (FTEs) for the Group in 2016 was 4,710 of which 1,483 were in South America.

At AUSS we see the focus in sustainability as the key for our success and existence. A successful balance of environmental, social and economic elements will help ensure that AUSS remains commercially feasible, socially acceptable and in compliance with the capacity of the environment we operate in.

Glossary
AUSS - Austevoll Seafood ASA
NPEL - Norway Pelagic ASA
LSG - Lerøy Seafood Group ASA
Austral - Austral Group S.A.A
Villa - Villa Organic AS

Important strategic events

2016	Acquired 100% ownership of Havfisk ASA and Norway Seafoods Group AS (via LSG) Decreased ownership in LSG to 52.69%
2015	Austral took over the new technologically advanced fishing vessel "Don Ole" LSG became a significant producer of cleaner fish
2014	Pelagia Holding AS were established Villa demerged and LSG'share fully consolidated into LSG
2013	Increased ownership in NPEL from 43.3% to 100.0% Acquired 49.43% of the shares in Villa Organic AS (via LSG) AUSS and Kvefi AS agreed to merge respective pelagic activities in Europe. Transaction was completed in January 2014
2012	Acquired 50% of the share capital of Hordafor AS (via Welcon Invest AS) Acquired 50.1% of the shares in Rode Beheer B.V (via LSG)
2011	Increased ownership in NPEL from 33.27% to 43.3% Increased ownership in Br. Birkeland AS from 40.2% to 49.99%
2010	Acquired 33.27% share capital of NPEL Sold the entire shareholding of Epax Holding AS Acquired 50.1% of Sjøtroll Havbruk AS (via LSG)
2009	AUSS and Origin Enterprises plc. merged their respective fishmeal and fish oil activities in Norway, Ireland and UK Decreased ownership in LSG to 63.7% Completed private placement for a total of 18,400,000 new shares
2008	Increased ownership in LSG to 74.93%
2007	Acquired 100% of Epax Holding AS, Norway Sold the salmon business to LSG, ownership per end 2007 33%. Acquired 50% of Corporacion del Mar S.A (Cormar), Peru

CEO Letter

Synergies and value creation

Since our listing on the Oslo Stock exchange in 2006, we have continuously invested in our seafood companies with a focus on improvements throughout both the pelagic and the salmon value chains. In 2016, the Group entered into an additional important raw material segment through the acquisition of Havfisk ASA (Havfisk) and Norway Seafoods Groups AS (Norway Seafoods). These acquisitions give the Group access to more than 100,000 tonnes of white fish. Havfisk have nine fishing trawlers with licenses to catch over 10% of the total cod quotas north of 62 degree of latitude. Norway Seafoods is the largest buyer of cod from the Norwegian coastal vessels in the north of Norway, and have eight plants for receiving and processing white fish. These acquisitions were done through Lerøy Seafood Group ASA (LSG) and will significantly strengthen LSG's position within the European white fish segment, and position as a supplier of fresh/"refreshed" seafood with a full range of seafood products.

2016 was another record year for the Austevoll Seafood Group, with a turnover of NOK 18.9 billion. The EBITDA was NOK 3.9 billion, which was mainly driven by a good performance from the salmon segment. The operational performance has been good throughout the year. However, we feel that there is potential yet to be fully realized in all of our segments across the Group.

The global salmon supply decreased in 2016 with a total harvested volume of approx. 2.16 million tonnes, a decrease of 6.7% compared with 2015, which was in line with the forecast made in 2015 by industry analyst Kontali. This brought the Norwegian harvest volumes back to the level where they were in 2012, and the lack of growth in volume has resulted in very high prices during 2016. We are of the opinion that a growth in demand over time is perhaps the most important driver for global competitiveness and generation of increased value. It is important that the industry work closely with the politicians to lay the foundation for the future of the Norwegian salmon industry. Framework conditions that allow for more flexibility in relation to the harvesting of fish throughout the year would boost the potential for enhanced industrial operations and likely minimize the risk of substantial fluctuations in prices throughout the year. We are also of the opinion that framework conditions of this nature must be based on an understanding of environmental sustainability.

In 2016, Lerøy Seafood Group achieved a record high result, and reported the highest revenue and operating profit in the Group's history. We can summarize the year with high salmon and trout prices, strong demand, but also some biological challenges. LSG harvested a total of 164,200 tonnes of salmon and trout from own production in Norway during 2016, down 5% from 171,200 in 2015. The Group currently estimates the total harvest volume for 2017 to be approx. 180,000 tonnes.

Moving on to our South America operations, 2016 was a challenging year. The "El Niño" meteorological phenomenon impacted the pelagic fisheries with reduced quotas for small pelagic species in both Chile and Peru. We also experienced a challenging market restriction in our main market for frozen pelagic products in Africa. However, Chilean catches of giant squid and the market for those products have been very positive, showing high demand due to limited catches in other South American fishing grounds.

The Chilean horse mackerel quota was set at 298,000 tonnes for 2016, which was unchanged from 2015. The quota for 2017 is set at 320,000 tonnes, which demonstrates the Chilean government's commitment to rebuilding the biomass. We also saw the recovery of the

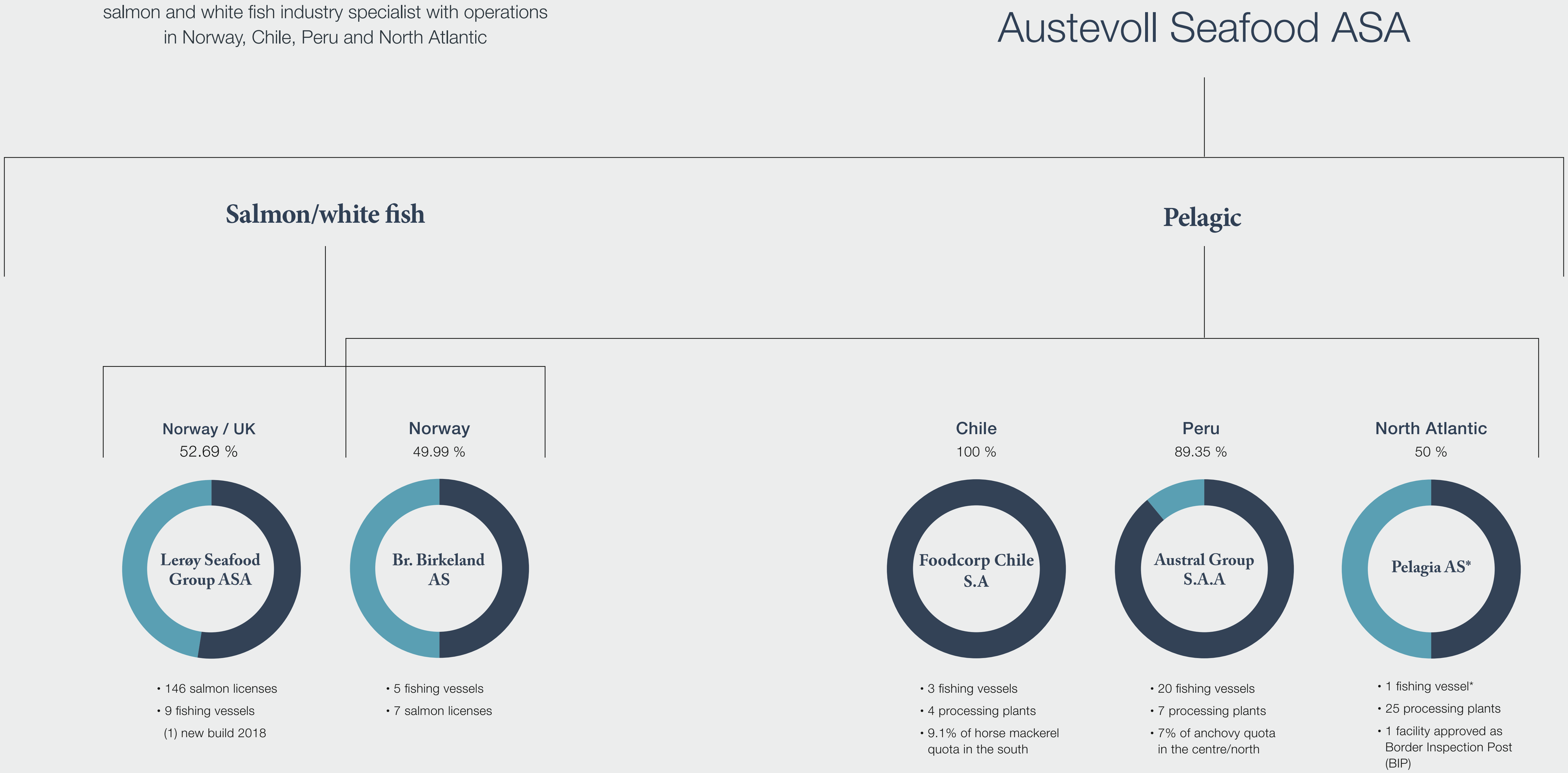
anchovy quota (region V to X) in Chile at 331,000 tonnes in 2016, which will increase to 361,000 tonnes in 2017.
In Peru we have experienced three years marked by warm waters close to the coast. This has affected the main fisheries for anchovy and the total catch has been greatly reduced compared with average catches in normal years. With the El Niño tailing off beyond Q3 2016, based on historical trends, we expect that the biomass and fisheries will recover to normal levels during 2017. A stronger quota level is expected to be announced by the Peruvian government during 2017. Due to lower fishmeal and fish oil production in Peru in recent years, we have experienced higher prices in our fishmeal segments both in South America and the North Atlantic.

It is my conviction that the pelagic sector has great potential to be harnessed with further product development and marketing. The establishment of Pelagia in 2014 was in line with our long term strategy within the pelagic segment, establishing strategic partnerships to optimize operations from raw materials to end product. It is a key goal for Pelagia to become the driving force in product development and innovation within the pelagic industry. We are continuously aiming to add value to our raw material by utilising the wholly integrated operational structure and the operational knowledge of the organisation of Pelagia. Pelagia's total intake of raw material in 2016 was 1,169 million tonnes, a decrease of 11 percent compared with 1,310 million tonnes in 2015. The pelagic quotas in the North Atlantic indicated for 2017 are in line with the 2015 levels, leading to a good raw material situation for Pelagia.
In summary, 2016 has been a good year and we are satisfied with the Group's financial performance. However, we still feel there is potential yet to be fully realized and in particular in our South American companies. We will continue to work towards more value creation by tapping into the synergies found throughout the Group. Today, Austevoll Seafood ASA remains a substantial and solid company, with a good track record regarding our investments. We have relied on an investment strategy based on conviction, industrial insight and a long-term focus in seafood companies. Being a long-term player in the seafood industry, we understand the importance of sustainable management of the environment as key to the survival of our industry.

Finally, I would like to give a special note of thanks to our employees and their families for all of their great efforts throughout the year. Your trust, loyalty, sacrifices and devotion have been, and will continue to be, key factors in our success.

Company overview

Austevoll Seafood ASA is a globally integrated pelagic, salmon and white fish industry specialist with operations in Norway, Chile, Peru and North Atlantic



*Associated companies

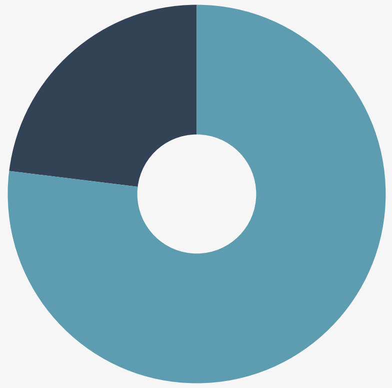
Key figures

Amounts in NOK 1 000		2016	2015	2014 (restated)
PROFIT AND LOSS ACCOUNT				
Operating income		18 911 523	15 273 494	14 344 177
Operating expenses		-15 030 692	-13 029 418	-11 827 988
EBITDA		**3 880 831**	**2 244 076**	**2 516 189**
Depreciation, amortisation, impairment and depreciation of excess value		-967 920	-857 640	-660 421
EBIT (before fair value adj.biological assets)		**2 912 911**	**1 386 436**	**1 855 768**
Fair value adjustment of biological assets		1 549 449	246 567	-379 758
OPERATING PROFIT		**4 462 360**	**1 633 003**	**1 476 010**
Income from associated companies		459 498	264 279	217 381
Net financial items		-239 277	-325 145	-346 918
Profit before tax		4 682 581	1 572 137	1 346 473
Profit after tax		3 707 974	1 283 106	1 000 671
Net profit after discontinued operations		**3 707 974**	**1 283 106**	**1 000 671**
Profit to minority interests		2 063 069	560 863	445 561
BALANCE SHEET				
Intangible assets		11 746 906	8 115 351	7 738 221
Vessels, other property, plant and equipment		6 691 064	5 531 053	4 949 287
Other non current assets		1 864 664	1 861 178	1 663 735
Current assets		14 698 769	10 286 381	9 250 408
Total assets		**35 001 403**	**25 793 963**	**23 601 651**
Equity		18 212 820	13 610 808	12 360 106
Long term liabilities		11 231 383	8 238 442	7 645 571
Short term liabilities		5 557 200	3 944 714	3 595 974
Total equity and liabilities		**35 001 403**	**25 793 964**	**23 601 651**
Net interest bearing debt		**5 492 880**	**4 838 160**	**3 959 866**
CASH FLOW				
Net cash flow from operating activities		**3 249 085**	**1 211 128**	**1 794 738**
KEY RATIOS				
Liquidity ratio	1	2,64	2,61	2,57
Equity-to-asset ratio	2	52 %	53 %	52 %
EBITDA margin	3	21 %	15 %	18 %
Return on equity	4	23 %	10 %	8 %
Average no. of shares (thousands) *		**201 410**	**200 995**	**200 995**
Earnings per share	5	8,17	3,59	2,76
Paid out dividend		7,00	2,00	1,60
Proposed dividend payout 2017		2,50		

1) Current assets/short term liabilities
2) Equity/total capital
3) Operating profit/loss before depreciation expressed as a percentage of operating income
4) Net profit after tax (incl. discontinued operations) expressed as a percentage of average equity
5) Net profit after tax (incl. discontinued operations)/average no. of shares
* Ex. own shares (893,300) from July 2016, and AUSS shares owned through Br. Birkeland AS for the year 2012 to July 2016

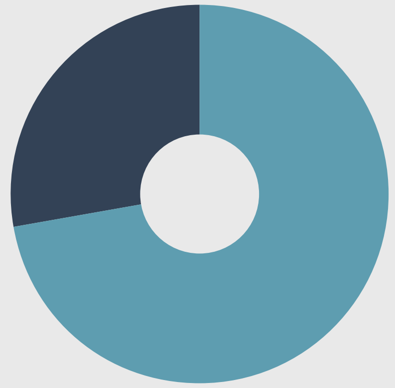
SALMON* | PELAGIC

Operating Revenue 2016



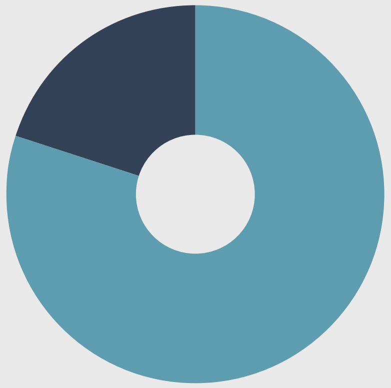
Lerøy Seafood Group	17 269 735
Austral Group	1 020 483
Foodcorp Group	425 333
Birkeland Group	789 702
Pelagia	2 879 204
Others/elimination	-593 730
Total	**21 790 727**

Operating Revenue 2015



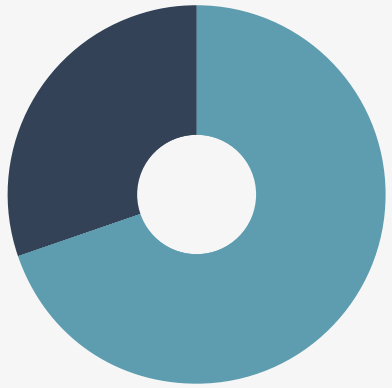
Lerøy Seafood Group	13 484 931
Austral Group	1 091 246
Foodcorp Group	490 263
Birkeland Group	520 433
Pelagia	3 045 981
Others/elimination	-313 379
Total	**18 319 475**

EBITDA 2016



Lerøy Seafood Group	3 355 089
Austral Group	140 105
Foodcorp Group	31 135
Birkeland Group	344 541
Pelagia	314 098
Others/elimination	9 961
Total	**4 194 929**

EBITDA 2015

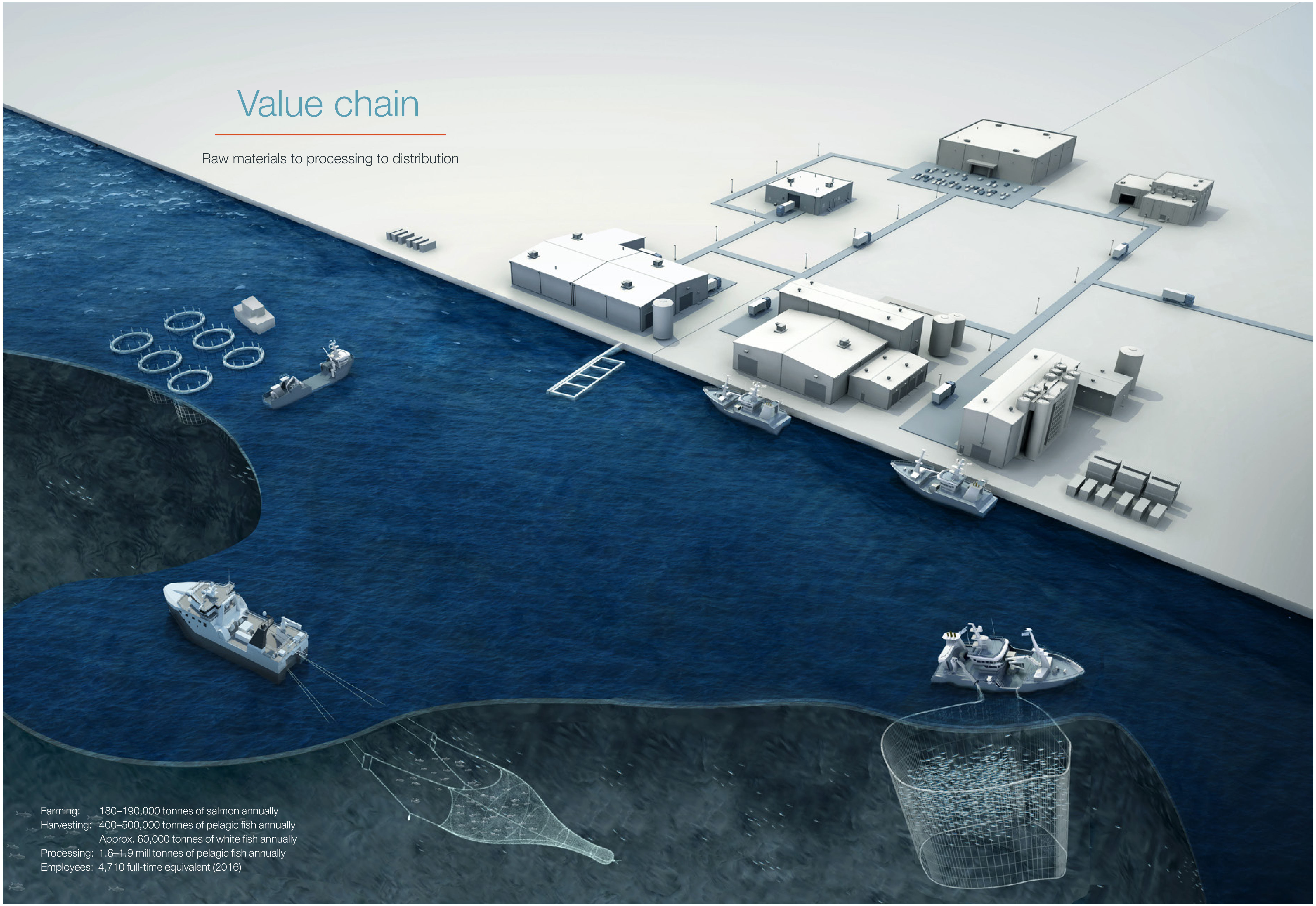


Lerøy Seafood Group	1 813 868
Austral Group	272 637
Foodcorp Group	46 747
Birkeland Group	106 398
Pelagia	358 710
Others/elimination	4 425
Total	**2 602 785**

* Includes Havfisk/Norway Seafoods from September 1, 2016.

Value chain

Raw materials to processing to distribution



Farming: 180–190,000 tonnes of salmon annually
Harvesting: 400–500,000 tonnes of pelagic fish annually
Approx. 60,000 tonnes of white fish annually
Processing: 1.6–1.9 mill tonnes of pelagic fish annually
Employees: 4,710 full-time equivalent (2016)

Lerøy Seafood Group ASA

Lerøy Seafood Group's vision is to be the leading and most profitable global supplier of sustainable, quality seafood

Lerøy Seafood Group ASA (LSG) is the leading exporter of seafood from Norway and is in business of meeting the demand for food and culinary experiences in Norway and internationally by supplying seafood products through selected distributors to producers, institutional households and consumers. LSG's core activities are production of salmon, trout and other species, catch of whitefish, processing, product development, marketing, sale and distribution of seafood.

OPERATIONAL HIGHLIGHTS FOR 2016

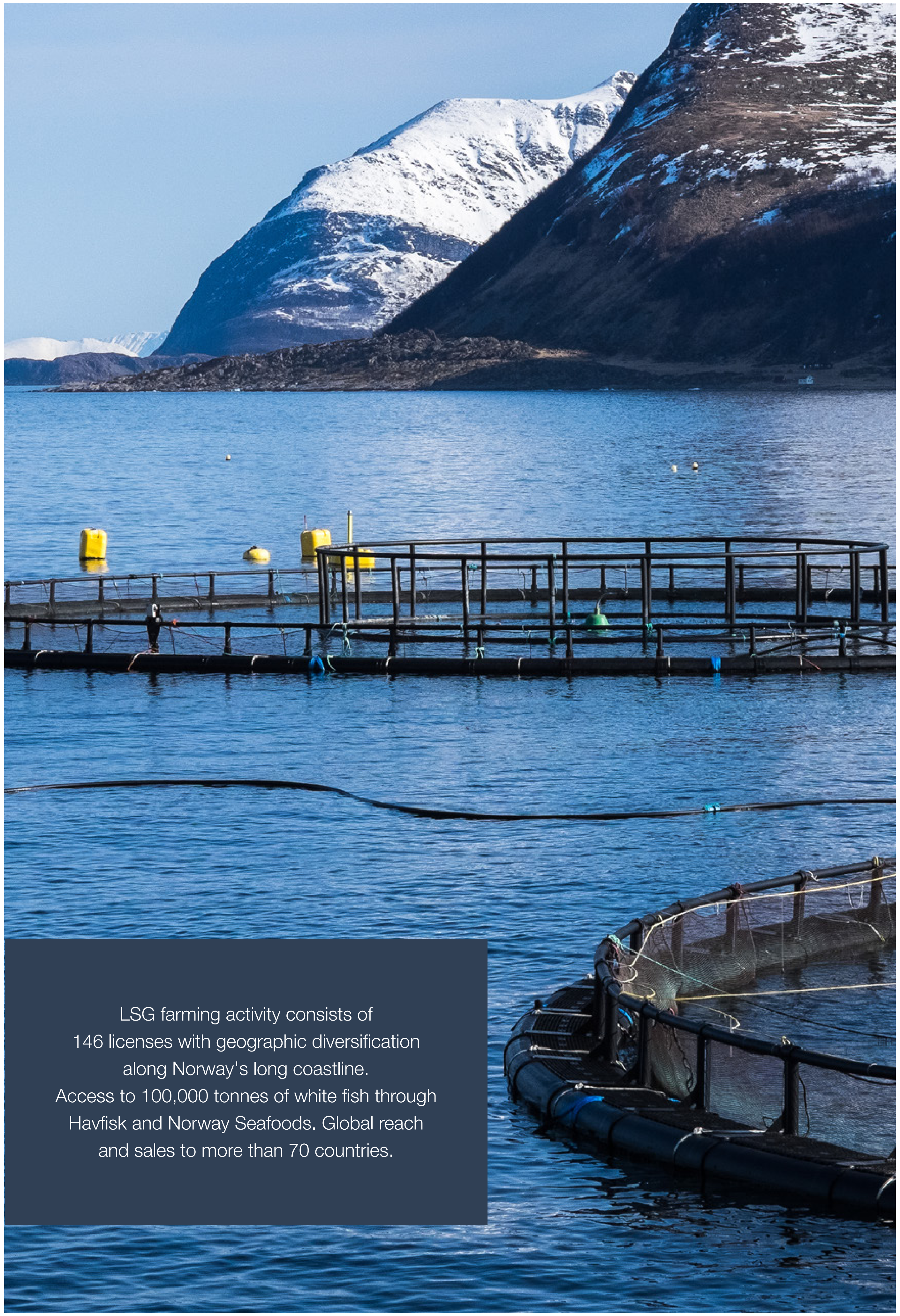
LSG reported revenue in 2016 of NOK 17,269 million, up from NOK 13,485 million in 2015. This is to date the highest revenue ever reported by LSG. The increase in LSG's revenue is mainly attributed to the extremely high prices for Atlantic salmon and trout, good demand and a good development in the Group's downstream operations. The level of activity in LSG is satisfactory and affords LSG's good opportunities to improve its position as a leading producer, processing company and distributor of seafood.

LSG's EBITDA was NOK 3,355 million in 2016 compared with NOK 1,814 million in 2015. The operating profit (EBIT) before biomass fair value adjustment was NOK 2,843 million in 2016 compared with NOK 1,380 million in 2015.

The Farming segment comprises LSG's three farming regions in Norway: Lerøy Aurora AS, which holds 26 licences in Troms; Lerøy Midt AS, which owns 57 licences in Central Norway; and Lerøy Sjøtroll, which consists of the two farming companies Lerøy Vest AS (37 licences, wholly- owned by LSG) and Sjøtroll Havbruk AS (26 licences, 50.7% owned by LSG), in addition to Norsk Oppdrettsservice AS, producers of cleaner fish.

The Wild Catch and Whitefish segment is a new segment, emerging in 2016 as a result of the largest acquisition ever to be made by LSG. In august 2016 LSG acquired the majority of the shares in Havfisk ASA and Norway Seafoods Group AS, and by the end of October LSG obtained 100% ownership of both companies. By this transaction LSG became an important participant within the whitefish segment with access to over 100,000 tonnes of white fish on an annually basis. These acquisitions will significantly strengthen LSG's position as a global total supplier of seafood.

The VAP segment currently comprises four units. Lerøy Fossen AS (located on the island of Osterøy close to Bergen) is Norway's largest smokehouse for salmon and trout, with a capacity of approximately 12,000-15,000 GWT of raw materials. Lerøy Smøgen Seafood AB



LSG farming activity consists of 146 licenses with geographic diversification along Norway's long coastline. Access to 100,000 tonnes of white fish through Havfisk and Norway Seafoods. Global reach and sales to more than 70 countries.

(located in Smøgen, Sweden) is Sweden's largest value-added processing facility for salmon. It has an approximate capacity of 12,000 GWT of raw materials. Rode Beheer BV Group has facilities in Urk, Holland, with a total capacity of 16,000-20,000 GWT of raw materials. The fourth unit, Bulandet Fiskeindustri AS, is a processing facility for white fish in Norway.

The Sales & Distribution segment plays a very important role in LSG's ambition to drive demand for seafood by launching new products and pioneering new markets. The segment not only sells and distributes its own production of salmon and trout, but also has a high level of sales activity in cooperation with third parties, ensuring a wide product range for LSG within seafood. In recent years, LSG has also made significant investments in processing facilities, in order to be able to drive a "revolution" in the distribution of fresh seafood. These investments have been made in what is known as "fish-cuts", processing facilities where freshness, service and proximity to end customer are key. Today, LSG has a number of fish-cut facilities across Europe.

KEY INITIATIVES AND ACCOMPLISHMENTS IN 2016

After a two-year upgrade and extension, LSG's Laksefjord smolt facility in Finnmark, was officially opened in June 2016. The facility is now one of Norway's largest and most modern smolt facilities with capacity for 11 million smolt. In terms of production, there is a focus on efficient and environmentally sound solutions, using RAS technology for both fresh water and sea water. As such, the facility can produce post-smolt weighing up to 250 grams. As early as the start of January 2016, during the dark months in North Norway and with temperatures as low as minus 20 degrees, the very first "small salmon" were released from the young fish plant in the Laksefjord. 870,000 post-smolt with an average weight of 230 grams were released to the Angstauren locality in Troms. These fish, which have thrived since their release, will be harvested during the first half of 2017. By that time, they are expected to have an average weight of 5 kg. A second release of small salmon from the facility in the Laksefjord took place in January 2017, this time to Årøya in the Lyngenfjord in Troms. To date, these fish have also thrived in their locality.

In 2016, LSG gained access to the new well boat, Seihav, via Seistar Holding AS, a company 50% owned by LSG. Seihav has been equipped with state-of-the-art technology and equipment, and is designed to carry live fish and smolt to and from cages and slaughtering plants. In addition, Seihav has the capacity for fish sorting operations and different methods for treating lice and AGD. The boat, which can carry up to 550 tonnes of live fish, will mainly operate in the county of Hordaland and parts of Sogn og Fjordane.

In 2016, LSG issued an application for development licences for the "Pipefarm" concept, a closed-containment, floating facility at sea. LSG is confident that this concept can be developed into an optimal solution for closed-containment production at sea and, in the long term, can contribute to improving area-efficiency within the fish farming industry. The application covers in total nine R&D licences and a combined capacity of 7,020 tonnes.

Construction start for new factory for Lerøy Midt. This involves merging today's two factories into one new factory, designed to ensure optimal environmental efficiency during operations. The measures planned to reduce energy consumption will generate a 45% reduction in comparison with current consumption, while consumption of fresh water will be reduced by 50%. Direct delivery from well boat to factory will improve fish health and increase the rate of survival. The new factory is designed to provide 100% exploitation of fish, and there will be no emissions other than purified process water. All waste will naturally be sorted at source, and power required by well boats will be provided from shore.

On the marketing side, LSG maintains a continuous focus on developing new products and markets. In recent years, LSG has achieved a position as Norway's largest producer of sushi. LSG's sushi concept has been successfully launched on several other markets, including Spain and Finland. LSG also continues to develop its "fish-cut" concept in many parts of Europe. The processing units follow a target-driven and efficient strategy, focusing on freshness, high level of service and proximity to end customer. Furthermore, LSG has sustained its positive trend within the development and launch of new products, principally within freshly packaged fish, and is seeing an increase in demand.

MARKET OVERVIEW FOR 2016

A central aspect of LSG's strategy for growth is to offer new products to new markets. This requires knowledge of and proximity to both customer and market. LSG has a long, proud history within the sale and distribution of seafood. Today, LSG sells its products to more than 70 markets and has a vast network of customers in the majority of these markets. Not only does this major customer portfolio afford unique knowledge of market trends, it also allows for a significant diversification of risk.

The global supply of Atlantic salmon fell by as much as 6.7% in 2016. This is a substantial change from 2015, when a growth of 4% in supply was reported. At the time of writing, the global supply of Atlantic salmon is expected to show a slight increase in 2017. Norwegian production has not achieved growth since 2012.

In their report from 2015, LSG's Board of Directors described how the ban on imports of Norwegian salmon and trout to Russia, introduced on 7 August 2014, had been particularly negative for prices realised for Norwegian trout. LSG, as the world's largest producer of trout, implemented a number of measures to improve the situation, and the Board expected that the measures implemented to improve prices realised for trout would result in trout prices close to the salmon price in 2016. The Board's expectations were met. The spot prices for trout have seen a substantial improvement, particularly throughout the second half of 2016, but remained in total significantly lower than prices realised for salmon for the year.

In line with its market strategy, LSG exported a broad range of seafood products from Norway to a large number of countries in 2016, the most significant market being the EU. It is satisfying to observe the positive developments generated by LSG's efforts related to distribution of fish in the Nordic countries and Europe, and how these strengthen LSG own and its customers' position on this important seafood market. There is a healthy demand for LSG's products.

LSG currently estimates a total harvest volume of 180,000 GWT from fish farming for 2017, including LSG's share of volume from associates.

Foodcorp Chile S.A

A key player in the Centre-South Chilean pelagic industry

Foodcorp Chile S.A (FC), a fully owned subsidiary of AUSS since 1991, and one of the main players in the pelagic fishing industry in the Centre-South region of Chile. FC owns a fleet of three purse seiner vessels, plants for freezing, canning, fishmeal and fish oil production. In addition FC also purchases raw material from coastal fishermen under long term fish delivery agreements.

FC has a quota of 9.1% for horse mackerel in South Chile in addition to a quota for sardine/anchoveta.

Operational highlights for 2016

2016 was a challenging year for FC. African frozen market restrictions, "El Niño" phenomenon impacting the pelagic fisheries compounded with reduced quota has placed the operations under stress. On the up side, the frozen giant squid market was very positive, showing high demand due to limited catches in other South American fishing grounds, allowing FC to increase its position as leading supplier of this product.

FC's approach on production flexibility and commitment to quality allowed FC to perform quick adjustments and changes in its processes towards products that are profitable. This allows FC to lower the challenges faced by the horse mackerel operation.

For the year 2016, FC has reported turnover of NOK 425 million compared with NOK 490 million in 2015. EBITDA for 2016 was NOK 31 million compared with NOK 47 million in 2015. Operating loss before impairment for 2016 was NOK 38 million compared with operating loss of NOK 18 million in 2015. Write-downs were carried out in 2016 on non-current assets that are not part of scheduled production for 2017. These write-downs related mainly to assets for production of canned goods, and totaled NOK 149 million. Operating loss in 2016 was NOK 187 million including impairment. Operating loss in 2015 was NOK 134 million including impairment of goodwill of NOK 116 million.

The joint operation agreement with Alimar S.A ended by 31 December, 2015, and since 1 January 2016 both companies have been operating their respective assets separately.

Key initiatives and accomplishments

In 2016, FC returned to its own operation, after the termination of MarFood cooperation, which required adjusting its operation to reduced raw material availability from own quotas, concentrating efforts in third party purchases and high margin products, such as the frozen giant squid products and special eel grade fishmeal.

Market overview for 2016

During 2016, FC's main commercial focus has been to adapt to the market restrictions that continue on its traditional African destinations. This was done by developing alternative markets and products for the frozen horse mackerel. In order to do this, FC's wholly owned subsidiary Foodcorp Peru S.A was established. Foodcorp Peru S.A is providing import logistics and sales in the Peruvian market by operating through a co-operation with its sister company Austral Group S.A.A. So far, this venture has been able to allocate all available fish to the Peruvian market, with growing interest from FC's clients.

FC continues to research and develop new products, both from pelagic and giant squid sources. Domestic hotel, restaurant and school food suppliers have been actively working with the Company to develop new ocean protein products that are suitable for cost effective and healthy food preparations. The first products are expected to be in the market in 2017.

Fishmeal and fish oil segment remains a buyer's market, trend that started in the second half of 2015, continued throughout 2016. Despite very low catches in both North and South Chile, the trend was sustained by higher than expected Peruvian quota and catches during 2016 season. Thanks to FC's high product quality, FC managed to maintain focused in domestic market all through 2016.

FC has a quota of 9.1% for horse mackerel in South Chile in addition to a quota for sardine/anchoveta.

Austral Group S.A.A

A leading Peruvian fishing company with primary activity in industrial fishing of pelagic fish for both direct and indirect human consumption.

Austral Group S.A.A (Austral) is a leader in the production of fishery products, conducts its operations following a management model focused on continuous improvement, eco-efficiency and innovation. Its shares are listed on the Lima Stock Exchange. Austral's main shareholder is Austevoll Seafood ASA, owning 89.35% of the shares.

Austral's primary activity is industrial fishing, including the extraction, processing and commercialization of pelagic fish for both direct (frozen, fresh and canned products) and indirect human consumption (fishmeal and fish oil).

The company operated a fleet of 19 vessels in 2016 of which 12 are equipped with RSW systems and has 4 fishmeal plants distributed along the Peruvian coast, 2 canning plants and 1 frozen plant.

Operational highlights for 2016

During 2016 the Peruvian fishing sector was again affected by the "El Niño Phenomenon" that was present in the Peruvian coast until the end of the summer season, from that moment the sea temperature began to normalize thanks to the arrival of cold kelvin waves. The second fishing season 2015, which ended in January 2016 and the first season of 2016 were affected with quotas smaller than those expected and with late openings of the seasons.

The national quota of the second fishing season 2015 in the North-Centre Zone of 1.11 million tonnes was completed on 97.62%. Austral captured 100% of its quota (76,263 tonnes). The first season 2016 had a late opening due to the deepening of scientific studies by IMARPE, with a quota of 1.8 million tonnes and the level of compliance was only 50.50%. Austral captured 55.10% of its quota.

The oceanographic conditions improved and for the second season the quota was fixed in 2 million tonnes, the national captures reached 99.16%. Austral came to complete 100% of its quota (137,921 tonnes).

On the side of the anchovy quotas in the Southern Zone, there were two seasons during 2016 with similar quotas (382,000 tonnes each one). The captures at national level were about 40% for the first and less than 10% for the second season. Austral captured 82% (12,164 tonnes) and 6% (906 tonnes), respectively.

Austral's share of the national landings (including both zones and raw material purchases) was 8.9% for the indirect human consumption business for 2016.

Regarding the direct human consumption business, there was a significant national landing of mackerel up to 142,868 tonnes. It should be noted that 79% of these landings were recorded in the period between August and November, months in which a significant level of mackerel biomass was detected in national waters. The capture of Austral for this business was 11,903 tonnes for the year 2016.

For 2016 in total, Austral reported a turnover of NOK 1,020 million compared with NOK 1,091 million in 2015. EBITDA for 2016 was NOK 140 million compared to NOK 273 million in 2015. Operating loss in 2016 was NOK 9 million compared to an operating profit of NOK 117 million in 2015.

Austral has 6.87 % of the anchoveta quota in the Centre/North.

Key initiatives and accomplishments

Austral's focus in 2016 was on the fleet and plants renovation and modernisation:

- Implementation of the new fishing vessel "Don Ole" into the operation. "Don Ole" is the most modern, safe and ecoefficient vessel of the Peruvian fishing fleet.
- Lengthening of the vessel Marina was made with the aim of improving its stability, buoyancy and freeboard. It also made the following improvements: change of main engine, generator set, change of room of propulsion to poop, among other works
- The equipment cleaning water treatment plant in Pisco allows the company to treat 100% of the effluents generated both in the fishing season and in the closed season. The implementation of this same plant for Coishco and Chancay are scheduled for 2017
- A gas decompression plant was installed in our Chancay plant, which will allow the boilers to operate with this fuel for the first season of 2017 with the consequent reduction of the level of emissions

Market overview for 2016

In 2016, the demand for the Peruvian fishmeal was strong as prices were quite stable along the year, supply was constant and most of the markets active to develop business. Fish oil prices have been very strong all year long due to lack of supply and consistently stood over the USD 2,000/MT FOB mark.

China was the main market for Austral's fishmeal, 58% of sales, and Norway was the main market for Austral's fish oil, 61% of sales. Fish oil was mainly sold to Omega 3 refineries with 53% of total sales.

Important recovery in the frozen fish sales, getting back the unloading's of mackerel and sales mainly to Africa (55%) and diversifying our frozen unit adding giant squid and "loligo gahi" as new products.

Br. Birkeland AS owns and operates 5 modern fishing vessels and 7 salmon farming licenses in Norway.

Br. Birkeland AS

Headquartered in Austevoll, Norway with key business segments in fishing and salmon farming.

Br. Birkeland AS (BRBI) is owned by 49.99% of Austevoll Seafood ASA. The key business segments are fishing and salmon farming.

The company operates a fleet of 5 vessels; three purse-seiner/trawlers and two crab fishing vessels.

The salmon activities are operated by its subsidiary, Kobbevik og Furuholmen Oppdrett AS (KF). KF operates 7 salmon and trout farming licenses with production in Hordaland Norway.

Operational highlights for 2016

The pelagic vessels caught their full quotas for 2016, consisting mainly of herring, mackerel, capelin and blue whiting. All catches were sold through the auction system for Norwegian pelagic fishing vessels through Norges Sildesalgslag.

Snow crab is a high value consumer product, which has only in recent years been commercialised in Norway. In 2016, the vessel "M/S Northeastern" had its second year of operation and experienced a steady growth in demand for the finished product. A second crab fishing vessel "M/S Northguider" was commissioned in Q1 2017 and has joined Northeastern in the Barents sea for snow crab fishing.

The Atlantic salmon and trout production activities take place in Hordaland at the west coast of Norway. The price achievement has been very good in 2016. Lack of growth in the salmon industry worldwide has resulted in very high prices.

For 2016 in total, BRBI reported a turnover of NOK 790 million compared with NOK 520 million in 2015. EBITDA for 2016 was NOK 345 million compared with NOK 106 million in 2015. Operating profit for 2016 as a whole was NOK 277 million compared with NOK 39 million in 2015.

Pelagia Holding AS

A driving force in product development
and innovation within the pelagic industry.

Pelagia Holding AS (Pelagia) is an associated company of Austevoll Seafood ASA (AUSS) and a leading North Atlantic region producer and exporter of pelagic products. Pelagia is jointly owned by AUSS (50%) and Kvefi AS (Kvefi) (50%) and was established in January 2014 as a result of the amalgamation of activities within the pelagic fishmeal, fish oil and direct human consumption in Europe owned by the two parties.

Pelagia is headquartered in Bergen and has divided the group's core activities into two divisions; food and feed. The food division's activities focus on production, sales and marketing of fresh, frozen and marinated pelagic products. The feed division's activities focus on the production and sales of fishmeal and fish oil towards the feed industry. The company operates production facilities strategically located in close proximity to fishing grounds in Norway, UK and Ireland.

Pelagia's vision is to be the leading global supplier of pelagic fish products.

Operational highlights for 2016

For 2016 in total, Pelagia reported a turnover of NOK 5,758 million compared with NOK 6,092 million in 2015. EBITDA was NOK 628 million compared with NOK 717 million in 2015. Operating profit was in 2016 NOK 464 million compared with NOK 548 million in 2015. The total intake of raw material in 2016 was 1,169 million tonnes, a decrease of 11 percent compared with 1,310 million tonnes in 2015. The total includes the raw material intake of Hordafor AS, an associated company of which 50% of the share capital is owned by Pelagia.

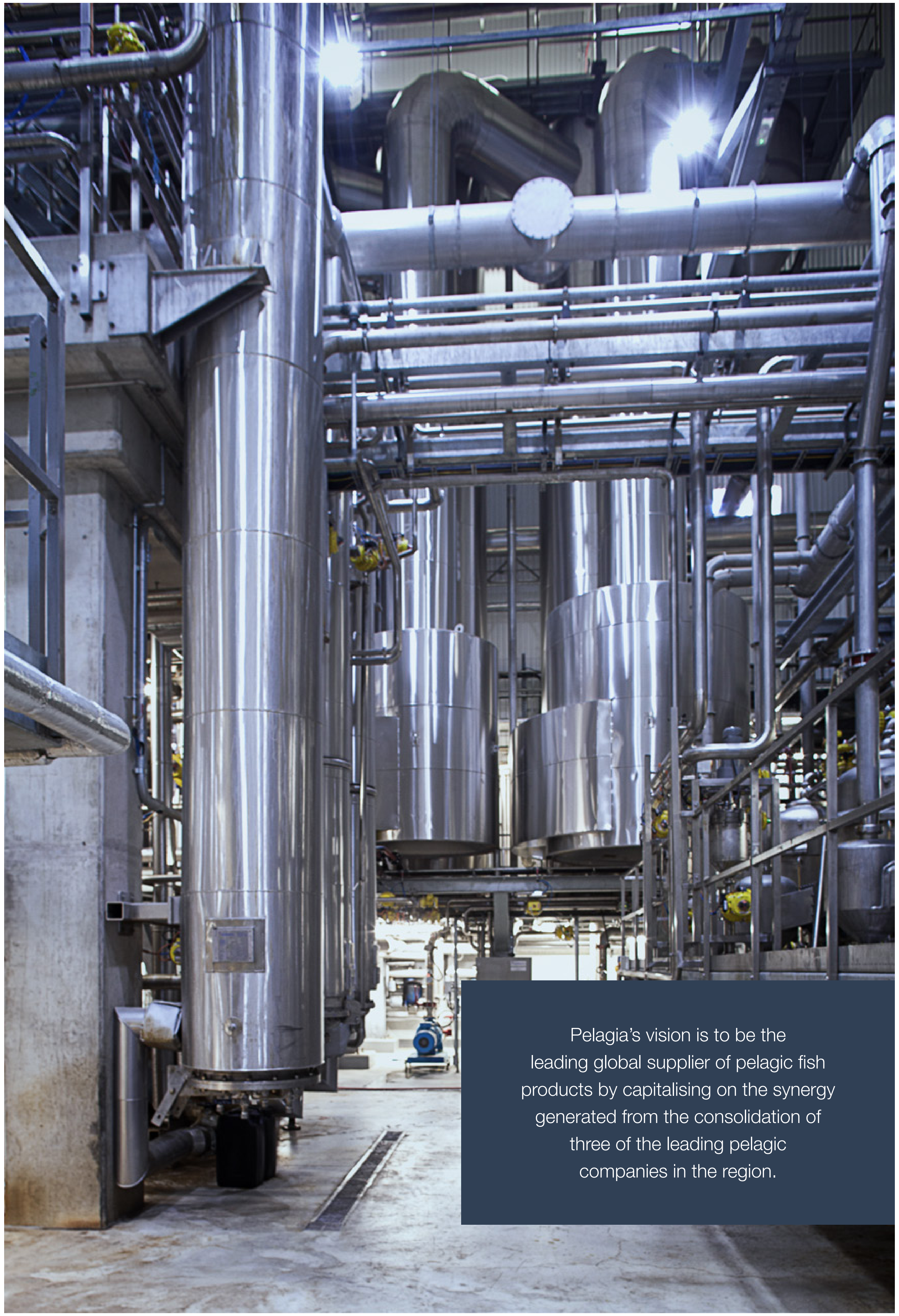
Pelagia believes that the pelagic sector has great potential in product development and marketing, which has yet to be harnessed. Therefore it is a key goal for Pelagia to become the driving force in product development and innovation within the pelagic industry. The wholly integrated operational structure of Pelagia provides an optimal resource utilisation rate, where 100% of the raw material is used in the different production processes within the organisation, consequently allowing the possibilities for further value adding.
Pelagia maintains a strict position on environmental sustainability within its operating principles. All Pelagia activities are based upon the principles of sustainable exploitation of pelagic fish stocks in the ocean. Pelagia supports and engages in environmental standards for sustainable and well regulated fisheries based on sustainable stocks, minimum impact of the fisheries on their respective ecosystems and efficient management. Pelagia believes that long term profitability and survival of the industry lies in adherence to the safeguard measures in place today. Pelagia participates in various research and development projects run by the Norwegian Seafood Research Fund (FHF), and the Norwegian Seafood Council (NSC).

Through active contributions and participations, Pelagia aims to ensure that allocated funds for such projects will be used effectively.

Market overview for 2016

The main species of raw material for the food division are mackerel, herring and capelin. The main species of raw material for the feed division are blue whiting, sand eel, Norwegian pout, capelin and trimmings from the food division's production. The food division's products are sold worldwide, while the feed division's products are mostly sold within Europe. Main seasons for intake of pelagic raw material are first and fourth quarter.

In 2016, Russia still maintains a ban on importation of Norwegian seafood. However Pelagia has implemented successful measures in diverting its products to alternative markets. A weakened Norwegian krone has been the force behind the strong competitive advantage of Norwegian seafood products in the global market the last couple of years. With key markets in Africa facing currency restrictions combined with the Ukrainian currency falling against the US dollar, has resulted in increased prices for many consumers globally. Nevertheless, Pelagia is confident that its products in these markets will continue to do well against competition from alternative sources of protein.



Pelagia's vision is to be the leading global supplier of pelagic fish products by capitalising on the synergy generated from the consolidation of three of the leading pelagic companies in the region.

Environmental & social responsibility

Our corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles

AUSTEVOLL SEAFOOD ASA (AUSS)

For many years AUSS has worked actively to ensure that a strong focus on environmental attitudes and corporate social responsibility is exercised as part of daily operations.

The Board of Directors maintains a constant focus on environmental standards and corporate social responsibility and works to ensure that all the Group's employees, at all stages of production are made aware of the need to exercise strong focus on environmental standards and social responsibility in their daily work. The Group's corporate social responsibility is manifested in the local communities in which it operates. For AUSS corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles. Therefore we find it only natural that some of the important work done by our subsidiaries be contained within our report, including; Lerøy Seafood Group ASA, Austral Group S.A.A and Foodcorp Chile S.A.

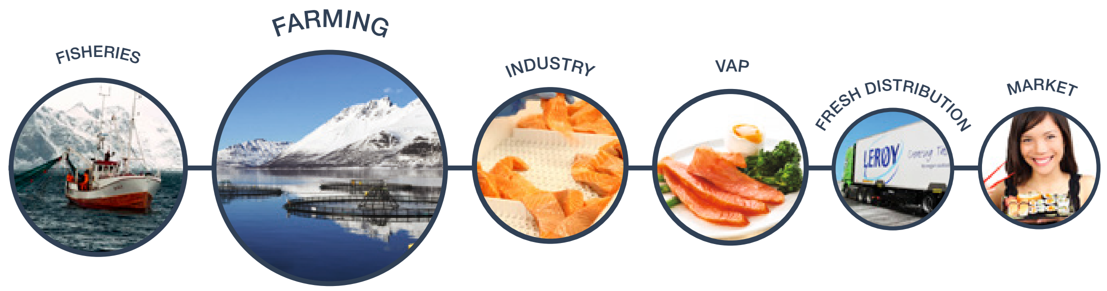
LERØY SEAFOOD GROUP ASA (LSG)

THE VALUE CHAIN

What are LSG's focus areas?

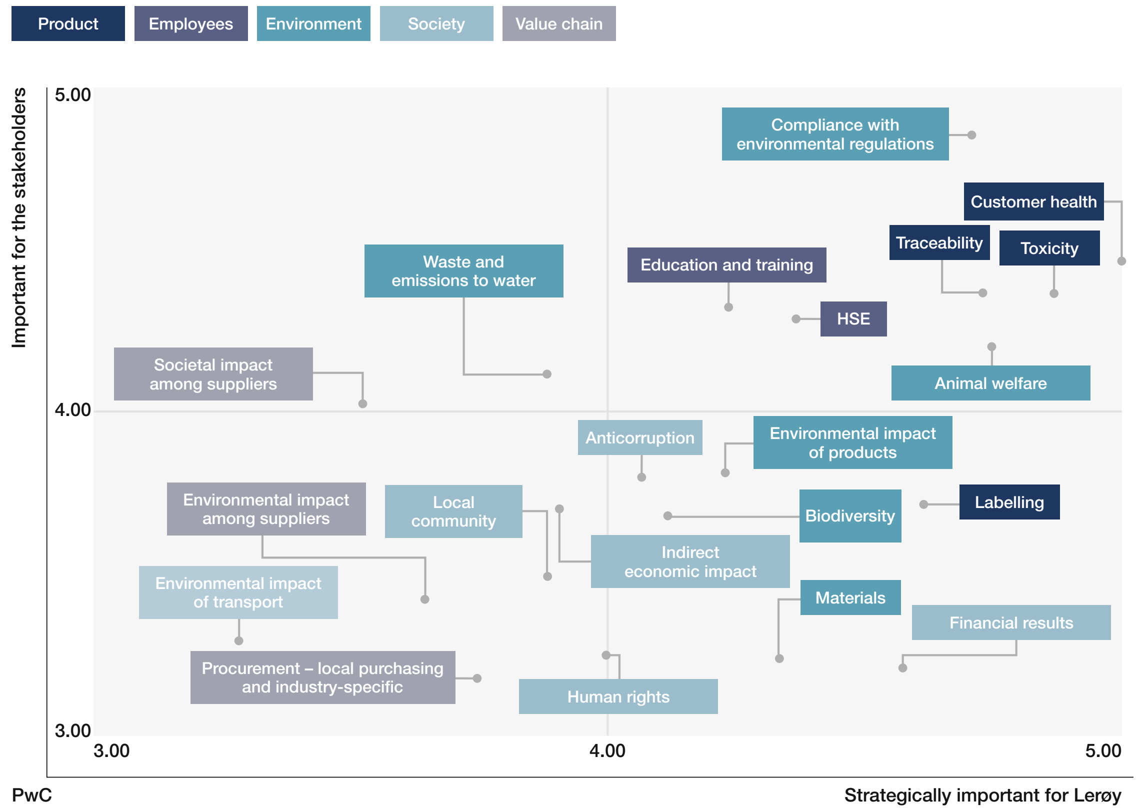
For LSG as a corporation, it is essential to maintain a constant focus on areas where LSG has the greatest influence in terms of sustainability. Based on a critical evaluation of the value chain and processes, LSG has reached the conclusion that they currently have the greatest influence within the work on the different areas related to LSG's fisheries and fish farming activities. A major share of LSG's efforts related to the environment and sustainability will therefore focus on these areas. The value chain can be seen below.

A materiality assessment was performed in 2015, involving interviews of in-house and external stakeholders. The assessment concluded that LSG's sustainability reporting should focus on five main areas: product, employees, environment, society and value chain. These areas will therefore receive particular focus.



RESULT OF MATERIALITY ANALYSIS

Overview of the most important target areas



"Take action today – for a difference tomorrow"

No other country in the world can match Norway's coast in terms of food production. Few nations can boast such a rich coastal culture, where the seafood industry has played such a central role throughout history in providing for vigorous local communities along the coast. With the global population approaching 9 billion (by 2050), it seems perfectly natural that in addition to the wild caught fish , the increased demand for food production could be satisfied by significant growth in fish farming.

For LSG, it is essential to maintain a focus on the entire concept of sustainability, a concept that encompasses not only the environment, but also social and economic factors. LSG's industry plays a significant role within society, and LSG in Norway aims to take its social responsibility very seriously, and to ensure that the social benefits provided by LSG's activities are safeguarded by maintaining robust and profitable businesses, ripple effects within local communities and stronger environmental management within fish farming.

Fisheries

LSG's operations within fisheries are based on fish as a natural resource. LSG therefore rely on proper management of the different species in the sea. Limitations on the harvest volumes of individual fish stocks come from Mother Nature herself.

Information on fishing volumes (catch statistics), monitoring of fish stocks and estimates provided by researchers from numerous countries all form the basis for the fishing quotas established. Research and advice from the Institute of Marine Research in Bergen and the International Council for the Exploration of the Sea (ICES) shall help ensure that future generations are able to harvest the major assets in the sea and along the coast. One of the vessels owned by LSG's subsidiary Havfisk is part of the Institute of Marine Research's reference fleet. As such, LSG play a part in collecting a significant amount of biological data utilised in the research into fish stocks.

Norway enters negotiations with other countries when total fishing quotas are to be established. The final decisions regarding the total quotas for fishing different species are taken based on stock assessments and advice on quotas from the International Council for the Exploration of the Sea (ICES). More than 90% of the fish resources harvested by Norway are managed in cooperation with other countries.

The national quotas in Norway are discussed by the different stakeholders during regulation meetings, for which the Norwegian Directorate of Fisheries is responsible. These regulation meetings are held twice a year.

Subsequent to the discussions during the regulation meetings, the Directorate of Fisheries issues a proposal for regulation of fisheries to the Norwegian Ministry of Trade, Industry and Fisheries. The Ministry issues provisions regarding the distribution of quotas to Norwegian fishing vessels and provisions regarding fisheries in the form of annual regulations for each species of fish.

LSG's operations are based on public permits for the harvesting of Norwegian fish resources. The entitlement provided by these permits entails statutory obligations in terms of activity and delivery, as well as a responsibility to fish sustainably. It is LSG's aim to be a "proud custodian", and LSG have taken an active approach to ensuring full compliance with all regulations involving fisheries. LSG manage its natural resources on behalf of society as a whole, and therefore accept a particular responsibility for ensuring sustainable operations, leaving behind the smallest possible ecological footprint. LSG monitors all employees and management to ensure compliance with prevailing regulations and quota provisions. LSG has also cooperated with authorities, trade associations and non-governmental organisations to help counteract illegal fishing, thereby safeguarding resources for future generations.

Norwegian North East Arctic cod, haddock and saithe fisheries gained Marine Stewardship Council (MSC) certification in 2010. This was followed by MSC certification for shrimp fisheries in 2012. These certificates substantiate the sustainability of Norwegian fisheries for these species. The cod, haddock and saithe fisheries were awarded a new five-year certificate in 2015.

LSG's fisheries operations mainly comprise MSC certified cod, haddock and saithe, in addition to shrimp.

In 2016, Havfisk and the other parties involved in the Norwegian trawling industry entered into the Arktisavtalen (Industry Group Agreement to Cod fishery in the northern part of North-East Atlantic). As a result of the melting of the ice sheet around the North Pole and so-called new areas becoming accessible, a map has been prepared showing those regions traditionally fished. The parties to the agreement have committed to not fishing in waters north of these areas before the seabed has been charted and it has been established that fishing will not cause permanent damage to vulnerable benthic biotopes.

There are 19 areas under Norwegian administration that are protected against bottom trawling. These are mainly found along the coastline and have been established to protect coral and other benthic organisms.

Farther north, there is a total prohibition on fishing around all islands surrounding Svalbard and extending 12 nautical miles. Combined with a more comprehensive nature reserve where fishing is prohibited and a general prohibition on fishing in waters that are shallower than 100 metres around Svalbard, the protected area covers 70,000 square kilometres. The minimum water depth of 100 metres protects food sources for animals that live on shore and birds that dive for food close to the coast. A number of other regulatory measures also apply, including a prohibition on fishing deeper than 1,000 metres to protect potentially vulnerable benthic biotopes in these areas.

Main goal: Eco-friendly and profitable operations supplying healthy food from sustainable stocks in the cleanest sea waters in the world.

Farming

LSG has a strategy whereby its fish farming activities are based on a "lasting perspective" which lays the foundations for LSG's utilisation of coastal resources. Such a perspective requires the involvement of owners, employees and suppliers and is applied daily as LSG work to produce the best seafood in the world from production activities based on natural resources.

LSG is organised with local management of its fish farming activities, and the local management's knowledge of and care for the local communities, environment and nature are of decisive importance. It is particularly important for LSG to establish proper arenas where parties involved in coastal fishing and fish farming can meet to exchange knowledge and to ensure that these two industries interact in the development of their potential to benefit local communities and Norway as a nation. LSG shall take a leading role in constantly improving the interaction between fish farming and the environment, aiming at generating positive and lasting environmental gains.

LSG has fish farming activities in three regions: West Norway (Lerøy Sjøtroll), Central Norway (Lerøy Midt AS) and North Norway (Lerøy Aurora AS). All three regions work closely together, benchmark and exchange experiences in order to arrive at a best practice, laying the foundations for further development of the local operating organisations. Simultaneously with the reinforcement and development of competencies within the local operating organisations over many years, LSG has built up a strong team to support the local operating organisations in their efforts to secure good environmental and biological results.

Advisory group for environment and safety:
– supports the production companies in relation to prevention of accidental release and staff safety
– standardises operating concepts, technology and methods

The fish health team:
– supports preventive work and ensures good routines for managing salmon lice, and ensures good fish health and welfare

The RAS/post-smolt team:
– provides project management and support to the production companies when selecting appropriate solutions for environmental and more efficient operations, and shorter production time in open cage systems at sea

The cleaner fish team:
– supports LSG's six production plants for lumpfish and develops good models for optimal utilisation of own-produced and wild-caught cleaner fish to combat salmon lice at LSG's fish farms

The technology team:
– builds up LSGs own technological development team, with competencies related to ordering and in-house competencies for the improvement of current production concepts and development of new production technology

LSG follows a goal-oriented strategy to improve routines, methods and the company's environmental results. To the extent that certification schemes can contribute towards this strategy, international standards such as GlobalG.A.P. and ASC, along with standards developed in-house, may be useful in providing inspiration for and documentation of good routines and attitudes.

The following areas are of particular importance for the operational part of the LSG's environmental work within fish farming activities:
- measures to reduce salmon lice
- work to prevent accidental release of fish
- fish health and fish welfare
- efficient utilisation of land and sea areas
- reduction of discharge of nutrient salt per locality

Among the above, there has been a special focus in recent years on work to minimise the challenges related to salmon lice and the secondary effects of a transition from medicinal methods to mechanical methods to treat salmon lice. Despite this, LSG has experienced extremely challenging situations, particularly in Central Norway, in 2015 and 2016. These experiences have provided new knowledge that will aid us in LSG's future efforts.

Having documented positive results with the use of lumpfish as a lice eater, LSG has decided to make further investments in its own production of lumpfish as a cleaner fish at our facilities. LSG aim to be self-sufficient in terms of in-house production of lumpfish. LSG work on cleaner fish comprises both in-house-produced lumpfish and wrasse caught in the wild. LSG efforts involving cleaner fish have made a positive contribution to the work to eliminate the use of medicinal methods. In 2016, LSG companies have been actively involved in developing mechanical delousing methods and have invested in increasing treatment capacity with those methods that have to date provided the best results.

In addition, LSG has invested a lot of work in development projects to strengthen sustainability within fish farming, including:
- raw materials for fish feed
  - ensuring compliance with LSG's requirements for sustainable and regulated fishing
  - ensuring that fish health, fish welfare and the environment are taken into account when developing and producing new raw materials for fish feed
  - contributing to the production of new marine raw materials for fish feed
- facilitating improved biosafety throughout the value chain, from parent fish to harvesting
- development of new technology for fish farming in both fresh water and at sea

LSG's fish farming companies have established a clearly defined set of goals for each main operating segment and have developed operating procedures specifically to ensure that they can reach the goals set for such important environmental work. LSG also carries out regular internal and external audits to ensure full correspondence between operating procedures and actions. LSG has implemented advanced technology to secure and monitor operations. In addition, LSG has developed requirement specifications for its suppliers, in an effort to contribute to their active participation towards achievement of LSG's environmental targets.

There is vast potential off the coast of Norway for increased production of seafood. At the same time, however, we also have a heavy obligation to take care of the environment effectively so that we can realise our lasting perspective for fish farming.
LSG's environmental vision – "Take action today – for a difference tomorrow" – therefore provides a clear statement from every employee within LSG that we fully intend, every day, to take the initiative for environmental improvements, benefiting the environment, the fish farming industry and LSG's coastal communities.

Ethics and social responsibility
LSG is a corporation involved in global business and working relationships with suppliers and subcontractors worldwide. In order to safeguard all its activities, LSG has prepared a set of values that apply to LSG and its partners in the daily work. LSG's ethical code of conduct has been reviewed by the Board of Directors and implemented in every Group company. LSG is responsible for ensuring the ethical code of conduct is put into practice, but each employee also bears an individual responsibility to follow the code of conduct when carrying out tasks for LSG. The company management is responsible for ensuring full practice of and compliance with the ethical code of conduct.

The ethical code of conduct has been divided into two separate areas and comprises the following:
Part 1: Factors relating to companies, suppliers and subcontractors
Part 2: Factors relating to the individual employee

Key words for the contents of the ethical code of conduct:
- ethical requirements for suppliers and subcontractors
- requirements on regulation of working conditions for employees
- the rights of the company's employees, and employees of suppliers and subcontractors
- factors involving HSE
- forced labour/discrimination
- exploitation of resources and impact on local environment
- corruption
- notification of censurable conditions
- ethical guides for employees representing the company outside the workplace

LSG has an international working environment. A number of LSG's employees are from other countries, and several of LSG's companies have a multinational workforce. Some of LSG's companies are located close to local refugee centres. By employing residents at such centres, LSG make an important contribution to successful integration in the local community. A number of the people who live in such centres work at LSG's facilities for short or longer periods of time. They contribute towards value creation and gain valuable experience of working life in Norway.
Companies in LSG work closely with employee representatives. This is based on a close working relationship between local representatives and local management at each company. This cooperation is also very much evident at the core of LSG, where the corporate management and a working committee representing the majority of trade unionists exchange information and discuss shared challenges and opportunities, both at regular intervals and when required. If necessary, formal discussions and negotiations are conducted.

Lerøy Seafood Group is fully committed to developing the local communities where the Group's different facilities are located, and aims to generate increased earnings for these communities by purchasing the highest ratio possible of local goods, equipment and services. Lerøy Seafood Group's companies in Norway purchased goods, equipment and services totalling NOK 11.8 billion in 2016. The figures show that the Group purchased these goods, equipment and services from more than 286 different municipalities in Norway. In 2016, the Group had facilities located in nearly 60 different Norwegian municipalities. Our employees paid income tax totalling NOK 451 million to 198 different municipalities. Based on our activities over the past eight years, Lerøy Seafood Group as a corporation has paid NOK 2.37 billion in tax. As such, we make an important contribution towards sustaining a number of local communities and workplaces in many different parts of Norway.

AUSTRAL GROUP S.A.A (AUSTRAL)

The activities of the Austral Group S.A.A (Austral) are framed within the General Environmental Law No. 28611 published in 2005. Austral is faithful adherents of the commitments assumed in the Environmental Management Instruments such as Environmental Impact Studies (EIA) and Environmental Management Programs (LDCs) and others voluntarily assumed.

In order to comply with all the legal and environmental requirements established by the Peruvian Government and in accordance with the demands of Austral's customers, the company has a certified environmental management model, which includes three international environmental standards, such as:

- Certification ISO 14001: 2004 for the environmental management system in all the plants, administrative office and the fishing fleet oriented to the prevention of pollution.
- "Friend of the Sea" Certification to control the production of marine food from sustainable fisheries and to prevent the capture of endangered species.
- IFFO RS Certification for the application of principles for the responsible fishing supply and the safe production of the products.

During the year 2016 Austral re-certified the ISO 14001: 2004 standard with a major certifying body and successfully passed follow-up audits of the IFFO RS and "Friend of the Sea" certifications.
Since 2015, the plants located in Coishco, Pisco and Ilo are in the "Register of Good Environmental Practices" of OEFA. With this, the company once again demonstrates its commitment to excellence in the management of all its operations, products and services, as well as the protection of the environment and its responsibility to society.

Since 2012 Austral is member of The Global Compact Program, through which Austral aligns its operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and Anti-Corruption set by the United Nations. In addition, in 2013, Austral was one of the first 16 Peruvian companies that signed the Business Commitment to the Prevention and Eradication of Child Labour promoted by the Global Compact and CONFIEP. By joining this initiative, Austral is part of a movement replicated in Latin America and the Caribbean and is positioned in the front line in the struggle against child labor, which affects 1.7 million children in Peru and 215 million children worldwide. In addition, Austral, through its economic, social and environmentally responsible management, also contributes to the achievement of the Sustainable Development Objectives established worldwide since 2015 by the United Nations.

Austral continue working in the line of sustainability contributing to the development of the localities where the company operates. During 2016, Austral has developed programs with great impact in the areas of education, work, health, nutrition and the environment. Some of the most remarkable activities of this 2016 are the following:

- "Mathematics for All" program has contributed to improving the learning of 1st and 2nd grade students in Coishco, Paracas and Chancay by strengthening pedagogical strategies supported by the use of innovative educational materials provided by the program to reinforce the ones supplied by the Ministry of Education. Four schools, 19 teachers and 505 students from national schools were benefited.
- The children and young talents participating in the program "Let's move Coishco" have trained very hard to compete in sporting championships and popular expression contests, where they have obtained a meritorious presentation. The members of this program have travelled to different districts of the province of Santa, Moro, Samanco, Nuevo Chimbote, as well as nationally, to the city of Lima and Cajamarca, bearing the name of Austral in each presentation. 450 youth and children have benefited from this program.
- Through the "Growing Together" program, Austral has proposed a training program for the Association of Artisanal Fishermen (ASUPAC) members that will allow them to design a strategic plan for the implementation of an ecotourism project in the Coishco district. This project will be presented to the relevant agencies for funding.
- The program "Let's Eat Healthy" culminated its second stage, reducing the level of anaemia by 25.3%. Among the most remarkable results was achieved:
  - 217 families will consolidate their knowledge and good practices of hygiene and manipulation of foods in the home and its surroundings.
  - 200 families with children under 5 years improved their frequency of iron consumption.
  - 20 community agents were trained to accompany the project's actions.

Austral is committed to maintaining a strict anti-corruption policy in its business.

Austral reviewed and updated the Manual of Ethics and Values to incorporate the concept of the Group's Anti-fraud and Anti-corruption Policy in 2015. This document also includes a Whistleblowing and Anti-retaliation Policy which protects the complainant from any kind of reprisals or victimization. A Conflict of Interest Guideline was also included with objectives in how to transparently and properly manage all issues regarding conflicts of interests. Lastly the Response after fraud protocol was formulated to include the necessary steps towards conducting a successful investigation in the event of a complaint of fraud or corruption. The Austral Anti-fraud and Anti-corruption Policy are based on the FCPA (Foreign Corrupt Practice Act) U.S. law and the COSO methodology was approved by the Audit Committee.

Through communication activities at both the headquarters and at each worksite, Austral employees are informed regarding company anti-corruption policies and directives. Every new employee receives an induction course that covers these topics. In addition, Austral has an internal reporting channel that allows employees to anonymously report potential violations of company policies and values.

(Source: Austral Group S.A.A)

FOODCORP CHILE S.A (FC)

At Foodcorp Chile S.A (FC), environment and social responsibility activities are fully integrated in all industrial and administrative processes. It is managed as a business vision that generates value for the company.

FC's Environmental and Social Responsibility program (ESR) was established as an organisational culture in 2006 and is aligned with the United Nation's Global Compact Program since its adoption in 2009. The ESR aligns all activities and strategies within 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption standards set by the United Nations. The program is divided into Internal (employees) and External (local community) chapters. The ESR program runs under the leadership of a CSR Committee formed by a group of volunteer workers from all areas and corporate levels, progress that is reported on a yearly basis to Global Compact Organisation and made public through its web site.
Safe and healthy working environment is a major concern of FC's active "Health and Incident Prevention Committee" who has successfully implemented a permanent program and extended its action scope to third party workers performing activities at FC's facilities.

The external chapter of our ESR program focuses in a close relationship and knowledge of our community and neighbourhood, working in areas of common concern that has been a key success factor.
FC is directly involved in additional environmental programs, such as air particle emission control, fishmeal plant odour control and testing of technical solutions, successful improvements to fish transport systems and sustainable fisheries programs through the active participation in the fish research institute, Inpesca.

The "IFFO RS", responsible fishmeal and fish oil supplier certification from the leading organisation concerning marine ingredients is fully integrated in all areas of operation. A continuous improvement view has been implemented and new fish species will be added soon, in order to have almost all of our fishmeal productions certified by this standard.

Lastly at FC our corporate social responsibility remains focused on achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles.

Corporate Governance

1. INTRODUCTION

1.1 Background

AUSTEVOLL SEAFOOD ASA ("AUSS" or the "Company"), the parent company in AUSS' group of companies ("The Group"), is established and registered in Norway and subject to Norwegian law, hereunder corporate and other laws and regulations. The Company's aim is to observe all relevant laws and regulations, and the Norwegian recommendation for corporate governance. This also applies for all other companies within the Group, and consequently this document applies to the extent reasonable for all companies therein.

The Company's Board of Directors adopted in its meeting held on 29 August 2006 a document which largely and in principle adhered to the then applicable Corporate Governance standard, with a few deviations. The Board of Directors have later examined revised versions of the Corporate Governance standard, published by the Norwegian Committee for Corporate Governance (NUES), latest standard published on 30 October, 2014. The Board has approved and adopted this document as the Company's Corporate Governance Policy to reflect the will of AUSS to fully comply with the Corporate Governance recommendations from NUES. The Company will act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market.

1.2 Objective

This governing document contains measures which have been and will be implemented to secure efficient management and control of the activities of the Company. The main objective is to establish and maintain systems for communication, surveillance and incentives which will increase and maximize the financial results of the Company, its long term soundness and overall success, and investment return for its shareholders. The development and improvement of the Company's Corporate Governance is a continuous and important process, on which the Board of Directors and the Executive Management keep a keen focus.

1.3 Rules and regulations

The Company is a public limited company listed on the Oslo Stock Exchange.
In that respect the Company is subject to the corporate governance regulations contained in the Public Limited Companies Act 1997 (asal.), the Securities Trading Act 2007 (vphl), the Stock Exchange Act with regulations (børsreg) and other applicable legislation and regulations, including the NUES recommendations.

1.4 Management of the Company

Management of and control over the Company is divided between the shareholders, represented through the general meeting of the shareholders, the Board of Directors and the Managing Director (CEO) in accordance with applicable legislation. The Company has an external and independent auditor.

1.5 Implementation and reporting on Corporate Governance

The Board of Directors must ensure that the company implements sound corporate governance.

The Board of Directors must provide a report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the Company's corporate governance must cover every section of the Code of Practice. If the Company does not fully comply with this Code of Practice, the Company must provide an explanation of the reason for the deviation and what alternative solution it has selected.

The Board of Directors should define the company's basic corporate values and formulate ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

The Board has decided to follow the Norwegian Recommendation for Corporate Governance and the Group has drawn up a separate policy for Corporate Governance.

AUSS takes a very conscious approach to its responsibility for ethical conduct, society at large and the environment. The Company has prepared a set of ethical guidelines for Group employees, aiming to establish common principles and regulations which govern all employees within AUSS and its subsidiaries. The Group's ethical guidelines for conduct reflect the values represented by the Group and guide the employees to make use of the correct principles for business conduct, impartiality, conflict of interest, political activity, entertaining customers, processing information and duty of confidentiality, relationships with business partners, corruption, whistle blowing, bribes etc. Each employee is individually responsible for practicing the ethical guidelines. The Company has prepared an Ethics Test for employees which will help them to make the right decisions whenever needed. The company management is responsible for ensuring compliance with the regulations.

The Company's goal is to contribute towards improving human rights, labour rights and environmental protection, both within the Group, in relation to suppliers and subcontractors; in addition The Board of Directors report has a paragraph on Social, health, safety and the environment. In the Company's annual report content of the environmental and social responsibility for the largest subsidiaries can be found in the chapter Environmental and Social responsibility.

Deviation from the Recommendations: None

2. BUSINESS

The Company's business shall be clearly defined in its Articles of Association.

The Company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association.

The annual report should include the business activities clause from the Articles of Association and describe the company's objectives and principal strategies.

The objective of the company is to be engaged in production, trade and service industry, including fish farming, fishing operations and ship owning business and any business related thereto, including investments in other companies with similar objects.

These statements appear in § 3 of Austevoll Seafood ASA's articles of associations.

Deviations from the Recommendations: None

3. EQUITY AND DIVIDENDS

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile.

The Board of Directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed.

The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the Board of Directors to increase the Company's share capital should be restricted to defined purposes. If the general meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting. Mandates granted to the Board should be limited in time to no later than the date of the next annual general meeting.

This should also apply to mandates granted to the Board for the Company to purchase its own shares.

Equity:

The company's need for financial strength is considered at any time in the light of its objective, strategy and risk profile. The Board of Directors considers consolidated equity to be satisfactory.

Dividend policy:

The goal is, over time, to pay out 20 % to 40 % of the Group's net profit (ex. fair value adjustment of biological assets) as dividends.

Capital increase:

The Board has the authority until the ordinary general meeting in 2017 to increase the share capital by issuing up to 20,271,737 shares.

Purchase of treasury shares:

The Board has the authority, until the ordinary general meeting in 2017, to purchase treasury shares in Austevoll Seafood ASA limited to 10 % of the company's share capital. Shares may not be purchased for less than NOK 20 per share, and no more than NOK 150 per share.

At 31 December 2016, AUSS directly owned 893,300 treasury shares.

Deviations from the Recommendations: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The company should only have one class of shares.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board of Directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the Board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, Executive Personnel or close associates of any such parties, the Board should arrange for valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

The Company should operate guidelines to ensure that Members of the Board of Directors and Executive Personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Class of shares:

Austevoll Seafood ASA has only one class of shares. The articles of associations place no restrictions on voting rights. All shares are equal.

Trading in treasury shares:

The Board's authorisation to acquire treasury shares is based on the assumption that the acquisition will take place in the open market. Acquired shares may be disposed in the market or used as payments for acquisitions.

Transactions between related parties:

See note 32 for related party transactions.

Deviations from the Recommendations: None

5. FREELY NEGOTIABLE SHARES

The Company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

The articles of association place no restrictions on negotiability. The shares are freely negotiable.

Deviations from the Recommendations: None

6. GENERAL MEETINGS

The Board of Directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board.

Such steps should include:

- making the notice calling the general meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting.
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- the Board of Directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies
- ensuring that the members of the Board of Directors and the nomination committees and the auditor are present at the general meeting
- making arrangement to ensure an independent chairman for the general meeting.

Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The Company should:

- provide information on the procedure for representation at the meeting through a proxy
- nominate a person who will be available to vote on behalf of shareholders as their proxy
- to the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

By virtue of the Annual General Meeting, the shareholders are guaranteed participation in the Groups supreme governing body. The following matters shall be discussed and resolved at the annual general meeting:

- Adoption of the annual financial statement and the annual report, including distribution of dividends.
- Any other matters which by virtue of law or the articles pertain to the general meeting.

Notification:

The annual general meeting shall be held each year no later than six months after the end of each financial year. Notification shall be sent out within the deadlines in the Code of practice and relevant documentation is available on the Group's website at least 21 days prior to the general meeting. The Financial Calendar is published on the internet and through a notification to Oslo Stock Exchange.

Participation:
It is possible to register by post, telefax or e-mail. Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

Deviations from the Recommendations: In 2016 two out of the seven Board members attended the General meeting. In 2016 none of the members of the nomination committee attended the General meeting.

7. NOMINATION COMMITTEE

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should have contact with shareholders, the Board of Directors and the company's executive personnel as part of its work on proposing candidates for election to the Board.

The nomination committee should be laid down in the Company's Articles of Association. The general meeting should stipulate guidelines for the duties of the nomination committee.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board of Directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the Board. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself for re-election to the Board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the Board of Directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

According to the Articles of Association § 6 the company shall have a nomination committee. The nomination committee shall issue a proposal to the general meeting regarding the election of shareholder elected Board members. The nomination committee shall consist of three members. The members of the committee shall be elected by the company's annual general meeting, which also appoints the committee's chairman. The members of the nomination committee are elected by the general meeting for terms of two years at a time. The general meeting determines the remuneration of the committee's members.

Composition:
The current committee was elected on the AGM on May 25th 2016 and consists of:

Harald Eikesdal, Mr. Eikesdal is a lawyer with the firm Eikesdal. Harald Eikesdal previously held a position as Divisional Head with the Norwegian Ministry of Finance and as a deputy judge and notary public at Haugesund Magistrates Court. Mr. Eikesdal serves as the Deputy Chairman of Laco AS.

Nils Petter Hollekim, Mr. Hollekim has a degree in Business Administration and has worked as an administrator/analyst for Norwegian fund management companies for 29 years. He has spent the past 15 years working as a portfolio manager for ODIN Forvaltning AS. The last 6 years Mr. Hollekim has been a self-employed consultant and investment manager.

Anne-Sofie Utne, Ms. Utne holds a Master of Economy from the Norwegian University of Life Sciences (Norges Miljø- og Biovitenskapelige Universitet).
She holds the position as Senior Manager in BDO AS in Trondheim, and has a central position in developing BDO's strategy and excellence in services and consulting activities for the Aquaculture/Seafood Industry.
Most recently Ms. Utne served as a business advisor for seven years within the Norwegian aquaculture industry through her fully owned consulting company Kauna AS. Previously she held the position as head of the Aquaculture department of a branch specialist unit in DNB Bank ASA. Ms. Utne has extensive experience in financial transactions related to national and international corporations within the aquaculture industry.

The company has not yet established specific guidelines for the nomination committee. However, the composition of the nomination committee is such that the interests of the shareholders in general are taken into account in that the majority within the committee is independent of the Board and other executive personnel.

Deviations from the Recommendations: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Where a company has corporate assembly, the composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the Company's shareholders.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The Board of Directors should not include executive personnel. If the Board does include executive personnel, the Company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the Board, including the use of board committees to help ensure more independent preparations of matters for discussion by the Board, cf. Section 9.

The Chairman of the Board of Directors should be elected by the general meeting so long as the Public Companies Act does not require that the Chairman must be appointed either by the corporate assembly or by the Board of Directors as a consequence of an agreement that the Company shall not have a corporate assembly.

The term of office for members of the Board of Directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the Board of Directors should be encouraged to own shares in the Company.

Composition of Board of Directors:
According to the Articles of Association § 6 The Company's Board of Directors shall consist of 5–7 directors elected by the shareholders. Austevoll Seafood ASA has endeavoured to adapt directors' backgrounds, competence, capacity and affiliation to the Group's business activities and its need for diversity.

The Board of Directors consists of the following persons:

Helge Singelstad (1963), Chairman
Helge Singelstad has been member of the Board since 2008, and has been the Chairman of the Board since May 2010. Mr. Singelstad is the CEO in Laco AS. He holds a degree in Computer Engineering from Bergen University College (HiB), a degree in Business Administration from the Norwegian School of Economics (NHH) and a 1st degree of Law from the University of Bergen (UiB). He serves on numerous Boards of Directors, and is Chairman of the Board at Lerøy Seafood Group ASA and Pelagia Holding AS. Mr. Singelstad has extensive experience from various types of businesses such as oil & gas and seafood sector.

Oddvar Skjegstad (1951), Deputy Chairman
Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since May 2010. Mr. Skjegstad has a degree as Master of Business Administration from Norwegian School of Economic (NHH). He is self-employed and has a wide experience from executive positions in public administration, banking and other industrial activities. Mr. Skjegstad holds board positions in companies within several different business sectors.

Lill Maren Møgster (1984), Member of the Board
Lill Maren Møgster has been member of the Board since 2012. Ms. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Ms. Møgster is educated Bachelor of Management from the Norwegian Business School (BI). She works as controller in Lerøy Seafood AS. Ms. Møgster is experienced within sales and accounting after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies.

Inga Lise L. Moldestad (1966), Member of the Board
Inga Lise L. Moldestad has been member of the Board since 2006. From the Norwegian School of Economic (NHH) Ms. Moldestad has a four year program in Economics and Business Administration consisting of three years at Bachelor/undergraduate level and one year at graduate level. She holds a Master degree in Auditing and Accounting from NHH. Ms. Moldestad is the Executive Vice President and partner of Holberg Fondsforvaltning (a Bergen based fund management company). Having worked at Holberg,

Unibank, Skandia and Vesta in the past, Ms. Moldestad has extensive experience within the asset management industry, and from auditing and consulting after working with Arthur Andersen and Ernst & Young.

Helge Møgster (1953), Member of the Board
Helge Møgster has been member of the Board since the company was founded in April 1981, and served as Chairman of the Board until May 2006. Mr. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Mr. Møgster has extensive experience from all aspects of the fisheries sector. Additionally he knows the offshore service sector very well. He is holding board positions in several companies.

Siren Merete Grønhaug (1965), Member of the Board
Siren Merete Grønhaug has been member of the Board since 2014. Ms. Grønhaug is educated Corporate Economist from the Norwegian School of Economics (NHH), and has additional education through the AFF Solstrand Programme and the Norwegian Business School (BI). She is the CFO at Lerøy Seafood AS with broad knowledge in the seafood sector after many years of experience at executive levels in Lerøy Seafood AS. Ms. Grønhaug has extensive board experience from various companies in Lerøy Seafood Group ASA.

Leif Teksum (1952), Member of the Board
Leif Teksum has been member of the Board since 2014.
Mr. Teksum holds a Master degree in Economics and Business Administration from the Norwegian School of Economics (NHH). Mr. Teksum retired in 2014 after 33 years of service for Norway's biggest bank – DNB Bank ASA. For 22 years he was part of DNB's Group Management, during which time he for a period of more than 10 years was responsible for the Group's international business, and the bank's large corporate clients. Mr. Teksum is a professional board member in a variety of companies and has extensive experience from holding board positions. In 2015 he established a new corporate advisory boutique (Vest Corporate Advisors AS) together with three other partners.

The Boards autonomy:
Except for the Chairman Helge Singelstad, Lill Maren Møgster and Helge Møgster, all members of the Board are independent of the Company's major shareholders, the Company's management and the Company's main business relations. There are no conflicts of interest between any duties to the Company of the members of the Board or the Company's management, and their private interests or other duties.

No members of Group management are Directors.

Directors' ownership of shares:

- Helge Singelstad owns 50,000 shares in the company.
- Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in the company.
- Helge Møgster owns shares indirectly through Laco AS.
- Inga Lise L. Moldestad owns, through Ingasset AS, 40,000 shares in the company.
- Lill Maren Møgster owns shares indirectly through Laco AS.
- Leif Teksum owns 5,000 shares in the company.

Deviations from the Recommendations: None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The Board of Directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the Board who are independent of the company's Executive personnel. The Board of Directors should provide details in the annual report of any board committees appointed.

The Board of Directors should evaluate its performance and expertise annually.

In total 7 Board meetings have been arranged during 2016. Helge Singelstad, Oddvar Skjegstad, Lill Maren Møgster, Inga Lise L. Moldestad, Siren Grønhaug and Leif Teksum have attended all meetings. Helge Møgster has attended six of the seven meetings.

Board responsibilities:
Norwegian law lays down the tasks and responsibilities of the Board of directors. These include overall management and supervision for the company. Towards the end of each year the Board adopts a detailed plan for the following financial year. This plan covers the follow-up of the company's operations, internal control, strategy development and other issues. The company complies with the deadlines issued by Oslo Stock Exchange with regards to interim reports.

Instructions to the Board of Directors:
The Board's instructions are extensive and were last revised on 28.03.2008. The instructions cover the following points: the Boards responsibly and obligations, the CEO's information obligations to the Board, and the procedures of the Board.

Use of Board committees:
The Nomination Committee is governed by the Articles of Association. The Board established an Audit Committee at the end of 2008. The committees are solely responsible to the full corporate Board and their authority is limited to making recommendations to the Board, however the Nomination Committee makes recommendations for election of Board Members to the general meeting of shareholders.

Audit committee:
The Audit committee has responsibilities related to financial reporting, the independent auditor and risk management and consists of two Board members. The independent auditor usually attends the meetings. The CEO and other directors are entitled to attend if the audit committee so desire.

Members: Oddvar Skjegstad and Inga Lise L. Moldestad

The Board's self-evaluation:
Each year, a special Board meeting shall be organised on topics related to the Groups operations and the Board's duties and working methods.

Deviations from the Recommendations: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values, ethical guidelines and guidelines for social responsibility.

The Board of Directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

Internal control and risk management:
The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated forms of management and follow-up.
Good internal management systems are essential for success, and these must be continuously developed in order to accommodate changing economic conditions. The internal control is based on daily and weekly reports that are summarised into monthly reports tailored to the individual company, while at the same time providing satisfactory reporting at Group level. There is an emphasis on the importance of uniform reporting procedures and formats in order to ensure correct reporting from all units and up to an aggregate level.

Review by the Board of Directors
A significant volume of the work of the Board of Directors is ensuring that the company management is familiar with and understands the Group's risk areas and that risk is managed by means of appropriate internal control. Frequent valuations and assessments are conducted of both the management's and Board's understanding of risk and internal control. The audit committee plays an important role in these valuations and assessments.

Description of the main elements of risk management and internal control related to financial reports
Internal control within the Group is based on the recommendation from the "Committee of Sponsoring Organizations of the Treadway Commissions" (COSO), and covers control environment, risk assessment, control activities, information and communication, and monitoring. The content of these different elements is described in detail below.

Control environment
The core of an enterprise is the employees' individual skills, ethical values and competence, in addition to the environment in which they work.

Guidelines for financial reporting
On behalf of the CFO, the Chief Accountant for the Group provides guidelines to entities within the Group. These guidelines place requirements on both the content of and process for financial reporting.

Organisation and responsibility
The Chief Accountant for the Group reports to the CFO and is responsible for areas such as financial reporting, budgets and internal control of financial reporting within the Group.

The Directors of the entities which issue the reports are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisations and business activities. The entity managers shall ensure implementation of an appropriate and efficient internal control and are responsible for compliance with requirements.

The audit committee shall monitor the process of financial reporting and ensure that the Group's internal control and risk management systems function efficiently. The audit committee shall also ensure that the Group has an independent and efficient external auditor.

The financial statements for all companies in the Group are audited by an external auditor, within the framework established in international standards for auditing and quality control.

Risk assessment
The Chief Accountant for the Group and the CFO identify, assess and monitor the risk of errors in the Group's financial reports, together with the managers of each entity.

Control activities
Entities which issue reports are responsible for the implementation of sufficient control actions in order to prevent errors in the financial reports.

Processes and control measures have been established to ensure quality assurance of financial reports. These measures comprise mandates, division of work, reconciliation/documentation, IT controls, analyses, management reviews and Board representation within subsidiaries.

The Chief Accountant for the Group provides guidelines for financial reporting to the different Group entities.

The Chief Accountant for the Group ensures that reporting takes place in accordance with prevailing legislation, accounting standards, established accounting principles and the Board's guidelines.

The Chief Accountant and the CFO continuously assess the Group's and the segments' financial reports. Analyses are carried out in relation to previous periods, between different entities and in relation to other companies within the same industry.

Review by the Group management
The Group management reviews the financial reports on a monthly basis, with the review including the development in figures for profit/loss and balance sheet.

Reviews by the audit committee, Board and general meeting
The audit committee and Board review the Group's financial reports on a quarterly basis. During such reviews, the audit committee has discussions with the management and external auditor. At least once a year, the Board holds a meeting with the external auditor, without the presence of the administration.

The Board reviews the interim accounts per quarter and the proposal for the financial statements. The financial statements are adopted by the general meeting.

Information and communications
The Group strongly emphasises correct and open information to shareholders, potential shareholders and other interested parties. Ref. item 13 "Information and communications" for more detailed information.

MONITORING
Reporting entities
Those persons responsible for reporting entities shall ensure appropriate and efficient internal control in accordance with requirements, and are responsible for compliance with such requirements.

Group level
The Chief Accountant and CFO review the financial reports issued by the entities and the Group, and assess any errors, omissions and required improvements.

External auditor
The external auditor shall provide the audit committee with a description of the main elements of the audit from the previous financial year, including and in particular significant weak points identified during internal control related to the process of financial reporting.

The Board of Directors
The Board, represented by the audit committee, monitors the process of financial reporting.

Deviations from the Recommendations: None

11. REMUNERATION OF THE BOARD OF DIRECTORS
The remuneration of the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board of Directors should not be linked to the Company's performance. The company should not grant share options to members of its board.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the Board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.
The Directors fees are decided by the AGM. The Directors' fees are not linked to the company's performance.

None of the Board members have during 2016 had assignments for the company in addition to being members of the board.

Deviations from the Recommendations: None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT
The Board of Directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The Board of Directors statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like should be linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

The remuneration policy for the executive management is determined by the Board of Directors and communicated to the annual general meeting. The guidelines regarding the remuneration are approved by the AGM. See note 27 for guidelines for remuneration to executive management.

The existing remuneration policy, each year subject to approval by guiding vote in the AGM, allows performance-related remuneration. The executive management has currently no such remuneration.

Deviations from the Recommendations: None

13. INFORMATION AND COMMUNICATIONS
The Board of Directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.
The Board of Directors should establish guidelines for the company's contact with shareholders other than through general meetings.

The Company strongly emphasises correct and open information to shareholders, potential shareholders and other interested parties. The Company has presented quarterly reports with financial information since 2006.

The Company's most important medium for distributing information will be the Oslo Stock Exchange reporting system, but the Company also aims to present such information directly to investors and analysts.

The Company aims to keep its shareholders informed via annual reports, quarterly reports and at appropriate presentations. In addition, press releases will be sent out regarding important events.

Every year, the Company publishes the company's financial calendar, showing the dates for presentation of the interim financial statements and the date of the annual general meeting.

The Company's website is updated constantly with information distributed to shareholders. The Company's website is at: www.auss.no.

Deviations from the Recommendations: None

14. TAKE-OVERS
The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid.

In a bid situation, the company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form view of the offer.
The Board of Directors should not hinder or obstruct take-over bids for the Company's activities or shares.

Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

Austevoll Seafood ASA's Articles of Association contain no limitation with regard to share acquisition. The shares are freely transferable. Transparency and equal treatment of shareholders is a fundamental policy. Should a bid be made for the company, the Board of Directors will make a thorough evaluation of the bid.

Deviations from the Recommendations: None

15. AUDITOR

The auditor should submit the main features of the plan for the audit of the company to the Audit committee annually.

The auditor should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the Audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board of Directors shall hold a meeting with the auditor at least once a year at which neither the Chief Executive nor any other member of the executive management is present.

The Board of Directors should establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.

The Board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

Deviations from the Recommendations: None

Declaration from the Board

on salaries and other remuneration to leading personnel,
ref. the Public Limited Companies Act Section 6-16 a, ref. Section 5-6.

The Board of Directors of AUSTEVOLL SEAFOOD ASA has signed the below declaration in respect of salaries and other remuneration applicable to leading personnel. The declaration shall be subject to an advisory vote in the General Meeting, and represents guidelines for the Board of Directors:

The main principle for stipulation of remuneration terms for leading personnel of AUSTEVOLL SEAFOOD ASA is that leading personnel shall be offered competitive terms and conditions, with salaries, other benefits, bonus and pension arrangements being appraised together. The company offers a level of remuneration which reflects a comparable level with similar companies and considering the company's requirements for highly qualified personnel at all levels.

Salaries and other remuneration to leading personnel will be determined in conformity with the above principles at all times.

The company does not have remuneration schemes based on share values.

For leading personnel remuneration may be given in addition to basic salaries in the form of bonus. Bonus to the company's Managing Director shall be determined by the Chairman of the Board liaising with the Board of Directors. For other leading personnel bonuses shall be determined by the Managing Director in consultation with the Chairman.

The company does not have arrangements for share options in the company or other companies in the group.
Leading personnel are members of the company's collective pension arrangements. The company's defined benefit pension scheme was terminated by end December 2016. From 2017 onwards the company retains one pension scheme only, the defined contribution scheme. The payments of pension premiums are based on pension benefits of up to 12 G (G = the annual Basic Amount in the Public Pension Scheme).

Leading personnel have arrangements for free transportation and free service telephones, but do not receive benefits in kind beyond that.

Leading personnel are, in case of dismissal from the company, not entitled to benefits beyond salary and other current benefits during the period of termination as prescribed by the Norwegian Employment Act.

The policy of remuneration as described above has been fully adhered to during the preceding accounting year. During this period the Company has not given remunerations beyond what follows from service contracts already in force.

No new agreements have been entered into with leading personnel, and no changes have been made to existing agreements with leading personnel which have an impact on the Company or its shareholders.

Storebø, 21 April 2017

Helge Singelstad
Chairman of the Board

Lill Maren Møgster

Oddvar Skjegstad
Deputy Chairman

Leif Teksum

Helge Møgster

Inga Lise L. Moldestad

Siren M. Grønhaug

Directors of the Board


Helge Singelstad

HELGE SINGELSTAD (1963)

Chairman

Helge Singelstad has been member of the Board since 2008, and has been the Chairman of the Board since May 2010. Mr. Singelstad is the CEO in Laco AS. He holds a degree in Computer Engineering from Bergen University College (HiB), a degree in Business Administration from the Norwegian School of Economics (NHH) and a 1st degree of Law from the University of Bergen (UiB). He serves on numerous Boards of Directors, and is Chairman of the Board at Lerøy Seafood Group ASA and Pelagia Holding AS. Mr. Singelstad has extensive experience from various types of businesses such as oil & gas and seafood sector. Helge Singelstad owns 50,000 shares in Austevoll Seafood ASA.


Oddvar Skjegstad

ODDVAR SKJEGSTAD (1951)

Deputy Chairman

Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since May 2010. Mr. Skjegstad has a degree as Master of Business Administration from Norwegian School of Economic (NHH). He is self-employed and has a wide experience from executive positions in public administration, banking and other industrial activities. Mr. Skjegstad holds board positions in companies within several different business sectors. Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in Austevoll Seafood ASA.


Lill Maren Møgster

LILL MAREN MØGSTER (1984)

Member of the Board

Lill Maren Møgster has been member of the Board since 2012. Ms. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Ms. Møgster is educated Bachelor of Management from the Norwegian Business School (BI). She works as controller in Lerøy Seafood AS. Ms. Møgster is experienced within sales and accounting after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies. Lill Maren Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.


Inga Lise L. Moldestad

INGA LISE L. MOLDESTAD (1966)

Member of the Board

Inga Lise L. Moldestad has been member of the Board since 2006. From the Norwegian School of Economic (NHH) Ms. Moldestad has a four year program in Economics and Business Administration consisting of three years at Bachelor/undergraduate level and one year at graduate level. She holds a Master degree in Auditing and Accounting from NHH. Ms. Moldestad is the Executive Vice President and partner of Holberg Fondsforvaltning (a Bergen based fund management company). Having worked at Holberg, Unibank, Skandia and Vesta in the past, Ms. Moldestad has extensive experience within the asset management industry, and from auditing and consulting after working with Arthur Andersen and Ernst & Young. Inga Lise L. Moldestad owns 40,000 shares in Austevoll Seafood ASA through Ingasset AS.


Helge Møgster

HELGE MØGSTER (1953)

Member of the Board

Helge Møgster has been member of the Board since the company was founded in April 1981, and served as Chairman of the Board until May 2006. Mr. Møgster is one of the main owners in Laco AS, the main shareholder of Austevoll Seafood ASA and DOF ASA. Mr. Møgster has extensive experience from all aspects of the fisheries sector. Additionally he knows the offshore service sector very well. He is holding board positions in several companies. Helge Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.


Siren Merete Grønhaug

SIREN MERETE GRØNHAUG (1965)

Member of the Board

Siren Merete Grønhaug has been member of the Board since 2014. Ms. Grønhaug is educated Corporate Economist from the Norwegian School of Economics (NHH), and has additional education through the AFF Solstrand Programme and the Norwegian Business School (BI). She is the CFO at Lerøy Seafood AS with broad knowledge in the seafood sector after many years of experience at executive levels in Lerøy Seafood AS. Ms. Grønhaug has extensive board experience from various companies in Lerøy Seafood Group ASA.


Leif Teksum

LEIF TEKSUM (1952)

Member of the Board

Leif Teksum has been member of the Board since 2014. Mr. Teksum holds a Master degree in Economics and Business Administration from the Norwegian School of Economics (NHH). Mr. Teksum retired in 2014 after 33 years of service for Norway's biggest bank – DNB Bank ASA. For 22 years he was part of DNB's Group Management, during which time he for a period of more than 10 years was responsible for the Group's international business, and the bank's large corporate clients. Mr. Teksum is a professional board member in a variety of companies and has extensive experience from holding board positions. In 2015 he established a new corporate advisory boutique (Vest Corporate Advisors AS) together with three other partners. Leif Teksum owns 5,000 shares in Austevoll Seafood ASA.

Board of directors' report 2016

for Austevoll Seafood ASA

INTRODUCTION

Austevoll Seafood ASA (AUSS) is a global seafood group. AUSS has world-leading operations within the production of Atlantic salmon and trout, covering the entire value chain from breeding to smolt, fish for consumer products, harvesting, processing, sale and distribution. With Lerøy Seafood Group ASA (LSG)'s acquisition of Havfisk ASA and Norway Seafoods Group AS in 2016, the Group is now a major enterprise within fisheries, processing and sale of whitefish. AUSS also has pelagic operations within fisheries, production of fishmeal and fish oil, and production of pelagic products for human consumption. The Group has sales operations in Norway, Europe, Asia, the USA and South America.

The company's head office is located in Storebø in Austevoll municipality.

THE GROUP'S ACTIVITIES

The Group's activities are classified according to the following operating segments; Lerøy Seafood Group ASA (Europe), Austral Group S.A.A (Peru), Foodcorp Chile S.A (Chile), Br. Birkeland AS (Norway) and the joint venture, Pelagia AS (Europe).

Bearing in mind the prevailing framework conditions, including e.g. limited fisheries in Peru and Chile, and the challenges within farming in Central Norway in the autumn of 2016, the Board of Directors is essentially satisfied with the Group's results in 2016. The Board of Directors would like to take this opportunity to thank all the Group's employees for their hard work in 2016.

IMPORTANT EVENTS IN 2016

In March 2016, AUSS sold 2,750,000 LSG shares at a price of NOK 355 per share. The proceeds from the sale of shares totalled NOK 976,250,000 and were used to pay dividends. In 2016, a dividend of NOK 7 per share was paid to the company's shareholders. At year-end 2016, AUSS owned 52.69% of LSG.

On 2 June 2016, LSG entered into an agreement to acquire 64.4% of the shares in Havfisk ASA (Havfisk) and 73.6% of the shares in Norway Seafoods Group AS (Norway Seafoods). Once the statutory approvals were obtained, the transaction was completed on 31 August 2016. LSG made an offer to buy all remaining shares in Havfisk and Norway Seafoods on 16 September 2016. The deadline for acceptance of this offer was in the fourth quarter 2016. LSG achieved 100% ownership of both companies on 27 October 2016. As a result of this transaction, both companies were consolidated into the Group as of 1 September 2016. In connection with these transactions, LSG carried out a private placement by issuing 5,000,000 new shares and selling 300,000 treasury shares at a price of NOK 415 per share.

The primary segment for Havfisk is wild catches of whitefish. Havfisk has had nine trawlers in operation in 2016 with 29.6 quota units for cod/haddock. Havfisk has licence rights to harvest just above 10% of the total cod quotas in the zone north of 62 degrees latitude, corresponding to more than 30% of the total quota allocated to the trawler fleet.

Norway Seafoods is the largest purchaser of cod from the coastal fishing fleet in Norway, and has eight processing plants in Norway, five of which are leased from Havfisk for processing of fish.

Lerøy Seafood Group ASA (Europe)

Lerøy Seafood Group ASA is a fully integrated seafood group with a global reach. The company's history dates back to the end of the 19th century with proud traditions as a pioneering enterprise in a number of areas within the Norwegian fishing industry. The company's main focus has always been on developing markets for seafood products.

Since 1999, LSG has invested substantially in various national and international enterprises. Through a process of organic growth and a number of acquisitions, LSG is currently the second-largest producer of salmon and trout in the world, and has 146 licences across the regions of North Norway, Central Norway and West Norway. In addition, LSG owns the Scottish sea farming company, Scottish Sea Farm Ltd. via its 50% shareholding in Norskott Havbruk AS. In 2016, Scottish Sea Farm Ltd. harvested 28,000 tonnes of salmon.

LSG's investments in downstream activities have established the company as a national and international distributor of fresh seafood. With the acquisitions of Havfisk and Norway Seafoods, the company is now a major player within wild-caught whitefish. These acquisitions will significantly strengthen the company's position as a global total supplier of seafood by providing access to roughly 100,000 tonnes of whitefish. LSG's well-established integrated value chain for red fish provides substantial potential for increased value generation via the further development of the market for whitefish. This involves boosting the Group's position as a supplier of fresh/"refreshed" seafood with a full range of seafood products.

LSG reported revenue of NOK 17,270 million in 2016 (2015: NOK 13,485 million). This is the highest turnover ever reported by the company. The increase in revenue is mainly attributed to the extremely high prices for Atlantic salmon and trout, strong demand and a good development in the company's downstream operations. Havfisk and Norway Seafoods were consolidated from 1 September. EBITDA in 2016 amounted to NOK 3,355 million (2015: NOK 1,814 million), and EBIT before biomass adjustment was NOK 2,843 million (2015: NOK 1,380 million). In 2016, the two acquired businesses, as of the date of consolidation – 1 September – contributed a total operating profit figure (EBIT) of NOK 89 million.

In 2016, LSG harvested 150,000 tonnes of salmon and trout, down from 158,000 tonnes in 2015. The prices for Atlantic salmon and trout have been very high in 2016, and prices realised for the company's farming operations involving salmon and trout were up 37% when compared with prices realised in 2015 – despite the Group's 44% contract share having a negative impact on prices realised. LSG is the world's largest producer of trout. Import restrictions in Russia and neighbouring countries since 2014 have had a negative impact on prices realised for trout. Trout prices saw a considerable improvement in 2016 and had reached the same price level as salmon by the end of the year. Nonetheless, prices realised for the company's farming operations for trout remained around NOK 5 lower than for salmon in 2016.

Once again in 2016, LSG and the Norwegian fish-farming industry incurred significant costs in some regions of Norway to comply with the regulations on salmon lice. This has had a very negative effect on the volume produced and harvested, and on related production costs and release from stock costs. From an historical perspective, release from stock costs in 2016 remained at a level that the company deems to be extraordinarily high. The most significant cost drivers are higher feed costs combined with very high costs for compliance with salmon lice regulations. LSG has initiated a number of measures and made substantial investments, and expects to see a reduction in production costs in the future.

Significant changes were implemented to the operation of Norway Seafoods in Q4 2016. With effect from 1 January 2017, all sales and logistics are coordinated with LSG's marketing department in Bergen as part of the business transfer. Some reorganisation costs are to be expected in 2017 in connection with the transfer, but efforts are well under way to integrate the businesses in order to exploit synergy effects and economies of scale. Norway Seafoods' business in Denmark has been sold to Seafood International, a corporation in which Lerøy Seafood Group will own 33% of the shares.

Austral Group S.A.A. (Peru)

Austral Group S.A.A. (Austral) is involved in fishing, production of fishmeal and oil and consumer products. Austral holds 6.87% of the total quota for anchoveta in Central/North Peru, and just below 4% of the quota in South Peru. In addition, the company has fishing rights for horse mackerel and mackerel.

Anchoveta is used to produce fishmeal and oil, and horse mackerel/mackerel is fished for consumer products. The main fishing seasons for anchoveta in Central/North Peru are from April to July and November to January.

In 2016, the total volume of anchoveta landed in Peru exceeded 2.7 million tonnes. The total volume landed was approximately 25% lower than in 2015, when the volume was just over 3.6 million tonnes. The quota for the first season in 2016 was set at 1.8 million tonnes. However, as there was a delayed start to the season (June), this was a challenging fishing season for the fleet. On a nationwide basis, only approx. 50% of the quota was fished, while Austral fished approx. 55% of its allocated quota for the first season. The quota for the second season of 2016 was 2 million tonnes. By comparison, the quota for the second season of 2015 was 1.1 million tonnes. Nationwide, close to 100% of the quota for the second season was fished, as opposed to only 50% during the first season. Austral had caught 100% of its second-season quota by the end of the season in January 2017. Fisheries in the second season mainly took place in the north, and the company was therefore able to fully exploit its increase in capacity provided by the investments in the plant in Coishco in 2014. Fishmeal and oil are produced in four factories, located in Coishco, Chancay, Pisco and Ilo. The company has two factories producing consumer products that share premises with the fishmeal and fish oil factories in Coishco and Pisco.

Austral reported revenue of NOK 1,020 million in 2016 (2015: NOK 1,091 million), EBITDA of NOK 140 million (2015: NOK 273 million), and EBIT of NOK - 9 million (2015: NOK 117 million).

The company sold a low volume from production from the second season in 2016. At the start of 2017, the company therefore had an inventory of 23,700 tonnes of fishmeal and fish oil, compared with 19,600 tonnes of fishmeal and oil at the start of 2016.

The El Niño weather phenomenon has made operations particularly difficult over the past three years. We are satisfied with the way in which the organisation has faced these challenges. In our assessment, this is proof that the company is well prepared for the volatile nature of the segment.

In December 2015, the company took over a new fishing vessel, christened "Don Ole", which had its first year of operations in 2016. She is similar to the type of vessel utilised by the Group in both Norway and Chile, but is much more technologically advanced than the company's existing vessels in Peru. The new vessel will replace three of the company's older vessels.

Foodcorp Chile S.A. (Chile)

Foodcorp Chile S.A (FC) is involved in fishing, consumer products, and production of fishmeal and oil. FC has a quota of 9.1 % for horse mackerel in South Chile in addition to a quota for sardine/anchoveta. All FC's shore-based facilities are located in the same building in Coronel.

The main season for horse mackerel fishing is from December to July. The main season for sardine/anchoveta fishing is divided into two periods. The first season starts in March and ends in July/August. The second season normally starts in October/November.

This fishing pattern means that the company generates the majority of its earnings in the first half of the year.

Since 2012, the company had had an operational collaboration in place with another Chilean fisheries company; this was terminated on 31 December 2015. From and including 2016, FC has managed its vessels and factories separately. Due to the reduced supply of raw materials to the company's factories, there has been a focus on the production of frozen products and fishmeal and fish oil. Write-down of fixed assets totalled NOK 149 million in 2016. The write-downs involved fixed assets that will not be utilised in production in the near future and mainly relate to the production of canned goods. In 2015, goodwill was amortised by NOK 116 million.

The company reported revenue of NOK 425 million in 2016 (2015: NOK 490 million), EBITDA of NOK 31 million (2015: NOK 47 million), and EBIT of NOK - 187 million (2015: NOK - 134 million). EBIT includes write-down of fixed assets of NOK 149 million in 2016 and amortisation of goodwill of NOK 116 million in 2015.

There has been a decline in horse mackerel fishing in Chile since 2008/2009. Common supranational fish stock management was introduced in 2012, with responsibility for this assigned to South Pacific Regional Fisheries Management. The new stock management regime included the introduction in 2012 of a total quota for the fishing stock, based on historical catches. The total quota has subsequently seen a slight increase over the years. It is our assessment that the current practice of conservative management lays the foundations for a sustainable biomass in the long term and consequently increased activities for our business in Chile.

Br. Birkeland AS (Norway)

Br. Birkeland AS (BRBI) owns three pelagic ring net vessels and two vessels for fishing snow crab. Two of these pelagic vessels each have a 650 basic tonne capacity for ring nets and a 1,425 trawl quota for blue whiting. The third pelagic vessel has a 471 basic tonne capacity for ring nets. In addition, BRBI owns seven licences for farming Atlantic salmon/trout in Hordaland. At year-end 2016, the ring net vessels had fished their full quotas.

The Farming segment harvested 8,093 tonnes gutted weight of Atlantic salmon, realising very high prices in 2016.

The company reported revenue of NOK 790 million in 2016 (2015: NOK 520 million), EBITDA of NOK 345 million (2015: NOK 106 million), and EBIT before biomass adjustment of NOK 277 million (2015: NOK 39 million).

Pelagia AS (Europe)

Pelagia AS (Pelagia) is defined in AUSS's consolidated financial statements as a joint venture and is therefore reported according to the equity method.

The company's operations comprise receipt of raw materials for production of fishmeal and fish oil as well as production of frozen pelagic products for consumption. The company has production facilities in Norway, the UK and Ireland. In addition, the company owns 50% of Hordafor AS, a company that purchases raw materials from the fish farming industry, whitefish industry and pelagic fishing for production of protein concentrate and oil. In 2016, the company – including its protein concentrate operations – received just under 1.2 million tonnes of raw materials. The corresponding receipt of raw materials in 2015 was approx. 1.3 million tonnes.

The company reported revenue of NOK 5,758 million in 2016 (2015: NOK 6,092 million), EBITDA of NOK 628 million (2015: NOK 717 million), and EBIT of NOK 464 million (2015: NOK 548 million).

SHAREHOLDERS

At year-end 2016, AUSS had 4,819 shareholders. The share price at 31 December 2016 was NOK 83.75 per share, a significant increase from the end of 2015 when the share price was NOK 54.00 per share. The company's share capital at 31 December 2016 was NOK 101,358,687 divided among 202,717,374 shares, each with a nominal value of NOK 0.50. AUSS owned 893,000 treasury shares of the above figure.

In the period leading up to the annual general meeting in 2017, the Board of Directors is authorised to increase the share capital by issuing 20,271,737 shares. The Board of Directors is also authorised in 2017 to purchase up to 20,271,737 of AUSS's shares in the same period at a price ranging from NOK 20 to NOK 150. A proposal will be made to the company's annual general meeting in the spring of 2017 to renew the established mandates described above.

AUSS aims to maximise value generation for the benefit of shareholders by constantly striving to achieve good results. Over time, the target is to pay out between 20% and 40% of the Group's annual profit (excluding the value adjustment of biological assets) as dividends.

The Board of Directors will recommend to the annual general meeting in 2017 a dividend payment of NOK 2.50 per share for financial year 2016, compared with NOK 7.00 per share in the previous year. If adopted by the annual general meeting, the total dividend payment will be NOK 506,793,435. Of this, NOK 2,223,250 is dividend to the company's own shares. The dividend payment for financial year 2015 was higher than stipulated in the company's dividend policy. This must however be seen in light of AUSS's sale of shares in LSG, the proceeds of which were distributed to the shareholders.

The Board of Directors adheres to the Norwegian Code of Practice for Corporate Governance. The Board of Directors is of the opinion that AUSS is appropriately organised and that its activities are carried out in compliance with relevant legislation and regulations and in accordance with the company's objects and Articles of Association. Please refer to the separate chapter on Corporate Governance in the annual report for more detailed information.

RISK MANAGEMENT AND INTERNAL CONTROL

It is neither possible, nor wholly desirable, to eliminate all the risks related to the Group's activities. The Board of Directors does, however, strive to work systematically to identify risk areas and monitor defined risks within the Group's companies. The Board views risk management as part of the long-term value generation for the company's shareholders, employees and the wider community. The Group's growth opportunities must always be viewed in the context of the Group's overall risk profile.

Identified risks are monitored on a regular basis to ensure that the Group's risk exposure is acceptable. The objective is to ensure that the Group, including each individual company that is part of the Group, is able to increase both expertise in and awareness of risk identification over time. This requires each company to implement effective routines for risk management, thereby helping ensure that the Group achieves its overall goals. The level of systematic risk identification and risk management varies within the Group's companies.

The Group's diversified company structure and product range, including its geographical spread, will normally limit risk in terms of specific product volatility and business cycles. The Group's internal control and risk management related to the financial reporting process are described in chapter 10, Corporate Governance.

EMPLOYEES

The total number of full-time equivalents for the Group in 2016 was 4,710, of which 1,483 were in South America. The corresponding figures for 2015 were 4,026 full-time equivalents with 1,572 in South America.

Female employees are under-represented in the Group's fishing activities and over-represented within processing. Of a total of seven board members on the company's Board of Directors, three are women. The company thus fulfils the requirement for 40% female representation among the shareholder-elected board members.

Sickness absence in 2016 was 4.33% of working hours in the European part of the Group. The comparative figure for 2015 was 5.50 %. The Group takes active steps to try to reduce sickness absence where possible.

In Norway, the Group is affiliated to local company health services. Adverse events and near-accidents are registered on an ongoing basis in order to prevent future injuries. The focus on reporting and following up adverse events will help create a safer workplace. Nonetheless, occupational accidents occurred during the year resulting in personal injuries and absence from work.

The Group seeks at all times to ensure equal opportunities and rights for all employees, and to prevent discrimination based on national origin, ethnicity, colour, language, religion or personal philosophy. The Group also aims to be a workplace where there is no discrimination on grounds of disability.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group places great emphasis on managing and developing factors that can help increase expertise in and awareness of health, safety and the environment. Financial and technical resources are deployed to ensure that the Group's activities are conducted in accordance with guidelines established to promote the interests of the company and the environment. The planning and implementation of new technical concepts make vessels, offshore and land-based industry more efficient, easier to operate and more environmentally friendly, thus reducing the health and safety risk for employees.

The processing industry in Norway has implemented quality assurance systems in accordance with regulations issued by the Directorate of Fisheries. The Group's fishmeal and fish oil production in Norway requires a licence and is governed by the regulations of the former Norwegian Climate and Pollution Agency, now part of the Norwegian Environment Agency. All of the Group's Peruvian factories have ISO 14001 certification.

AUSS is committed to the sustainable management of fishery resources and actively monitors employee and management compliance with regulations and quota provisions, among other things to help ensure that resources are conserved for future generations.

Austral has achieved "Friend of the Sea" certification. This is awarded by an independent certification body with detailed knowledge of fishing, and focuses on anchoveta. The certification is awarded to products that use anchoveta as a raw material, and can only be awarded after a comprehensive certification process. The certification awarded to Austral covers fishmeal and fish oils, canned products and frozen goods based on Peruvian anchoveta. The certification confirms that the fish stocks are being harvested in accordance with criteria for sustainable fishing, and that the resources are not being overfished (www.friendofthesea.com).

The Group's fisheries focusing on Norwegian spring-spawning herring and North Sea herring gained Marine Stewardship Council (MSC) certification on 30 April 2009. Norwegian Arctic cod, haddock and saithe achieved MSC certification in 2010. Fishing for shrimp gained MSC certification in 2012. The MSC certificate is proof that Norwegian fishing for these species is sustainable. Cod, haddock and saithe fishing gained a new five-year certificate in 2015. Mackerel in the North-East Atlantic gained MSC certification in 2016. The MSC is an independent, non-profit organisation which seeks to promote responsible fishing in order to ensure sustainable fish stocks. The MSC has developed an environmental standard for sustainable and well-controlled fishing. The standard is based on three main principles: sustainable fish stocks, minimal impact on the ecosystem of which the stocks are part, and effective management.

The Group's fish-farming operations are closely linked to natural conditions in Norwegian and international waters. Based on a long-term and sustainable perspective, the Group seeks to protect and safeguard the environment in the areas utilised for fish farming. Environmental aspects are one element of the Group's quality policy and are an integral part of the internal control system in the Group's fish farming companies. This applies throughout the entire value chain from breeding to smolt, fish for consumers, harvesting, processing and distribution.

The Group's vessels are not considered to cause any pollution to the external environment over and above generally accepted and/or statutory levels. The Group's land-based facilities have purification systems linked to the production process, and operations are regulated by the requirements set for this type of activity. The Group focuses on reducing energy and water consumption, and the Board of Directors does not consider the Group's processing activities to cause any significant emissions or discharges to the external environment. The Group works continuously to minimise energy requirements per kilo of seafood produced in the Group's processing plants.

CORPORATE SOCIAL RESPONSIBILITY

For many years AUSS has worked actively to ensure that corporate social responsibility is exercised as part of daily operations. We therefore find it natural to include our account of this work in our annual report. In addition, this section of the annual report should be considered in light of the other parts of the annual report.

The Board of Directors maintains a constant focus on corporate social responsibility and works to ensure that all the Group's employees, at all stages of production, are made aware of the need to exercise social responsibility in their daily work, and that the Group's corporate social responsibility is made apparent in the local communities in which it operates. For AUSS, corporate social responsibility consists primarily in achieving commercial profitability without compromising on fundamental ethical values or requirements concerning environmentally sustainable operating principles.

The subsidiaries Foodcorp in Chile and Austral in Peru are affiliated to the United Nations Global Compact Program and adhere to its ten universal principles. Austral also reports according to the Global Reporting Initiative (GRI). The subsidiary LSG has reported in accordance with GRI since 2013, and has prepared a separate Environmental Report that is available in full on the company's website: www.leroy.no.

AUSS has implemented a Code of Conduct setting out ethical guidelines for employee conduct.
All the operating segments report to the corporate management on a quarterly basis on factors such as health, safety and the environment, the Code of Conduct and whistle-blowing. Any reported non-compliance and/or suspected non-compliance is followed up by the management.

Human rights, labour rights and social issues
AUSS is represented in a number of different locations around the world. The Board finds that our operations have a substantially positive impact in the communities where we operate. Our business operations generate local taxes, and provide jobs and social activities. In 2016, the Group has continued to actively support local and voluntary organisations in the communities in which our companies are established, with a special focus on activities aimed at children and young people. In Peru, for example, we have been involved in education and training, nutrition and health, and environmental activities.

AUSS has zero tolerance for violations of fundamental human rights and social dumping. The management actively monitors that all parts of our business, as a minimum, offer employees terms and conditions that meet local minimum requirements. We also actively encourage our business partners to do the same. AUSS refuses to work with third parties that violate the basic rights of workers.

As a leading producer of Atlantic salmon and trout, and whitefish and pelagic fish products, AUSS makes a positive contribution to public health, both locally and globally, by producing products that are rich in protein and omega-3, both of which are important elements of a balanced diet for the world's population. Within Atlantic salmon and trout, the Group has worked systematically on product development for many years with a view to making our products readily available to consumers and easy to prepare.

The external environment
For a detailed account of AUSS's environmental performance, please see the presentation in the annual report concerning the impacts of operations on the external environment and our work to mitigate any adverse effects.

Anti-corruption
As mentioned above, the Code of Conduct forbids any employee, directly or through intermediaries, to offer, pay, invite or receive benefits that contravene Norwegian or international law. Our Code of Conduct also requires an assessment of all the partners in Norway and overseas with which AUSS enters into agreements. All employees are required to report any breach of the Code of Conduct to their immediate superior. If the matter concerns a superior or the employee cannot contact a superior, the matter should be reported to the general manager or chair of the board of the relevant company. It is a priority for AUSS that whistle-blowing does not have negative consequences for the person who reports a suspected wrongdoing. The whistle-blower shall be protected to ensure that the matter is investigated thoroughly. Any incoming reports of corruption will be followed up by the company involved and/or the corporate management, which will initiate further investigations. Each incoming report is routinely submitted to the Board as part of the quarterly reporting on compliance. AUSS has zero tolerance for corruption and will continue to work actively vis-à-vis our employees and our partners to combat all forms of corruption. The Board expects the Code of Conduct's focus on combating corruption, combined with the ongoing monitoring of the respective operating segments, to have positive consequences in terms of preventing corruption.

CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU.

Group revenue was NOK 18,912 million in 2016, compared with NOK 15,273 million in 2015. Accordingly, operating profit before depreciation and biomass adjustment in 2016 came to NOK 3,881 million compared with NOK 2,244 million in 2015. The increase in revenue is mainly generated by the extremely high prices for Atlantic salmon and trout, but also the consolidation of Havfisk and Norway Seafoods from and including September 2016. Operating profit (EBIT) before biomass adjustment in 2016 amounted to NOK 2,913 million, against NOK 1,386 million in 2015. Write-down of fixed assets for operations in Chile totalled NOK 149 million in 2016. The write-downs involved fixed assets that will not be utilised in production in the near future and mainly relate to the production of canned goods. Net write-downs in 2016 amount to NOK 123 million and are included in the operating profit figure before value adjustment of biological assets of NOK 2,913 million. In 2015, write-downs and amortisation totalling NOK 108 million were carried out, mainly relating to goodwill in Chile. Operating profit after biomass adjustment in 2016 amounted to NOK 4,462 million, against NOK 1,633 million in 2015.

In 2016, profit from associates totalled NOK 459 million, compared with NOK 264 million in 2015. The largest associates are Pelagia Holding AS (owner of Pelagia AS) and Norskott Havbruk AS (owner of the Scottish fish-farming company Scottish Sea Farms Ltd.).

Net financial expenses in 2016 were NOK 239 million, of which NOK 23 million is unrealised gain on foreign exchange. Net financial expenses in 2015 were NOK 325 million, the main share of which was unrealised loss on foreign exchange of NOK 102 million. The annual profit after tax in 2016 was NOK 3,708 million. The corresponding figure for 2015 was NOK 1,283 million.

Net cash flow from operating activities for the Group amounted to NOK 3,249 million in 2016, compared with NOK 1,211 million in 2015. Tax payments totalled NOK 249 million in 2016, compared with NOK 428 million in 2015.

Net cash flow from investing activities was negative and amounted to NOK 3,850 million in 2016. This figure comprises normal investments in maintenance, in addition to Lerøy Seafood Group ASA's acquisition of Havfisk and Norway Seafoods. Net cash flow from investing activities in 2015 was negative and amounted to NOK 878 million.

Net cash flow for the year from financing activities was positive at NOK 1,877 million. Beyond payment of ordinary instalments this also reflects AUSS's sale of 2,750,000 shares in LSG and the private placement carried out by LSG in 2016 when 5,000,000 new shares were issued at a price of NOK 415. The total dividend payment made by the Group in 2016 was NOK 1,695 million. In 2015, the Group reported a net negative cash flow from financing activities of NOK 79 million. In addition to payment of ordinary instalments, this figure also included AUSS's issue of an unsecured bond loan of NOK 500 million in May 2015, maturing in 2021. In 2015, the Group made total dividend payments of NOK 684 million.

At year-end 2016, the consolidated balance sheet total was NOK 35,001 million, against NOK 25,794 million at the close of 2015. A significant share of the increase in the balance sheet total is attributed to the acquisition of Havfisk and Norway Seafoods. The Group is financially strong with equity at 31 December 2016 of NOK 18,213 million and an equity ratio of approx. 52%. Equity at year-end 2015 was NOK 13,611 million, representing an equity ratio of 53%.

At the end of 2016, the Group had net interest-bearing debt of NOK 5,493 million. The corresponding figure at the end of 2015 was NOK 4,838 million. At the start of 2016, the Group had cash and cash equivalents totalling NOK 2,470 million. At the end of the year, this figure had increased to NOK 3,745 million. The Group has good access to financing from banks. Moreover, Austevoll Seafood ASA has built up a high level of trust over the years as an issuer of bond loans. The company aims to be an attractive choice also for investors who prefer to invest in fixed-income funds.

KEY RISK FACTORS
The Group is exposed to risk associated with the value of investments in subsidiaries and associates in the event of price changes in the market for raw materials and finished goods, insofar as these changes bring about changes in the companies' competitiveness and earnings potential over time. Operational conditions and developments in the Group's input factor prices are also key parameters.

The Group's activities are essentially global and will always be impacted to varying degrees by developments in the global economy. In light of the financial turmoil in recent years, the consensus is that economic uncertainty is still greater than normal. Although this situation may have a negative impact on the real economy in most markets, it is our opinion that AUSS's core business is founded on long-term environmentally and economically sustainable assets within viable seafood industries.

The Norwegian seafood industry and the fish-processing industry in Norway and the EU have a history of exposure to the risk represented by the constant threat of long-term political trade barriers imposed by the European Commission. The political trade barriers currently imposed on Norwegian salmon and trout regarding exports to Russia and still in practice in China provide an illustration of political risk. Restrictions were introduced in 2015 on foreign exchange in Nigeria – one of the main markets for frozen horse mackerel products produced in South America – which remained in place in 2016. This situation represents a short-term obstacle to the Group's marketing goals and value generation. However, the market for high-quality seafood is global and is experiencing strong growth. Over time, this growth has largely compensated for political trade barriers.

Changes in fishing patterns and quota regulations result in fluctuating catch volumes from quarter to quarter and from year to year, and subsequently in the variable utilisation of the Group's production facilities. The seasonal fluctuations in catch volumes create similar fluctuations in the interim key figures. At the end of 2016, the Group had live fish worth around NOK 6.7 billion on its balance sheet. Biological risk has been and will continue to be a substantial risk factor for Group operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

In the approval granted by the Norwegian Ministry of Trade, Industry and Fisheries, the Group's ownership of Havfisk and Norway Seafoods is linked to the ownership structure approved when the application was submitted, thereby requiring approval of any changes in ownership not covered by the exemptions granted by the Ministry. The nationality requirement in section 5 of the Act relating to the right to participate in fishing and catches (Participant Act) must also be met. Note 6 to the consolidated financial statements provides more detailed information on the above. After the acquisition of Havfisk AS and Norway Seafoods Group AS, Lerøy Seafood Group ASA has substantial exposure in relation to catches of wild fish according to Norwegian quotas. The Group faces political risk involving management by the authorities, including framework conditions for fish farming and licence terms related to the legislation governing fisheries. A number of amendments have recently been proposed that may impact on the activities of these two companies (see also note 9 in the financial statements).

Exposure to risk as a result of changes in interest rate levels is identified and assessed on an ongoing basis, as the majority of the Group's debt is at floating interest rates. The Group, represented by its subsidiaries, has fixed-rate agreements for parts of its interest-bearing debt. At the end of 2016, the Group had fixed-rate agreements for 19% of its interest-bearing debt. The Group has always attached importance to long-term collaboration with financial partners. The Group has satisfactory financing in place, and we are of the opinion that the financial covenants are tailored to the Group's operations.

The Group is exposed to fluctuations in foreign exchange rates against the NOK, particularly in EUR, USD, Chilean Peso and Peruvian Soles. Measures to reduce this risk include forward contracts and multi-currency credit facilities. Furthermore, parts of the long-term debt are adjusted in relation to earnings in the same currency.

The Group seeks to reduce the risk of counterparties being unable to meet their financial obligations by taking out credit insurance for parts of the total receivables where possible and by using letters of credit, which essentially secure fulfilment of customer commitments. Historically, the Group has had a low level of bad debts, but this will naturally vary from year to year. Credit risk varies over time and between the different operating segments. Credit risk is closely interlinked with developments in the global economy. The Board of Directors is of the opinion that credit risk has increased in recent years.

The Board of Directors of AUSS considers the liquidity in the company to be satisfactory.

GOING CONCERN ASSUMPTION

The Group, including the parent company, has a satisfactory economic and financial position, providing a good foundation for continued operations and further development of the company. The consolidated financial statements have been prepared on the assumption that the company is a going concern.

COMPANY FINANCIAL STATEMENTS FOR AUSTEVOLL SEAFOOD ASA

Austevoll Seafood ASA is the holding company for the Group. At year-end 2016, the company had three employees, with sickness absence of 4.08% throughout the year. In 2015, sickness absence was 0%. The company's activities mainly involve owning shares in underlying companies. The company's management is actively involved in the operations of the Group companies and takes part in developing strategies, board work etc.

The parent company's financial statements have been prepared in accordance with simplified IFRS.

Revenue reported by the parent company was NOK 2.1 million in 2016, compared with NOK 2.2 million in 2015. Accordingly, the parent company reported an operating loss before depreciation (EBITDA) in 2016 of NOK 29.5 million compared with a loss of NOK 30.6 million in 2015.

Net financial items returned a positive result of NOK 1,338 million in 2016. The corresponding figure for 2015 was also positive at NOK 470 million. Financial income mainly comprises dividends from subsidiaries and associates, in addition to gain on the sale of 2,750,000 shares in LSG. Financial expenses mainly involve interest on external financing. Profit for the year amounted to NOK 1,310 million, with a comparison figure for 2015 of NOK 419 million.

Net cash flow from operating activities for the parent company was negative at NOK 53 million in 2016, compared with a negative figure of NOK 41 million in 2015. Net cash flow from investing activities in 2016 was positive and amounted to NOK 1,570 million. Cash flow was substantially impacted by the sale of shares in LSG. In 2015, the parent company reported a net cash flow from investing activities of NOK 554 million. In 2016, the parent company reported a negative net cash flow from financing activities of NOK 1,513 million, comprising dividend payments of NOK 1,419 million and ordinary instalments on company debt.
In 2015, the parent company reported a negative net cash flow from financing activities of NOK 99 million, comprising dividend payments of NOK 405 million, ordinary instalments and the issue of a new bond loan of NOK 500 million.

At the start of 2016, the parent company had cash and cash equivalents totalling NOK 1,126 million. At the end of the year, this figure was NOK 1,130 million.

The parent company has a balance sheet total of NOK 6,313 million. Equity at year-end 2016 was NOK 3,988 million, representing an equity ratio of 63%.

The parent company's net interest-bearing debt at year-end was NOK 580 million. In addition, the parent company has net interest-bearing receivables from subsidiaries of NOK 73 million, including net interest-bearing debt of NOK 507 million.

The parent company's financial statements show a profit of NOK 1,310 million. The Board of Directors proposes that NOK 507 million be allocated to dividend payments (whereof NOK 2 million to treasury shares) and NOK 803 million be transferred to other distributable reserves.

The parent company has a satisfactory economic and financial position, providing a good foundation for continued operations and further development of the company. The parent company's financial statements have been prepared on the assumption that the company is a going concern.

OUTLOOK

Fishmeal and fish oil

In the first half of the year, Europe is in its low season for sales, a time during which producers normally build up inventory. However, production is expected to be higher in Europe during the first half of the year compared with the same period last year due to increased quotas for important fish species normally used for production of fishmeal and fish oil. Peru announced on April 19, 2017 a total quota of 2.8 million tonnes of anchoveta for the first season of 2017, and the start of fishing in the latter part of April. Global fishmeal production is expected to see a significant increase in 2017 when compared with 2016, based on increased quotas in the North Atlantic and expectations of higher raw material volumes in South America. The price level for fishmeal in Europe have been stable to slightly falling to date in 2017. In South America, the price trend for fishmeal was on the decline in Q4 2016, but stabilised in early 2017. Realised prices for fishmeal FOB Peru (super prime) are currently USD 1,490, while CIF Hamburg prices for fishmeal (standard 64%/65%) are USD 1,300.

Consumer products

The Group's production of consumer products takes place in Europe and South America. In Europe, the season for herring and capelin is – as normal – from January to April and the season for North Sea herring from May onwards. The mackerel season normally starts in September, and the remaining quotas for herring are also caught from September onwards. The first half of the year is the season for horse mackerel in South America. The ban on imports into Russia and the import quotas and currency restrictions on sales to Nigeria have required the companies to actively seek alternative sales channels for those products traditionally sold mainly to Russia and Nigeria. We note that the Group's products are faring well in competition with alternative sources of protein.

Atlantic salmon and trout, and whitefish

At the time of writing, it appears that there are limited opportunities for growth in the global supply of salmon and trout in the next few years. In light of the market prospects and the segment's potential for improvements in own production, the outlook is good.

Salmon lice prevention costs are expected to increase in 2017, while costs related to treatment are expected to fall. There is significant potential for reductions in treatment costs, and the Group has a clearly defined strategy and goal to realise this potential, while acknowledging that it is difficult to specify a timeline for such a development.

LSG has been a driver towards the end market via its fully integrated value chain, product development, increased traceability and availability, particularly for salmon. The company has also launched equivalent products for whitefish, and is noticing the same trends as for salmon and trout. The Group is confident that there is considerable value generation potential in further developing the whitefish market, including increasing capacity utilisation in LSG's downstream activities. The investments in Havfisk and Norway Seafoods play an important role in achieving LSG's vision of being the leading and most profitable global supplier of quality sustainable seafood.

The Group

The Group is financially sound, has shown good development and currently has a strong position on a number of seafood markets worldwide. The Group's strategy going forward is to continue to grow and further develop within its current operating segments. The Group has and shall continue to have the financial flexibility to support its strategy of further organic growth, carry out strategic acquisitions and sustain the company's dividend policy.

The Group's strong position within the global seafood industry gives grounds for a positive outlook for the Group's future development.

Storebø, 21 April 2017
Board of Directors of Austevoll Seafood ASA

Helge Singelstad *Chairman of the Board*	Helge Møgster	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad
Leif Teksum	Lill Maren Møgster	Siren M. Grønhaug	Arne Møgster *CEO & President*

Financial calendar 2017

Please note that the dates might be subject to changes.

11.05.2017	Report Q1 2017
24.05.2017	Annual General Meeting
24.08.2017	Report Q2 2017
09.11.2017	Report Q3 2017
27.02.2018	Preliminary annual results 2017

The Group Accounts

Income statement

Amounts in MNOK	Note	2016	2015
Sales revenue	10,32	18 905	15 240
Other gains and losses	10,11	7	34
Rawmaterials and consumables used		-10 523	-9 373
Salaries and personell expenses	12,27	-2 230	-1 797
Other operating expenses	12,30,32	-2 278	-1 859
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets		**3 881**	**2 244**
Depreciation	16	-801	-709
Amortisation of intangible assets	15	-44	-40
Impairments/reversal of impairments	15,16	-123	-108
Operating profit before fair value adjustment of biological assets		**2 913**	**1 386**
Fair value of adjustment of biological assets	21	1 549	247
Operating profit	10	**4 462**	**1 633**
Income from equity accounted investments	17	459	264
Financial income	13	72	40
Financial expenses	13	-311	-365
Profit before taxes		**4 683**	**1 572**
Income tax expense	26	-975	-289
Net profit		**3 708**	**1 283**
Profit attributable to non-controlling interest	10	**2 063**	**561**
Profit attributable to shareholders of Austevoll Seafood ASA	7	**1 645**	**722**
Average no. of outstanding shares	14	201 409 613	200 995 151
Earnings per share from continued operation (NOK)	14	8,17	3,59
Suggested dividend per share (NOK)	7,14	2,50	7,00

Statement of comprehensive income

Amounts in MNOK	Note	2016	2015
Profit for the year		**3 708**	**1 283**
Other comprehensive income to be recycled to profit and loss			
Cash flow hedges	22	38	45
Currency translation differences		-127	361
Share of other comprehensive income of associated to be recycled		-98	59
Recycling of previous translation differences		0	7
Tax effect on items to be recycled to profit and loss		3	-26
Other comprehensive income not to be recycled to profit and loss			
Actuarial loss on post employment benefit obligations	12	4	4
Other comprehensive income net of tax		**-179**	**450**
Total comprehensive income for the year		**3 529**	**1 733**
Attributable to:			
Non-controlling interest		1 985	616
Shareholders of Austevoll Seafood ASA		1 544	1 117
Total comprehensive income for the year		**3 529**	**1 733**

Statement of financial position

Amounts in MNOK	Note	31.12.2016	31.12.2015
Assets			
Goodwill	15	1 936	1 953
Deferred tax asset	26	75	77
Licences	15	9 685	6 036
Brand/trademarks	15	50	50
Vessels	16	1 992	949
Other property, plant and equipment	16	4 699	4 582
Equity accounted investments and joint ventures	17	1 710	1 767
Investments in other shares	3,18	34	33
Non-current receivables	19	121	61
Total non-current assets		**20 303**	**15 508**
Inventories	20	1 124	965
Biological assets	21	6 755	4 574
Trade receivables	3,19,32	2 340	1 655
Other current receivables	19,22	734	621
Cash and cash equivalents	3,24,29	3 745	2 470
Total current assets		**14 699**	**10 286**
Total assets		**35 001**	**25 794**
Equity and liabilities			
Share capital	25	101	101
Own shares		-18	-35
Share premium		3 714	3 714
Retained earnings and other reserves		5 452	5 256
Non-controlling interests		8 965	4 575
Total equity		**18 213**	**13 611**
Deferred tax liabilities	26	3 986	2 732
Pension obligations and other obligations	22,12	146	154
Borrowings	3,29	7 065	5 322
Other long-term liabilities	29,32	34	30
Total non-current liabilities		**11 231**	**8 238**
Borrowings	3,29	2 139	1 956
Trade payable	3,32	1 500	1 004
Tax payable	26	560	230
Other current liabilities	21,22,31	1 358	754
Total current liabilities		**5 557**	**3 945**
Total liabilities		**16 789**	**12 183**
Total equity and liabilities		**35 001**	**25 794**

Storebø, 21 April 2017
Board of Directors of Austevoll Seafood ASA

Helge Singelstad
Chairman of the board

Helge Møgster

Oddvar Skjegstad
Deputy Chairman

Inga Lise Lien Moldestad

Leif Teksum

Lill Maren Møgster

Siren M. Grønhaug

Arne Møgster
CEO & President

Statement of changes in equity

Amounts in MNOK	Note	Share capital	Own shares	Share premium	Currency translation differences	Cashflow hedges	Retained earnings	Non-controlling interest	Total equity
Equity 01.01.15		**101**	**-35**	**3 714**	**689**	**-109**	**3 961**	**4 039**	**12 360**
Profit for the period		**0**		**0**	**0**		**722**	**561**	**1 283**
Other comprehensive income in the period					427	45	-77	55	450
Total comprehensive income in the period		**0**		**0**	**427**	**45**	**645**	**616**	**1 733**
Transactions with share-holders									
Dividends	7	0		0	0		-402	-282	-684
Business combinations		0		0	0		0	201	201
Total transactions with shareholders in the period		**0**	**0**	**0**	**0**	**0**	**-402**	**-81**	**-483**
Total change in equity in the period		**0**	**0**	**0**	**427**	**45**	**243**	**535**	**1 250**
Equity 31.12.15		**101**	**-35**	**3 714**	**1 116**	**-64**	**4 204**	**4 574**	**13 610**
Profit for the period		**0**		**0**	**0**		**1 645**	**2 063**	**3 708**
Other comprehensive income in the period		0		0	-127	38	-12	-78	-179
Total comprehensive income in the period		**0**		**0**	**-127**	**38**	**1 633**	**1 985**	**3 529**
Transactions with shareholders									
Dividends	7	0	17	0	0		-1 424	-351	-1 758
Transactions with non-controlling interest	8	0		0	0		157	1 728	1 885
Business combinations							-81	1 028	947
Total transactions with shareholders in the period		**0**	**17**	**0**	**0**	**0**	**-1 349**	**2 406**	**1 074**
Total change in equity in the period		**0**	**17**	**0**	**-127**	**38**	**284**	**4 391**	**4 603**
Equity 31.12.16		**101**	**-18**	**3 714**	**989**	**-26**	**4 488**	**8 965**	**18 213**

Cash flow

Amounts in MNOK	Note	2016	2015
Profit before income taxes		4 683	1 572
Taxes paid for the period		-249	-428
Depreciation	15, 16	845	750
Impairments	15, 16	123	108
Loss+/Gain- on sale of property, plant and equipment		-1	-35
Unrealised exchange gains and losses		-8	67
Share of (profit-/loss+)from associates	17	-459	-264
Interest expense	13	298	262
Interest income	13	-46	-38
Fair value adjustment on biological assets	21	-1 549	-247
Change in inventories		-242	-558
Change in accounts receivables and other receivables		-493	94
Change in accounts payables and other payables		392	-182
Change in net pension liabilities		-5	-7
Change in other accruals		-38	53
Currency translation differences working capital		0	63
Net cash flow from operating activities		**3 249**	**1 211**
Proceeds from sale of fixed assets		88	102
Proceeds from sale of shares and other equity instruments		22	0
Purchase of intangible and tangible fixed assets	15,16	-1 142	-1 126
Purchase of shares and equity investments in other companies/business combinations		-3 419	-89
Cash inflow from business combinations	6	288	13
Dividend received	17	279	174
Interest income		46	38
Movements in long term loans granted		-9	4
Currency translation differences investing capital		-2	7
Net cash flow from investing activities		**-3 850**	**-878**
Proceeds from issuance of long-term interest bearing debt		2 867	1 380
Repayment of long-term interest bearing debt		-1 947	-735
Movement in short-term interest bearing debt		-177	276
Interest paid		-314	-256
Dividend paid		-1 695	-684
Transactions with non-controlling interests		1 092	0
Acquisition of interest in a subsidiary from non-controlling interests		2 052	-60
Net cash flow from financing activities		**1 877**	**-79**
Net change in cash and cash equivalents		**1 277**	**254**
Cash and cash equivalents at 01.01.		**2 470**	**2 198**
Currency exchange gains of cash and cash equivalents		-2	18
Cash and cash equivalents at 31.12.		**3 745**	**2 470**

See note 29 for further information about bank overdraft undrawn.

Due to the business combination, not all cash flows will be directly matched with the change in the balance sheet. In the cash flow analysis the acquisition balance is excluded from the calculation of cash flow / change. See Note 6 for information on which balance sheet items are affected by the business combination.

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NOTE 1 GENERAL

Austevoll Seafood ASA is a public limited company registered in Norway. The Company's main office is located on Storebø in the municipality of Austevoll, Norway. Laco AS is the company's major shareholder and ultimate parent (see note 25).

The Company is listed on the Oslo Stock Exchange.

The annual, statutory accounts, based upon International Financial Reporting Standards (IFRS) as adopted by EU, were approved by the Board of Directors at April 21, 2017.

In the following "Group" is used to describe information related to Austevoll Seafood ASA Group whilst "Company" is used for the parent company itself.

All amounts in the notes are in NOK million, if not specified differently.

NOTE 2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION
The consolidated financial statements of Austevoll Seafood Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by biological assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) New and amended standards adopted by the Group in 2016
The company has implemented the following new or amended IFRS standards or IFRIC interpretations with effect from 1 January 2016:

- Amendment to IFRS 11 regarding accounting of the acquisition of an interest in a joint operation.
- Amendment to IAS 16 and IAS 38 regarding acceptable methods of depreciation and amortisation.
- Annual improvements to the IFRS 2012-2014 cycle, and
- Amendment to IAS 1 according to IASB's Disclosure Initiative.

Implementation of these amendments had no significant impact on the financial statements for the current year or former periods. Neither are they expected to have any significant impact on subsequent periods.

(b) New standards, amendments and interpretations related to existing standards which have not come into effect and where the Group has not chosen early adoption
Several new standards and amendments to standards and interpretations have been published, but are not mandatory for the financial year ending 31 December 2016. The new standards are explained below in addition to the Group's assessment of how these standards will affect the financial statements when implemented.

IFRS 9 Financial Instruments
What is new?
In July 2015, the IASB published the final version of IFRS 9 Financial Instruments as a replacement of IAS 39.

IFRS 9 comprises classification, measurement and impairment of financial assets and liabilities, new regulations for hedge accounting and a new loss impairment model for financial assets.

The standard stipulates three categories for classification of financial instruments: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

How does this new standard affect the Group?
The Group has entered into interest rate swap agreements and currency futures for hedge accounting. Hedge accounting is applied to those instruments that qualify for hedge accounting in accordance with the prevailing regulations in IAS 39. Below is an explanation of accounting methods in situations where the requirements for hedge accounting are met.

The fair value of the interest rate swap agreements is presented as debt on the balance sheet. The effective part of the change in value is recorded through other comprehensive income (FVOCI).

NOTE 2 ACCOUNTING POLICIES (CONT.)

A significant share of the Group's revenue is generated in different currencies from the functional currency, which is NOK. The Group seeks to minimise currency risk by hedging cash sales with currency futures (on a one to one basis). Currency futures are recorded at fair value through profit or loss (FVPL).

The Group also enters into financial purchase contracts for salmon (Fishpool contracts). The change in value of the purchase contracts is recognised on the accounting line for fair value adjustment related to biological assets.

In connection with the acquisition of Havfisk AS, the Group has recognised purchase contracts for bunkers (bunker derivatives). The effective share of the change in value of the derivatives is recorded through other comprehensive income (FVOCI).

In the Group's assessment, the regulations introduced with IFRS 9 will not have a significant impact on the accounting of the Group's financial instruments. The amendments to the regulations governing hedge accounting may however imply a modification in the requirement for hedging documentation, thereby increasing the number of hedging instruments that qualify for hedge accounting.

The regulations relating to impairment do not represent any material amendment for the Group, as the regulations have merely been transferred from IAS 39 without being changed.

The new standard also includes extended requirements on disclosure in the notes and an amendment to how the notes are presented. In the Group's assessment, the new standard – when implemented – will require more information in the notes on the financial instruments.

When will the new standard be implemented?
Application of the standard is obligatory for the financial year starting on 1 January 2018 or later, and the new standard will replace the prevailing IAS 39 Financial Instruments. Earlier application is permitted.

The Group has decided not to implement the standard until 1 January 2018.

IFRS 15 Revenue from Contracts with Customers
What is new?
The IASB has published a new standard for accounting of revenue. The new standard replaces the current IAS 11 Construction Contracts and IAS 18 Revenue.

The IASB has cooperated with the American Financial Accounting Standards Board (FASB, US GAAP) to compile the new standard. The purpose of this cooperation was to create a standard for accounting of revenue that provides comparable top lines for enterprises that report according to both IFRS and US GAAP.

According to the current regulations, the timing for recognition of revenue is based on the transfer of risk and rewards. IFRS 15 does not make use of these definitions, but defines the timing for recognition of revenue as the point(s) in time when control of the goods or service is transferred from the seller to the buyer. This implies that the timing of revenue may be different according to the new standard when compared with the current regulations.

Both full retrospective and modified retrospective implementation of the standard are permitted.

How does this new standard affect the Group?
The Group's revenue is principally generated from the following areas:

- The production of Atlantic salmon and trout for consumers,
- Fishing for pelagic species and whitefish (cod, haddock, saithe etc.) for consumers, and
- The production of fishmeal and fish oil.

A preliminary assessment has been performed of how the new standard will affect the financial statements. The assessment was based on application of the so-called five-step model. A summary of these assessments is provided below.

1. *Identify contracts with customers:*
   One fundamental premise in the new standard is the existence of a legally binding agreement (contract) between two or more parties. The contract does not need to be in writing, but must meet specially defined legal criteria. All the Group's deliveries to customers are made in accordance with contracts, and the flow of revenue is consequently governed by the new standard.

2. *Identify separate performance obligations in the contracts:*
   The standard requires the identification of separable performance obligations in the contracts, which are to be recorded separately. In order to identify a performance obligation as separate, the customer must be able to make use of the goods or service irrespective of other goods or services in the contract. The management and Board are of the assessment that the

NOTE 2 ACCOUNTING POLICIES (CONT.)

major share of the contracts entered into with customers do not contain performances that are separable. It is however possible that the performance obligations in the contracts may be met at different points in time, by means of part deliveries. Nonetheless, the Group is of the assessment that this does not imply a change to the current method of recognising revenue.

3. *Determine the transaction price:*
The transaction price is presented in the contracts and, in most instances, is a function of volume and price (e.g. price per kg). Variable elements may appear in the contracts, e.g. discount and refunds. In most cases, the discounts will be a known factor when control is transferred to the customer, and only require a minor degree of assessment in the accounts. Refunds also occur, e.g. as a result of a quality nonconformance. The Group currently makes provisions for refunds based on historical data and specific information related to the respective deliveries. The Group mainly supplies goods, where refunds as a rule will be notified quickly after the customer has taken over control of the goods. It is the Group's assessment, therefore, that the new standard does not imply any significant changes in relation to the accounting of variable elements.

4. *Allocate the transaction price to separate performance obligations:*
Allocation of the transaction price between separate performance obligations is not deemed relevant, cf. item 2 above.

5. *Recognise revenue as the entity satisfies a performance obligation:*
It is the Group's assessment that revenue shall be recognised at the point in time of delivery.

As presented above, it is also the Group's assessment that the new standard will only imply minor changes to accounting in the income statement and balance sheet. The standard does however make a number of new requirements on the notes, and it is assumed that more detailed information will have to be disclosed on the Group's cash inflows when the standard is implemented.

When will the new standard be implemented?
Application of the standard is obligatory for the financial year starting on 1 January 2018 or later, and the standard will replace the prevailing IAS 11 Construction Contracts and IAS 18 Revenue. Earlier application is permitted.

The Group has decided not to implement the standard until 1 January 2018.

IFRS 16 Leases
What is new?
IFRS 16 will require carrying of practically all lease agreements, as the difference between operational and financial leasing has been eliminated. According to the new standard, the asset (right of use) and the obligation to pay lease are recognised in the financial statements. Exemptions are made for short-term leases and leasing agreements with a low value.

Accounting for the lessor will in essence remain the same.

How does this new standard affect the Group?
The new standard will affect the accounting of lease objects, which according to current regulations are recorded as operational leases. It is thought that the new standard will have a lesser impact on lease agreements currently accounted as financial leases.

The Group has carried out a general review of its agreements, which according to the prevailing regulations are accounted for as operational leases. These mainly comprise office buildings. In note 30, the annual lease amounts for operational leases are presented, in addition to their current value. The Group has not carried out a specific assessment of the extent to which these obligations will result in the recognition of assets and liabilities on the balance sheet, and how this will affect the Group's results and classification in the statement of cash flows.

A number of the obligations may also be covered by the exemptions for short-term leases and leases with low value.

When will the new standard be implemented?
Obligatory application of the new standard is for the financial year starting on 1 January 2019 or later. Earlier application is permitted.

The Group has decided not to implement the standard until 1 January 2019.

There are no other standards or interpretations that have not come into effect and that are expected to have a material impact on the consolidated financial statements.

CONSOLIDATION
Subsidiaries
Subsidiaries are all entities over which the Group

NOTE 2 ACCOUNTING POLICIES (CONT.)

has control. Control is defined as when the parent company has ownership interests that directly or indirectly convey more than half of the voting rights in a company, unless it can clearly be demonstrated that ownership does not grant control.

Control can also be based on agreements with other shareholders, irrespective of whether ownership exists as mentioned above.

Control also exists when the parent company has ownership interests that convey half or less of the voting rights in a company, but where the parent company also has:
- more than half of the voting rights via agreements with other shareholders,
- the right to appoint or remove the majority of the board members, or
- the majority of votes on the Board of Directors.

Control may also exist when a company owns a large minority interest with voting rights and no other owner or group of owners has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method is applied to acquisition of businesses. Identifiable assets, debt and contingent liabilities are recognised at fair value on the date of acquisition.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The contingent consideration is measured at fair value on the date of acquisition. Subsequent changes in fair value of the contingent consideration are recognised, unless this is an equity instrument. Contingent considerations classified as equity are not remeasured, and subsequent settlements are charged to equity.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests in subsidiaries that do not result in loss of control are treated as equity transactions. In the event of further acquisitions, the difference between the consideration and the shares' proportional share of the carrying amount of net assets in the subsidiary is charged to shareholders' equity in the parent company. Gain or loss on the sale to non-controlling interests is correspondingly charged to equity.

Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the

Notes to the accounts

NOTE 2 ACCOUNTING POLICIES (CONT.)

associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statement only to the extent of unrelated investor's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Joint arrangements
The Group has applied IFRS 11 to all joint arrangements as of 1 January 2014 with restatement of comparatives. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The investments in Pelagia AS and JV Cormar should be considered as joint ventures. Joint ventures are accounted for using the equity method, whereas the joint operation is accounted for by proportional consolidation.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

SEGMENT REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the parent company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;
ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii. all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

REVENUE RECOGNITION
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the goods and when the risks and rewards related to the goods have been transferred to the customer.

Dividend income
Dividend income is recognised when the right to receive payment is established.

CURRENT AND DEFERRED INCOME TAX
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

The management continuously assesses the statements made in the tax return in situations where prevailing tax legislation is subject to interpretation. Based on the management's assessment, provisions are made for expected tax payments when deemed necessary.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated on temporary differences from investments in subsidiaries, associated companies and jointly controlled operations, with the exception of situations where the Group has control over the timing of the reversal of the temporary differences and it is probable that these differences will not be reversed in the foreseeable future. The Group is not normally able to gain control over the reversal of temporary differences for associated companies. This would only be the case if an agreement had been signed enabling the Group to control reversal of temporary differences.

Deferred tax is recognised for temporary differences related to the actual investment in subsidiaries, associated companies and jointly controlled operations when it is no longer probable that the difference will not be reversed at a later date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTE 2 ACCOUNTING POLICIES (CONT.)

GOODWILL
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

LICENCES/QUOTAS
Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum. Reference is made to the Note on intangible assets for information on impairment tests. All licenses are distributed to the Group companies by the Government, and as such the licenses are at all-time subject to each countries fishing and fish farming quota regulations.

Licence scheme in Norway
The licence scheme for production of salmon and trout in Norway has been implemented by the Storting (the Norwegian Parliament) and adopted in the Norwegian Act relating to aquaculture (Aquaculture Act). The Ministry of Trade, Industry and Fisheries is responsible for allocation of aquaculture permits (licences). All activities involving aquaculture require a licence. It is prohibited to farm salmon/trout without a licence from the authorities, cf. section 4 of the Aquaculture Act. All licences are governed by the same regulations (current Aquaculture Act with provisions) irrespective of when the licence was allocated.

Principal terms for different types of licences
Since January 2005, the limitations on production established for aquaculture licences for salmon and trout have been governed according to a scheme known as Maximum Allowable Biomass (MAB). This specifies the maximum biomass in the sea that a licence holder can have at any given time.

The following regulations regarding production limitations apply to the different types of licences held by the Group:

Farming licences are limited in number, i.e. the enterprises are only granted new licences (more production volume) subsequent to politically adopted allocation rounds. The current Maximum Allowable Biomass is 780 tonnes of salmon or trout per licence. For Troms and Finnmark counties (region of North Norway) however, the Maximum Allowable Biomass is 945 tonnes of salmon or trout per licence. There are also some licences that, for historical reasons, have a different MAB limit than 780 tonnes. LSG with its subsidiaries has a sufficient number of locations (location MAB) in the different regions to achieve a satisfactory exploitation of the Group's total MAB. All commercial licences are currently operational.

Green farming licences are licences that were awarded in 2015 via a dedicated licensing round. Special conditions were attached to these licences, mainly concerning environmental improvement measures. The licences were awarded via open auctions or competitively, based on environmentally focused technology and operating concepts.

Demonstration licences are licences defined as for special purposes. Demonstration licences are granted to enterprises in order to spread knowledge of the aquaculture industry. Such licences are often operated in cooperation with a non-commercial entity.

Research and development licences are licences awarded in connection with research and development projects in the industry, where dedicated licences are required to carry out the R&D activity.

Slaughter cage licences are allocated for the use of sea cages for live fish ready for slaughter. These licences are attached to a specific location, which is the Group's slaughtering plant for salmon and trout.

NOTE 2 ACCOUNTING POLICIES (CONT.)

Brood stock licences are also licences defined as for special purposes. Brood stock licences are granted for the production of salmon roe utilised to produce juvenile fish.

Juvenile fish licences are licences to produce juvenile salmon and trout in fresh water that in total authorise the licence holder to produce a specific number of juvenile salmon and trout. There are certain limitations on the size of juvenile fish produced according to the individual licence. If the licence holder does not have an exemption from the regulations in force, the largest permitted average weight is 250 grams on an individual level. Licences are granted on the basis of a discharge permit for a certain number of fish/biomass with a maximum allowable feed consumption per year. In situations where the water source is owned by a third party, an agreement is also required governing the right to utilise the water source. A distinction between time-limited water rights that are amortized over the lifetime of the and indefinite water rights that are not amortized but tested annually for impairment.

There are no time limitations specified in the Group's terms for grow out and juvenile licences, and they are therefore deemed to be time-indefinite production rights according to the prevailing regulations. This also applies for green farming licences.

As the licences are not bound by a time-limited period, there is no need to apply for their renewal. The licences are deemed to be valid pursuant to the Aquaculture Act, unless they are revoked in accordance with the Act.

Research and development licences are time-limited, and in principle are valid for the duration of the project. They are often linked to the lifecycle of the salmon, i.e. three years. Applications may be made to renew R&D licences operated in close collaboration with research environments for a further three-year period after the end of the project.

The brood stock licences are granted for 15 years at a time, and applications have to be submitted for their renewal – provided that the licence holder is still involved in production of brood stock for salmon or trout. The Group consider their brood stock licences to have indefinite useful life. The licences for slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licences provided that they are attached to an approved slaughtering plant and only utilised to keep fish ready for slaughter in immediate proximity to the slaughtering plant.

The Group's demonstration licences are granted with a duration of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act. Both brood stock and demonstration licences are a type of activity without any definite time limitation. In principle, the same factors as for brood stock licences will apply to demonstration licences.

The licence scheme for fishing rights in Norway has been implemented by the Storting (the Norwegian Parliament) and adopted in the Norwegian Act relating to the right to participate in fishing and catches (Participation Act) dated 26 March 1999, no. 15. The Ministry of Trade, Industry and Fisheries is responsible for allocation of the right to participate in Norwegian fisheries.

Section 2 of the Participation Act describes the scope of the Act;
"The Act governs entitlement to take part in commercial fishing and catches and other harvesting of wild live marine resources by utilising ships that are Norwegian pursuant to the provisions in sections 1 and 4 of the Norwegian Maritime Code and ships that are owned by a foreign national who is resident in Norway, when the overall length of the ship is less than 15 metres. However, ships that are Norwegian pursuant to section 1 third paragraph of the Norwegian Maritime Code are not governed by the Act, unless the ship is owned by a person resident in Norway and the overall length of the ship is less than 15 metres. This Act defines ships that are governed by the first and second paragraphs as Norwegian ships. . The Act does not however cover harvesting of anadromous salmon fish as defined in the Act dated 15 May 1992 no. 47 relating to Salmonids and Fresh-Water Fish etc. section 5 letra a. The Ministry is entitled to issue regulations stipulating that all or parts of the Act shall not apply to harvesting of one or more species that are not fish, crustaceous animals, molluscs or sea mammals."

The main conditions for entitlement to fishing rights pursuant to the Participation Act are as follows:
Section 4 of the Participation Act places the following requirements on commercial permits:
- A ship cannot be utilised for commercial fishing or catches unless it has been allocated a commercial permit by the Ministry of Trade, Industry and Fisheries.
- A commercial permit only entitles the holder to carry out fishing or catches in accordance with the provisions that apply at any given time in or pursuant to the Act relating to the management of wild living marine resources or the Participation Act.
- The Participation Act lists the following main conditions for allocation of commercial permits in §§ 5-8:

NOTE 2 ACCOUNTING POLICIES (CONT.)

- Nationality requirement
- Residential requirement
- Activity requirement
- Requirement for a basis for operations
- Requirement on ships

Change of vessel or transfer of shares, shareholdings etc.
If the permit holder replaces one vessel with another, a new application is required for a new professional permit so that the fishing rights are transferred to the new vessel. Such transfer is normally granted provided that the requirements specified in the Participation Act are fulfilled.

Shares or holdings in a company or merger that directly or indirectly owns vessels registered by mark must not be transferred to a different owner without the advance permission by the Ministry for a change of ownership composition.

The King may issue a resolution to lay down regulations regarding a duty to notify changes in ownership. When such a duty is in force, the prohibition against transfer does not apply until a permit has been issued. The regulations governing duty of notification may however contain a prohibition against transfer until a certain deadline has been reached after the notification has been sent.

Lapse of commercial permit for Participation Act § 10
A commercial permit is annulled when the owner loses the right of ownership to a ship, whether by compulsory sale, condemnation, shipwreck etc.

A commercial permit shall be retracted pursuant to section 11 first paragraph of the Participation Act when the vessel owner:
a. no longer fulfils the requirements in section 5 of the Participation Act,
b. has not been involved in commercial fishing or catches for at least three of the past five years on or with a Norwegian ship, and has no association with the fishing industry (Activity requirement).

A commercial permit may be retracted pursuant to section 11 second paragraph of the Participation Act when:
a. the ship has not been utilised for commercial fishing or catches for a specific period of time stipulated by the Ministry in a Regulation or in the commercial permit,
b. the ship or ship owner no longer fulfils the conditions specified in or pursuant to the Participation Act,
c. there are significant amendments to the conditions upon which the permit is based,
d. the ship owner has, against better judgement, provided incorrect information or has concealed information of significance for the resolution to grant such a permit,
e. the ship owner or other party involved in operating the ship is guilty of a serious or repetitive breach of the provisions laid down in or pursuant to the Participation Act or other fisheries legislation, or
f. the entitlement to retract the permit exists pursuant to general regulations within administrative legislation.

If such incidents are of a less serious nature, the Ministry may decide to retract the commercial permit for a specific period of time. The King may impose supplementary regulations on the retraction of permits.

Special permits pursuant to sections 12 et seq. of the Participation Act
In order to participate in most types of fisheries, a permit or participation entitlement is required, if the party involved does not intend to participate in an open group, cf. section 12 of the Participation Act relating to the requirement for a special permit. The licence scheme currently comprises vessels with cargo hold volume of 500 m3 or more, or vessels in what is commonly known as the marine fishing fleet. These licences have no predetermined time limit. Although licences do not have a predetermined time limit, section 18 of the Participation Act stipulates that they shall be retracted or are annulled if the commercial permit for the vessel is annulled or retracted. Sections 10 and 11 of the Participation Act apply correspondingly to special permits.

The Group's vessels have special permits (licences) within pelagic fisheries and whitefish.

Fisheries permits within pelagic fisheries
There are no predetermined time limitations specified in the Group's conditions for fishing permits that apply to basic quotas within pelagic fishery, and they are therefore deemed to be time-indefinite rights according to the prevailing regulations.

As the fishing rights are not bound by a time-limited period, there is no need to apply for their renewal. The fishing rights are deemed to be valid pursuant to the Participation Act, unless they are annulled or retracted in accordance with the Act.

The Group also holds fishing rights within pelagic fishery that have a time limit – so-called structural quotas – and these are amortised over the lifetime of the individual structural quota.

Notes to the accounts

NOTE 2 ACCOUNTING POLICIES (CONT.)

Fisheries permit within whitefish
The fisheries licences within whitefish comprise basic quotas with no time limit and structural quotas with a time limit of 20 and 25 years respectively. The structural quotas have a definite useful life and are amortised over the length of the structural period. The basic quotas have an indefinite useful life and are not amortised, but are tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with predetermined time limits after expiry of the allocation period will be redistributed among the "cod trawler" group of vessels, thereby becoming part of the vessels' basic quota. This implies that if a vessel has structures that are in accordance with the average for the group of vessels, a vessel will be able to maintain practically the same catch volume once the period for the structural quotas has expired. More detailed information on licences/fishing rights is provided in the note on intangible assets.

Licence scheme in Peru
The fishing license is granted by the Production Ministry (Ministerio de la Producción) for the extraction of hydrobiological resources, subject to Fishing Regulations as stipulated by General Law of Fisheries (Decreto Ley N° 25977) and the Regulations for the General Law of Fisheries (Decreto Supremo N° 012-2001-PE).

The Article 44 of the General Law of Fisheries (Decreto Ley N° 25977) says:
"Article 44:
Concessions, authorizations and licenses mean specific rights that the Production Ministry grants for an established term for the development of fisheries activities, pursuant to the provisions of this Law and under the conditions determined by its Regulations"

Also, the Article 33 of the Regulation for the General Law of Fisheries (Decreto Supremo N° 012-2001-PE) and its modifications establish:
"Article 33: Term of Fishing Licenses
33.1 – In accordance with Article 44 of the Fisheries Law, the determinate term of fishing licenses for large-scale fishing vessels with national flag, applies since the time that such rights are granted until its expiration in accordance with his regulation.

33.2 – To keep in force the term and content of the fishing licenses, the fishing vessel owners must prove to the General Directorate of Fish Harvesting and Fish Processing, not to have increased storage capacity authorized in the fishing license and accredit the vessel operation; also will be required to have made fish harvesting activity in the previous year and paid the corresponding fishing rights."

It means that fishing license only expires in case the legal owner breach the requirements established in the mentioned article 33 of the Regulation for the General Law of Fisheries, otherwise, the fishing license keep in force unlimited.

The Supreme Decree N° 019-2011 (Regulations of Inspections and Sanctions for Fishing and Aquaculture) and its modifications, establish the limitations that fleet must fulfil during its operations.

Following, we list the main restrictions that the industry have:
- Catch or process hydrobiological resources without license or percentage assigned, operation license or without assignation of maximum limit of catch per vessel. (Cod. 1.1.)
- Catch restricted to authorized fishing seasons as announced by the Production Ministry (Cod. 6.1.)
- Catch, process or sell hydrobiological resources with smaller sizes as established (anchoveta 12 cm, mackerel 29 cm, jack mackerel 31 cm) (Cod. 6.5)
- Catch hydrobiological resources in larger volumes to the hold capacity authorized in the fishing license (Cod. 75)
- Execute more than one fishing trip in a term of 24 hours (Cod. 82) Catch exceeding the season assigned quota (Cod. 84)
- Exceed the maximum limit of catch per vessel (Cod. 96)
- By catch is limited to 5%

The indeterminate life of fishing license is also subject to lack of severe penalties (maximum 2 allowed in 2 years).

Licence scheme in Chile
Fishing and aquaculture activities are ruled by the "General Fishing and Aquaculture Law Nº 18.892 of 1989" ("Ley General de Pesca y Acuicultura" or LGPA), which has received several modifications during its life, being the latest in Law Nº 20.657 of February 9th, 2013. This modification to the law made important amendments to the fishing system in Chile, with the main objective of ensuring the sustainability of fish

NOTE 2 ACCOUNTING POLICIES (CONT.)

resources, introducing a Eco systemic view of the marine environment and by improving the fish management, such as adding transferability to the existing individual quota system for industrial fleet and creating a mandatory scientifically supported quota management system.

The management of fisheries is performed by the Undersecretary of Fisheries (“Subsecretaria de Pesca”), a vice-ministry office that reports to the Minister of Economics.

The control of fishing activities of all kind (industrial, artisanal and sport) is under the National Fishing Service (“Servicio Nacional de Pesca” or Sernapesca), who in some cases, can delegate to private independent companies its services, as it does with the fish offloading control.

Until the introduction of 2013 fishing law modifications, fishing licenses were linked to a fishing vessel and couldn’t be divided or independently transferred. These type of fishing license (“Permiso de Pesca”) still exist for those species out of the list of tradable fishing license (“Licencia Transable de Pesca” or LTP), such as giant squid and mackerel.

However, main commercial species caught by the industrial fleet are all under the LTP system, which was granted using the same individual quota set by the previous modification established by the fishing law Nª 19.713 of 2001 (due for modification after 12 years in 2013), which was based on 50/50 allocation of historical catches between the years 1997 to 2000 and by vessel hold capacity. These LTPs are divided by fish species and macro-regions (grouped according to the geographical administrative area division of the country - regions). Fishing Act of 2013 also establishes that 15% of the LTPs will be auctioned when the fisheries reaches 80% of the Maximum Sustainable Regime (“RMS”) or after 3 years after the Law came into full effect, in 5% annual allocations. This will create a “LTP-B” license valid for 20 years for each of the auctioned lot. After this period of time, a new auction process is required.

The LTPs are transferable, permanently or temporarily and also are subject to be used as guarantees to financial institutions, something impossible with previous regulation.

Fishing permits for the non-LTP species and linked to a physical fishing vessel are permanent. Fishing permits for the LTPs are granted for 20 years but are automatically renewed for same period of time, provided that the license holder has complied with labor and environmental regulations.

This has been considered a permanent license system, with a review process of the law every 20 years' time.

Fishing rights can be lost or reduced (partial loss), if a Company:

- Catches in excess over 10% of its quota during 2 years in a row.
- Doesn’t perform fishing activities during 2 years or 12 consecutive months, unless is a case of force majeure, which must be approved by Undersecretary of Fisheries.
- If during a 5-year period, offloading of the 3 highest years are below 70% of the industry average. In this case, is a partial loss, applying a quota reduction equivalent to the difference between this average and the company actual landings.
- Repeatedly not submitting the statistical information required by law.
- Not paying fishing or specific fishing taxes. Gives a 30 day grace period after due dates.
- If court sentences company for spillage of chemical or other harmful substances into water portions.
- If sentenced repeatedly of illegal or unauthorized modifications, alterations or changes to fishing vessels.
- If Company has been sentenced 3 or more times within a 2-year period of infractions to anti-union labor law related only to workers on board vessels. This is a partial loss, equivalent to 10% of the main specie that the vessel was operating at infraction time.

BRAND/TRADEMARKS

Brands acquired, separately, or as part of a business combination are capitalised as a brand if it meets the definition of an intangible asset and the recognition criteria are satisfied. Brand acquired as part of a business combination are valued at fair value based on valuation done by external valuation experts. Brands assessed to have an indefinite useful life are not amortized but reviewed for impairment not less than annually frequently if events or changes in circumstances indicate that the carrying amount may have decreased.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits

NOTE 2 ACCOUNTING POLICIES (CONT.)

associated with the cost will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Buildings comprise mainly of factories and offices. Depreciation on other assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives as follows:

Detail	Sector	Depreciation-period
Vehicles	Wild catch and salmon	3–10 years
Furniture and other equipment	Wild catch and salmon	3–25 years
Buildings	Wild catch and salmon	12–50 years
Fishing vessels and fishing equipment	Wild catch	8–30 years
Machinery and other equipment - Fishmeal	Wild catch	10–50 years
Machinery and other equipment - Consumption	Wild catch	7–30 years
Other production equipment	Wild catch	3–30 years
Feeding vessels - Fish farming	Salmon	10–15 years
Vessels - Fish farming	Salmon	10–15 years
Utilities (components) on vessels	Salmon	5–10 years
Other production equipment (on sea) – Fish farming	Salmon	5–15 years
Production equipment (on land) - Fish farming	Salmon	5–15 years
Components related to production equipment on land	Salmon	10 years

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as other gains and losses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading (see section ‘Derivative financial instruments and hedging activities’). Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise ‘trade and other receivables’ and cash and cash equivalents in the balance sheet (note 19).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

NOTE 2 ACCOUNTING POLICIES (CONT.)

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other financial income. Dividends on available-for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

BIOLOGICAL ASSETS, LOSS-MAKING CONTRACTS AND MORTALITY EXPENSES
The Group's biological assets comprise live fish, mainly

NOTE 2 ACCOUNTING POLICIES (CONT.)

salmon and trout, at all stages of the life cycle. The fish are divided into two main groups, depending on the stage of the life cycle. At the earliest stage of the life cycle, the fish are classified in group (1) roe, fry and juvenile fish. During this stage, the fish are kept on shore. When the fish are large enough for release to sea, they are classified in group (2) consumer products. The group for consumer products also comprises the subgroup for parent fish, utilised to produce roe. As this subgroup is immaterial, it is dealt with in the same way as other consumer products ready for slaughter.

The stock of fish, in addition to salmon and trout, also comprises cleaner fish. This species of fish is utilised during production of salmon and trout as a means of eliminating salmon lice. Despite the significant volume of cleaner fish produced by the Group, both the volume and value of this species are relatively low and are immaterial for the consolidated financial statements. In order to simplify accounting, this species is therefore grouped with roe, fry and juvenile fish.

Biological assets are governed by IAS 41 Agriculture. The main rule is that biological assets shall be measured at fair value minus sales costs, unless fair value cannot be reliably measured. Measurement of fair value is regulated by IFRS 13. 'Fair value' refers to the price that would have been achieved on sale of the asset in an orderly transaction between market participants at the measurement date under the prevailing market conditions.

For roe, fry and juvenile fish, in addition to cleaner fish, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation (IAS 41.24). This assessment must be seen in light of the fact that smolt are currently released to sea at a stage when their weight is still relatively low. At the same time, this group comprises a limited share of the Group's biological assets measured in terms of both volume and value. If changes emerge in the future implying that the smolt produced are significantly larger when released to sea, a new assessment will be required.

For consumer products, the fair value is calculated by applying a present value model at level three in the fair value hierarchy in IFRS 13. For more detailed information on the fair value hierarchy, please refer to the note on financial instruments. In line with IFRS 13, the highest and best use of the biological assets is applied for the valuation. In accordance with the principle for highest and best use, the Group considers that the fish have optimal slaughter weight when they have a live weight corresponding to 4 kg gutted weight. This corresponds to a live weight of 4.8 kg. Fish with a live weight of 4.8 kg or more are classified as ready for slaughter (mature fish), while fish that have still not achieved this weight are classified as not ready for slaughter (immature fish). For fish ready for slaughter, the highest and best use is defined as slaughtering and selling the fish as quickly as possible in the month following the balance sheet date. For fish not yet ready for slaughter, the highest and best use is in principle defined as growing the fish to slaughter weight, then slaughtering and selling the fish. The slaughter date applied in the valuation may however be brought forward if required by situations at a specific locality. Such situations may involve biological challenges (disease, salmon lice infestation etc.).

On 17 November 2015, the Financial Supervisory Authority of Norway published a report on thematic supervision of fish-farming companies involving inspection of six listed fish-farming companies, including Lerøy Seafood Group. Two subjects were discussed involving biological assets. One of these was how the fish-farming companies recorded mortality, and the second was calculation of fair value. The Financial Supervisory Authority concluded that there were greater differences in practice between the companies than indicated in their annual reports. Differences of this nature impair intercompany comparability. The full report is available on the Financial Supervisory Authority's website. The Authority did not conclude that there were errors in the reported figures for the companies it investigated. However, the Authority encouraged the industry to try to develop common principles for reporting mortality and a common valuation model in order to increase comparability in future reporting. Since its directive in 2011, the Financial Supervisory Authority has encouraged the industry to make the transition to a cash flow model (present value model) for calculating fair value. According to IFRS 13, implemented in 2013, this is also the preferred alternative. The companies concerned have therefore joined forces in a cross-industry group to address the issues highlighted by the Financial Supervisory Authority. The period of time from when the Authority's report was complete until the end of 2015 was, however, too short for the industry to implement any major changes. As a result, a target was stated in the financial statements for 2015 to implement the necessary adaptations in 2016. The cross-industry group reached an agreement in the

NOTE 2 ACCOUNTING POLICIES (CONT.)

autumn of 2016 to replace the old growth model with a present value model. By the end of the year, the group participants had agreed on the main elements of the new calculation model.

Austevoll Seafood ASA has applied the new calculation model with effect from financial year 2016. Due to early implementation and taking into account the industry's common goal to achieve optimal uniformity in relation to calculation and parameters, adaptations to the model and parameters are naturally to be expected in 2017 as part of the efforts to reach this goal.
Changes to the model involve calculation techniques and do not therefore represent a change in accounting policies. The impact of the change has therefore been recorded as a change in estimates in line with IAS 8 and recorded through profit or loss in 2016. The impact of the transition on the financial statements is presented in the note on biological assets.

With the old calculation model, estimated profit was recognised on a straight-line basis in parallel with the biological development, and historical carried expenses added. As a result, the fair value was affected by company-specific factors, including the method of recording mortality. This theoretical weak point was criticised by the Financial Supervisory Authority.

The new model is a cash flow-based present value model, which does not rely on historical and company-specific factors. On a hypothetical market with perfect competition, a hypothetical buyer of live fish would be willing to pay as a maximum the present value of the estimated future profit from the sale of the fish when it is ready for slaughter. The estimated future profit, taking into account all price adjustments and payable fees for completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for slaughter, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money. Please refer to the note on significant accounting estimates and assessments for more detailed information on discounts, and sensitivity analysis.

Estimated biomass (volume) is based on the actual number of individuals in the sea on the balance sheet date, adjusted to cover projected mortality up to slaughter date and multiplied by the estimated slaughter weight per individual at the time of slaughter. The measurement unit is the individual fish. However, for practical reasons, these estimates are carried out per locality. The live weight of fish in the sea is translated to gutted weight in order to arrive at the same measurement unit as for pricing.

Pricing is based on the Fish Pool forward prices. The reason for this is that there are no effective markets for the sale of live fish. Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian salmon, size 3-6 kg gutted weight. Updated forward prices are published daily for slaughtered salmon on Fish Pool. The volume on Fish Pool is however limited. This market is therefore assessed to be insufficiently active and effective. Despite this, the Group is of the opinion that the observable forward prices must be seen as the best approach to a hypothetical price for the sale of salmon. The volume of trout sales in Norway is significantly lower, and there are no corresponding observable market prices. Historically, however, trout prices have been closely correlated to salmon prices. The forward prices for salmon are therefore applied as a starting point for estimates of the fair value of trout. The forward price for the month in which the fish is expected to be slaughtered is applied in order to estimate cash flow. The price stipulated by Fish Pool is adjusted to take into account export costs and clearing costs, and represents the reference price. This price is then adjusted to account for estimated slaughtering cost (well boat, slaughter and boxing) and transport to Oslo. Adjustments are also made for any estimated differences in size and quality. The adjustments to the reference price are made per locality. Joint regional parameters are applied, unless factors specific to an individual locality require otherwise.

Changes to estimated fair value for biological assets, according to IAS 41, are recorded through profit or loss and presented on the line for fair value adjustments related to biological assets. The accounting line for fair value adjustments related to biological assets in the income statement comprises three elements; (1) change in fair value adjustment of stock of fish in sea, (2) change in fair value of onerous contracts and (3) change in fair value of unrealised gain/loss related to financial purchase and sale contracts for fish in Fish Pool.

NOTE 2 ACCOUNTING POLICIES (CONT.)

Onerous contracts are contracts where the expenses of fulfilling the contracts are higher than the economic yield the company expects to gain by fulfilling the contracts. The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfil the contract. As a result, physical delivery contracts where the contractual price is lower than the price on which fair value estimation of the biological assets was based will be defined as onerous contracts according to IAS 37, even if the contractual price is higher than the production costs for the products. At the end of the period, the management will evaluate whether contracts are onerous contracts by estimating the value of the commitment per contract. This evaluation is based on a number of premises and estimates. The estimate includes all contracts involving the sale of salmon and trout, where the fish have been produced by the Group. For contracts where the product to be delivered has a higher degree of processing than gutted fish, the contractual price is converted to a price per kilo gutted weight based on estimated yield for the different product types and normal processing costs in accordance with the Group's calculations. All contractual prices are translated to Norwegian kroner. For contracts that contain different product types, a weighted price is estimated. The weighted price per contract is then compared with an estimated benchmark price per month. This price corresponds to the price applied as a starting point for valuation of the biological assets, and is based on forward prices from Fish Pool, adjusted for export margin and transport from fish farm to Oslo. A provision is recognised on the balance sheet. The provision is classified as other short-term debt.

Fish Pool contracts are not utilised to any significant extent by the Group as a price-hedging instrument, as the sale of such contracts with Fish Pool remains limited and volumes are low. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

As the financial statements also present production costs for the stock of live fish, the reporting of mortality is of significance. Costs related to abnormal mortality are immediately recognised through profit or loss and presented on the line for changes in inventory, while normal waste is classified as part of production costs. Fair value of biological assets is not affected by the principle for reporting mortality costs. The extent to which mortality is normal or abnormal requires assessment. The Group makes use of a common indicator and threshold for all farming units. If in one month mortality at a locality exceeds 1.5% of the incoming number of fish at the locality, this is classified as an indication of abnormal mortality. A more detailed assessment is then carried out to establish whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish. Please refer to the note on biological assets for a more detailed description of mortality costs and incidents that have caused abnormal mortality.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at fair value on the transaction date, and will usually correspond to the nominal value of the receivable. On subsequent measurement, accounts receivable are valued at nominal value minus provisions for loss. Provisions for loss are recognised when there are objective indications that the Group will not receive settlement in accordance with the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 2 ACCOUNTING POLICIES (CONT.)

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

EMPLOYEE BENEFITS

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The schemes are either a defined benefit plan or a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting period date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

LEASES

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term obligations. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset, but the expiry dates of the leases are considered when determining useful life.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are

NOTE 2 ACCOUNTING POLICIES (CONT.)

classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

PROVISIONS

Provisions (for e.g. environmental improvements, restructuring and legal claims) are recognised when:

- a legal or self-imposed liability exists as a result of previous events;
- it is more likely than not that the liability will be settled in the form of a transfer of economic resources;
- the size of the liability can be estimated with a sufficient level of reliability.

Provisions for restructuring costs comprise termination fees for lease contracts and severance pay for employees. No provisions are made for future operating losses.

If several liabilities of the same character exist, the probability of settlement being made is determined for the liabilities as a group. Provisions for the group of liabilities are recognised even if the probability of settlement related to the individual liabilities in the group may be low.

Provisions are measured as the current value of expected payments required to clear the liability. A discount rate is applied before tax that reflects the current market situation and the specific risk for the liability. Any increase in a liability caused by a change in time value is recognised as a financial expense.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements when the dividends are approved by the Company's shareholders.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are registered in the balance sheet at fair value at the time of contract and are subsequently adjusted to current fair values. Registration of associated gains/losses depends on whether the derivative is regarded as a hedging instrument, and if so, what type of hedging. The Group classifies derivatives as either a) hedges of fair value of recognised assets or liabilities of a firm commitment (fair value hedge); or b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on the ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair values of derivative instruments used for hedging are disclosed in Note 22. Fair value of a hedging derivative is classified as fixed assets or long-term liability if the hedging object matures in more than 12 months, and as current assets or short-term liabilities if the hedging object matures in less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item

NOTE 2 ACCOUNTING POLICIES (CONT.)

affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are defined as:

i. possible obligations resulting from past events whose existence depends on future events
ii. obligations that are not recognised because it is not probable that they will lead to an outflow of resources
iii. obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

CASH FLOW STATEMENT

The Group's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow is reported on the basis of the indirect method. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents. Cash flows resulting from the disposal of operations are presented under investing activities.

EVENTS AFTER THE REPORTING PERIOD

New information after the reporting period concerning the Group's financial position at the reporting date is considered in the financial statements. An event after the reporting period that does not affect the Group's financial position on the reporting date, but will affect the Group's financial position in the future is reported where material.

EARNINGS PER SHARE

Earnings per share is calculated by the profit attributable to equity holders of the company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

NOTE 3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group' focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses to some degree derivative financial instruments to reduce certain risk exposures.

Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR, CLP and PEN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising, entities in the Group use forward contracts in addition to withdrawals and deposits on multicurrency accounts.

Changes in exchange rates that affects accounts receivable, other receivables, and liabilities nominated in other currencies than the entities functional currency will have a direct effect on the Groups income statement as per year end.

At 31 December 2016, if NOK had weakened/strengthened by 10% against the USD with all other variables held constant, before-tax profit for the year would have been MNOK 65 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of USD denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

At 31 December 2016, if NOK had weakened/ strengthened by 10% against the EUR with all other variables held constant, before-tax profit for the year would have been MNOK 58 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of EUR denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

Corresponding changes in exchange rates at year end of other currencies are not considered to have any material effect on the post-tax profit for the Group.

(ii) Price risk

Through the subsidiary Lerøy Seafood Group ASA, the group has a substantial exposure to the price risk of the fluctuating marked prices on salmon and trout. To reduce this risk, LSG aims to have a certain part of the sales on fixed price contracts.

The Group is also exposed to changes in the prices of other products sold, mainly fishmeal, fish oil and human consumption products. Local management reviews before selling whether price levels are consistent with the target profitability. The group is also exposed to changes in prices of pelagic raw material purchase. Price risk identified here is not hedged by any derivative financial instruments.

(iii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group search to reduce interest rate risk by using interest rate swaps (floating-to-fixed) for part of the borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

As at 31.12.2016, the Group has a total unrealised loss of MNOK 97 (after tax) attached to interest rate swaps . Please refer to note 22 for further details about entered contracts and the value of these.

If the interest rate level had been 0.5% higher (lower) throughout the year, all other variables held constant, profit before income taxes would have decreased (increased) by MNOK 19 in 2016 and MNOK 15 in 2015 through the impact of floating rate borrowings and deposits. The sensitivity analysis is based on the level of net interest bearing debt (NIBD) by year end 2016 and 2015, allowed for entered interest rate swaps.

Amounts in MNOK	Increase/reduction in basis points	2016	2015
Impact on profit before tax	+/- 50	-/+ 19	-/+ 15

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT.)

Credit risk
The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Normally the Group sells only based upon letter of credit or payments in advance for new customers. Credit insurances are being used when this is deemed appropriate. For customers with a reliable track record in the Group, sales within certain agreed-upon levels are done without any security.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (note 29)) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping. The amounts disclosed in the table are the undiscounted cash flows, i.e. interest included. Repayment profile is disclosed in note 29.

31 December 2016	Less than 1 year	1-2 years	3-5 years	Over 5 years
Borrowings (excl. finance liabilities)	1 347	1 273	1 725	4 078
Financial lease liabilities	271	242	363	267
Trade and other payables (excl. Statutory liabilities)	2 220	0	1	24

31 December 2015	Less than 1 year	1-2 years	3-5 years	Over 5 years
Borrowings (excl. finance liabilities)	1 089	539	2 261	2 168
Financial lease liabilities	237	282	382	210
Trade and other payables (ex. Statutory liabilities)	1 292	0	1	24

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For further information on the dividend policy, see note 7.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest bearing debt divided by capital employed. Net interest bearing debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less interest bearing assets and cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT.)

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Total borrowings (note 29)	9 238	7 308
Less: cash and cash equivalents	3 745	2 470
Less: other interest bearing assets	0	0
Net interest bearing debt	5 493	4 838
Total equity	18 213	13 611
Capital employed	**23 705**	**18 449**
Gearing ratio	**23 %**	**26 %**

Fair value estimation
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. None of the shares categorized as available for sale are traded in active markets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by the use of valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are also used in certain cases. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

FINANCIAL INSTRUMENTS BY CATEGORY

31.12.2016 Assets as per balance sheet	Loans and receivables	Derivatives used for hedging	Available for sale	Total
Investments in other shares	0	0	8	8
Trade and other receivables excl. prepayments*	2 931	57	0	2 988
Cash and cash equivalents	3 745	0	0	3 745
Total assets	**6 676**	**57**	**8**	**6 741**

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

31.12.2015 Liabilities as per balance sheet	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings excl. finance lease liabilities*	0	0	8 229	8 229
Finance lease liabilities*	0	0	1 009	1 009
Derivate financial instruments	0	127	0	127
Trade and other payable excl. statutory liabilities*	0	0	2 263	2 263
Total		**127**	**11 501**	**11 629**

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments. Forward currency exchange contracts are presented as other short term liabilities in the balance sheet.

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT.)

31.12.2015 Assets as per balance sheet	Loans and receivables	Derivatives used for hedging	Available for sale	Total
Trade and other receivables excl. prepayments*	2 123	0	0	2 123
Cash and cash equivalents	2 470	0	0	2 470
Total assets	**4 593**	**0**	**0**	**4 593**

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

31.12.2015 Liabilities as per balance sheet	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings excl. finance lease liabilities*	0	0	6 277	6 277
Finance lease liabilities*	0	0	1 031	1 031
Derivate financial instruments	0	139	0	139
Trade and other payable excl. statutory liabilities*	0	75	1 537	1 612
Total	**0**	**214**	**8 845**	**9 059**

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments. Forward currency exchange contracts are presented as other short term liabilities in the balance sheet.

FINANCIAL INSTRUMENTS BY VALUATION METHOD

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
– Investment in shares	0	0	34
Total assets	**0**	**0**	**34**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
– Fair value hedging	0	0	0
– Cash flow hedging	0	127	0
Total liabilities	**0**	**127**	**0**

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT.)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
– investment in shares	0	0	33
Total assets	**0**	**0**	**33**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
-Fair value hedging	0	75	0
-Cash flow hedging	0	139	0
Total liabilities	**0**	**214**	**0**

There were no transfers between level 1 and 2 during the year.

(a) Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

(b) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Other long term receivables, trade receivables and other short term receivables are measured at level 3.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverable amount of goodwill and licences
The Group tests annually whether goodwill and licences with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and are further described in note 15.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The utilisation of recognised tax assets will depend on future positive tax earnings in various jurisdictions, and may not be offset between various tax regimes. Valuation of impairment requirement for tax assets is therefore based on estimates of future tax earnings in some of the tax regimes.

Inventory
Finished goods of fish are measured at the lowest of cost and net realisable value. Material fluctuations in sales prices do occur for such inventory, and might rapidly outdate the assessments made by the Group at a given date.

Trade receivable
Accounting for receivables requires use of judgmental estimates for quantification of provisions for bad debt. Provisions are being made when e.g. balances are falling due or material worsening in the customer's financial situation takes place, given that repayment of the balances are considered uncertain.

Value adjustment of biological assets
Biological assets comprise the stock of roe, fry, juvenile fish, cleaner fish and consumer products. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets.
Valuation is based on a number of different premises, many of which are non-observable. The premises can be categorised in four different groups: (1) Price, (2) Cost, (3) Volume and (4) Discount rate.
For fish ready for slaughter on the balance sheet date, uncertainty mainly involves realised prices and volume. For fish not ready for slaughter, the level of uncertainty is higher. In addition to uncertainty related to price and volume, there will also be uncertainty related to remaining production costs, remaining biological transformation and remaining mortality up to slaughter date for this fish.

(1) Price:
One important premise in the valuation of fish both ready for slaughter and not yet ready for slaughter is the projected market price. This is also the premise that historically shows the highest fluctuations. In order to estimate the projected price, the forward prices for superior Norwegian salmon weighing 3-6 kg gutted weight from Fish Pool are applied. In the Group's opinion, the use of observable prices makes price estimates more reliable and comparable. For fish ready for slaughter, the forward price for the following month is applied. For fish not ready for slaughter, the forward price for the month when the fish is expected to achieve slaughter weight is applied. If it is probable on the balance sheet date that the fish will be slaughtered before it reaches slaughter weight, for example due to biological challenges (that have emerged prior to the balance sheet date), an extra price adjustment is required. Such a price adjustment takes into account the fact that the market price per kilo for small fish is lower than for normal-size fish. The price is subsequently adjusted for exporter margins and clearing costs. This applies to fish both ready for slaughter and not ready for slaughter. Further adjustments are necessary for slaughtering costs (well boat, slaughtering and boxing), transport costs to Oslo and quality differences. Adjustments are also made for price differences between salmon and trout, and any other price premium such as for ASC-certified fish. The adjustments for exporter margin and

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

clearing costs are observable items estimated by Fish Pool. The adjustment for slaughtering costs, transport costs and quality differences is based on the Group's historical costs per region and historical quality distribution, while the other adjustments are based on an assessment using historical data and the Group's view of future market developments.

(2) Cost
For fish not ready for slaughter, an adjustment is also required for the costs necessary to grow the fish to slaughter weight. Estimates related to future costs are based on the Group's prognoses per locality. These is some uncertainty regarding both future feed prices, other costs and biological development (growth, feed factor and mortality). If the estimated costs are higher than expected by a normal enterprise on the market, for example due to long-term agreements previously signed with subcontractors resulting in costs that deviate substantially from the market price, the cost estimates shall be adjusted to reflect the costs expected by a rational enterprise on the market.

(3) Volume
Projected slaughter volume is calculated on the basis of the estimated number of fish (individuals) on the balance sheet date minus estimated future mortality, multiplied by the estimated slaughter weight (4.8 kg live weight). There is some uncertainty involving both the number of fish in the sea on the balance sheet date, remaining mortality and estimated slaughter weight. The actual slaughter volume may therefore differ from the estimated slaughter volume either as a result of changes in biological developments or due to special events, such as mass mortality. The estimate for number of fish on the balance sheet date is based on the number of smolt released to sea. The number of smolt is adjusted to take into account uncertainties during counting and actual registered mortality related to release. The normal estimated slaughter weight is assessed to be the live weight of fish that results in a gutted weight of 4 kg, unless specific conditions exist on the balance sheet date to indicate that the fish have to be slaughtered before they reach this weight. If this is the case, the estimated slaughter weight is adjusted. Projected mortality during the period from the balance sheet date to the date when the fish reach slaughter weight is estimated to be 1% of the number of incoming fish per month. In North Norway however, historical mortality figures are significantly lower than in other parts of the country. As a result, the percentage applied to estimated mortality in this region is 0.5%.

(4) Discounts
Every time a fish is slaughtered and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality. The cash flow is allocated to the month when slaughter is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the sea on the balance sheet date. With the current size of the smolt released and the frequency of the smolt releases, this period of time may be up to 18 months. The estimated future cash flow is discounted monthly. The level of discount rate applied has a major impact on the estimate of fair value. The monthly discount rate at 31 December 2016 is estimated to be 6% per month. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) Risk adjustment, (2) Licence lease and (3) Time value.

4.1. Risk adjustment
The risk adjustment shall reflect the price discount a hypothetical buyer would demand as compensation for the risk assumed by investing in live fish rather than a different investment. The longer it takes to reach slaughter date, the higher the risk that something may occur to affect cash flow. Three significant factors could have an impact on cash flow. Volume could change, costs could change and prices could change. The one thing all three factors have in common is that the sample space is unsymmetrical.

4.2. Hypothetical licence lease
Salmon and trout farming is not a market with free competition and no barriers to entry. Due to limited access to licences for farming fish for consumers, such licences currently have a very high value. For a hypothetical buyer of live fish to take over and continue to farm the fish, he/she would need a licence, locality and other permits required for such production. At the time of writing, leasing of licences is not permitted. However, on a hypothetical market for the purchase and sale of live fish, it has to be assumed that this would be possible. In such a scenario, a hypothetical buyer would claim a significant discount in order to allocate a sufficient share of the returns to the buyer's own licences or to cover the lease costs for leased licences. It is difficult to create a model that would allow a hypothetical annual lease cost to be derived from prices for sold licences, as the curve in the model would be based on projections of future profit performance in the industry. Moreover, it is a complex process to derive a lease price per shorter unit of time and, in the last instance, per volume, when the licence limitations are measured at different levels (location, region and company).

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

4.3 Time value

Finally, a discount must be made for the time value of the tied-up capital linked to the share of the present value of the cash flow allocated to the biomass. It has to be assumed that a hypothetical buyer would claim compensation for the alternative cost of investing funds in live fish rather than some other type of investment. The production cycle for salmon in the sea currently takes up to 18 months. The cash flow will therefore extend over a similar period. Assuming a constant sales price throughout the period, the cash flow would decrease for each month, as costs are incurred to farm the fish to slaughter weight. The costs increase for every month the fish are in the sea. As such, the effect of deferred cash flow is lower than would be the case if the cash flow had been constant. This component is however deemed important due to the major values the stock of fish represents.

Sensitivity analysis

The Group considers that four components are key for valuation. These are:
(1) weighted average price,
(2) projected normal slaughter weight,
(3) monthly discount rate and
(4) estimated number of fish.

The tables below show a simulated sensitivity to changes in fair value of the biological assets in the event of changes in these parameters:

Sensitivity analysis for fair value of biological assets AUSS

Sensitivity analysis in relation to weighted average price and projected normal slaughter weight

		Projected slaughter weight per kg gwe				
		3,5	**3,75**	**4,0**	**4,25**	**4,5**
		Change in projected slaughter weight per kg gwe				
Average price per kilo (NOK)	Change in price per kilo	**-0,50**	**-0,25**	**0**	**0,25**	**0,50**
56,9	-5,00	5 008	5 409	5 809	6 210	6 610
59,9	-2,00	5 364	5 786	6 207	6 628	7 049
60,9	-1,00	5 483	5 911	6 339	6 768	7 196
61,9	-	5 602	6 037	**6 471**	6 907	7 342
62,9	1,00	5 720	6 162	6 604	7 046	7 488
63,9	2,00	5 839	6 288	6 737	7 186	7 635
66,9	5,00	6 195	6 665	7 135	7 604	8 074

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and projected slaughter weight per kg gutted weight. For projected slaughter weight, the table shows changes in fair value when there is an increase in projected slaughter weight of 250 and 500 grams respectively and for a corresponding reduction. For price, the change is per NOK gutted weight after adjustment for transport, quality, size and exporter margin.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Sensitivity analysis in relation to weighted average price and discount rate applied

		Monthly discount rate (%)				
		4,0 %	**5,0 %**	**6,0 %**	**7,0 %**	**8,0 %**
		Change in monthly discount rate (%)				
Average price per kilo (NOK)	Change in price per kilo	**-2,0 %**	**-1,0 %**	**0,0 %**	**1,0 %**	**2,0 %**
56,9	-5,00	6 506	6 141	5 809	5 507	5 231
59,9	-2,00	6 963	6 566	6 207	5 879	5 581
60,9	-1,00	7 115	6 708	6 339	6 004	5 697
61,9	-	7 267	6 850	**6 471**	6 128	5 814
62,9	1,00	7 419	6 992	6 604	6 252	5 931
63,9	2,00	7 571	7 134	6 737	6 376	6 047
66,9	5,00	8 028	7 559	7 135	6 749	6 397

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and monthly discount rate. For the monthly discount rate, the table simulates an absolute change of +/- 1% and +/- 2% (100 and 200 points) respectively.

Sensitivity analysis in relation to weighted average price and number of fish in stock

		Number of fish in stock (million fish)				
		52,8	**54,4**	**55,5**	**56,6**	**59,5**
		Change in number of fish in stock				
Average price per kilo (NOK)	Change in price per kilo	**-5 %**	**-2 %**	**0 %**	**2 %**	**5 %**
56,9	-5,00	5 425	5 656	5 809	5 963	6 193
59,9	-2,00	5 803	6 045	6 207	6 368	6 610
60,9	-1,00	5 929	6 175	6 339	6 503	6 750
61,9	-	6 055	6 305	**6 471**	6 639	6 889
62,9	1,00	6 181	6 435	6 604	6 774	7 028
63,9	2,00	6 307	6 565	6 737	6 909	7 167
66,9	5,00	6 685	6 955	7 135	7 315	7 585

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and estimated number of fish in stock on the balance sheet date. For the number of fish in stock, the table simulates a change of +/- 2% and 5% in the number of fish per locality for all localities with fish in stock.

Notes to the accounts

NOTE 5 GROUP COMPANIES

The consolidated financial statements include Austevoll Seafood ASA and the following subsidiaries:

Company	Note	Country	Parent company	Ownership %
Lerøy Seafood Group ASA	8	Norway	Austevoll Seafood ASA	52,69 %
Aker Seafoods AS	6	Norway	Havfisk AS	100,00 %
Bulandet Fiskeindustri AS		Norway	Lerøy Seafood AS	76,34 %
Eurosalmon SAS		France	Hallvard Lerøy SAS	100,00 %
Finnmark Havfiske AS	6	Norway	Havfisk Båtsfjord AS	13,34 %
Finnmark Havfiske AS	6	Norway	Havfisk Finnmark AS	78,45 %
Finnmark Havfiske AS	6	Norway	Havfisk Nordkyn AS	5,84 %
Fishcut SAS		France	Hallvard Lerøy SAS	100,00 %
Hallvard Lerøy SAS		France	Lerøy Seafood AS	100,00 %
Hallvard Lerøy USA Inc		USA	Lerøy Seafood AS	100,00 %
Hammerfest Industrifiske AS	6	Norway	Havfisk Finnmark AS	60,00 %
Havfisk AS	6	Norway	Lerøy Seafood Group ASA	100,00 %
Havfisk Båtsfjord AS	6	Norway	Havfisk Finnmark AS	100,00 %
Havfisk Finnmark AS	6	Norway	Havfisk AS	100,00 %
Havfisk Management AS	6	Norway	Havfisk Finnmark AS	100,00 %
Havfisk Melbu AS	6	Norway	Havfisk AS	100,00 %
Havfisk Nordkyn AS	6	Norway	Havfisk Finnmark AS	100,00 %
Havfisk Stamsund AS	6	Norway	Havfisk AS	100,00 %
Laksefjord AS		Norway	Lerøy Aurora AS	100,00 %
Leroy Processing Spain S.L.		Spain	Lerøy Seafood Group ASA	100,00 %
Lerøy & Strudshavn AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Aakvik Rogn og Stamfisk AS		Norway	Lerøy Midt AS	100,00 %
Lerøy Alfheim AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Alt i Fisk AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Aurora AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Culinar B.V.		Holland	Rodè Retail B.V.	100,00 %
Lerøy Delico AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Finland OY		Finland	Lerøy Seafood Group ASA	100,00 %
Lerøy Fossen AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Germany GmbH		Germany	Rodè Beheer B.V.	50,00 %
Lerøy Germany GmbH		Germany	Lerøy Seafood AS	50,00 %
Lerøy Midt AS		Norway	Lerøy Seafood Group ASA	100,00 %
Lerøy Nord AS		Norway	Lerøy Seafood Group ASA	51,00 %
Lerøy Nordhav AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Portugal Lda		Portugal	Lerøy Seafood Group ASA	100,00 %
Lerøy Quality Group AS		Norway	Lerøy Seafood AS	100,00 %
Lerøy Seafood AS		Norway	Lerøy Seafood Group ASA	100,00 %

Notes to the accounts

NOTE 5 GROUP COMPANIES (CONT.)

Company	Note	Country	Parent company	Ownership %
Lerøy Sjømatgruppen AS		Norway	Lerøy Delico AS	17,50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Alfheim AS	23,75 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Trondheim AS	7,50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Nord AS	2,50 %
Lerøy Smögen Seafood AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Stockholm AB		Sweden	Lerøy Sverige AB	100,00 %
Lerøy Sverige AB		Sweden	Lerøy Seafood Group ASA	100,00 %
Lerøy Trondheim AS		Norway	Lerøy Seafood Group ASA	100,00 %
Leröy Turkey Su Űrűnleri San. Ve Tic A.S.		Turkey	Lerøy Seafood Group ASA	100,00 %
Lerøy Vest AS		Norway	Lerøy Seafood Group ASA	100,00 %
Melbu Fryselager AS	6	Norway	Norway Seafoods Group AS	67,10 %
Nordland Havfiske AS	6	Norway	Havfisk Melbu AS	47,07 %
Nordland Havfiske AS	6	Norway	Havfisk Stamsund AS	52,93 %
Norsk Oppdrettservice AS	8	Norway	Lerøy Seafood Group ASA	51,00 %
Norsk Oppdrettservice Molde AS		Norway	Norsk Oppdrettservice AS	0,00 %
Norway Seafoods A/S	6	Denmark	Norway Seafoods Group AS	100,00 %
Norway Seafoods AS	6	Norway	Norway Seafoods Group AS	100,00 %
Norway Seafoods Boulogne S.A.S	6	France	Norway Seafoods S.A.S.	100,00 %
Norway Seafoods Group AS	6	Norway	Lerøy Seafood Group ASA	100,00 %
Norway Seafoods S.A.S.	6	France	Norway Seafoods Group AS	100,00 %
Preline Fishfarming System AS		Norway	Lerøy Seafood Group ASA	91,00 %
Rodè Beheer B.V.		Holland	Lerøy Seafood Group ASA	100,00 %
Rodè Retail B.V.		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vastgoed B.V.		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vis B.V		Holland	Rodè Beheer B.V.	100,00 %
Rodè Vis International AS		Norway	Rodè Beheer B.V.	100,00 %
Royal Frozen Seafood B.V.		Holland	Rodè Beheer B.V.	100,00 %
Senja Akvakultur Senter AS		Norway	Lerøy Aurora AS	100,00 %
Sirevaag AS		Norway	Lerøy Delico AS	100,00 %
Sjømathuset AS		Norway	Lerøy Seafood Group ASA	100,00 %
Sjøtroll Havbruk AS		Norway	Lerøy Seafood Group ASA	50,71 %
Sørvær Kystfiskeinvest AS	6	Norway	Norway Seafoods AS	51,00 %

NOTE 5 GROUP COMPANIES (CONT.)

Company	Country	Parent company	Ownership %
AUSS Shared Service AS	Norway	Austevoll Seafood ASA	100,00 %
Austevoll Laksepakkeri AS	Norway	Austevoll Seafood ASA	100,00 %
AUSS Laks AS	Norway	Austevoll Laksepakkeri AS	100,00 %
Aumur AS	Norway	Austevoll Seafood ASA	100,00 %
Murman Fishing Company Ltd.	Cyprus	Aumur AS	100,00 %
Austevoll Eiendom AS	Norway	Austevoll Seafood ASA	100,00 %
Austevoll Pacific AS	Norway	Austevoll Seafood ASA	100,00 %
Gateport Overseas Inc. *	Panama	Austevoll Pacific AS	100,00 %
Andean Opportunities Funds Ltd. *	Caymen Island	Gateport Overseas Inc.	100,00 %
Dordogne Holdings Ltd. *	Panama	Gateport Overseas Inc.	66,67 %
Dordogne Holdings Ltd. *	Panama	Andean Opportunities Funds Ltd.	33,33 %
Austral Group S.A.A	Peru	Dordogne Holdings Ltd.	89,21 %
Alumrock Overseas S.A	Peru	Austral Group S.A.A	98,27 %
A-Fish AS	Norway	Austevoll Seafood ASA	100,00 %
Aconcagua Ltd *	Jersey	A-Fish AS	100,00 %
Consortium Enterprises (Jersey) Ltd. *	Jersey	Aconcagua Ltd	100,00 %
Beechwood Ltd. **	Panama	Consortium Enterprises (Jersey) Ltd.	100,00 %
Pesquera Nuevo Horizonte Ltda.	Chile	Foodcorp Chile S.A.	0,00 %
Foodcorp Chile S.A	Chile	Consortium Enterprises (Jersey) Ltd.	73,61 %
Foodcorp Chile S.A	Chile	Austevoll Seafood ASA	26,39 %
Foodcorp Peru S.A	Peru	Foodcorp Chile S.A.	99,99 %
Cultivos Trana S.A	Chile	FoodCorp Chile S.A.	0,00 %
Br. Birkeland AS	Norway	Austevoll Seafood ASA	49,99 %
Bjånesøy Eiendom AS	Norway	Br. Birkeland AS	100,00 %
Kobbevik og Furuholmen Oppdrett AS	Norway	Br. Birkeland AS	100,00 %
Birkeland Fiskebåtrederi Holding AS	Norway	Br. Birkeland AS	85,70 %
Br. Birkeland Fiskebåtrederi AS	Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Opilio AS	Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Talbor AS	Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %
Maron AS	Norway	Birkeland Fiskebåtrederi Holding AS	100,00 %

* The company are Norwegian object of taxation
** Dormant company to be wind up

NOTE 6 ACQUISITION OF SHARES/BUSINESS COMBINATIONS

On 2 June 2016, Lerøy Seafood Group ASA (LSG) signed an agreement with Aker Capital AS and Aker Capital II for the acquisition of 53,501,793 shares in Havfisk ASA (Havfisk), and 62,293,254 shares in Norway Seafoods Group AS (Norway Seafoods). LSG has also committed to the acquisition of a further 1,026,632 shares in Havfisk from Fausken Invest AS. These acquisitions represented 64.4% and 73.6% of the total share capital in Havfisk and Norway Seafoods respectively. One condition for execution of the agreement was that the Ministry of Trade, Industry and Fisheries and relevant competition authorities approved the transaction. The purchase prices agreed upon were NOK 36.50 per share in Havfisk and NOK 1.00 per share in Norway Seafoods.

The final requisite statutory approval was obtained at the end of August, and the shares were transferred to LSG on 31 August 2016. This date represents the control date. Consequently, only results earned by the acquired enterprises from and including September 2016 will be included in the group's figures. If the consolidation had taken place with effect from 1 January 2016, the Group's income would have been higher by NOK 2.3 billion and the Group's operating profit would have been higher by NOK 0.2 billion.

On the date of consolidation, 67.4% of the shares in Havfisk and 73.6% of the shares in Norway Seafoods had been acquired. Completion triggered a mandatory offer of NOK 36.50 per share for the outstanding shares in Havfisk. LSG also made a voluntary offer of NOK 1.00 per share for the remaining outstanding shares in Norway Seafoods. Once the deadline for acceptance had expired on 17 October 2016, LSG had acquired a sufficient number of shares to implement compulsory redemption. The legal resolution to enforce redemption was adopted and the shareholders notified, such that 100% control of both companies was achieved effective 27 October 2016. The price per share was the same as for the voluntary offer. The total consideration for 100% of the shares in the two companies was NOK 3.2 billion. As part of the financing for the transactions, LSG sold total 300,000 treasury shares in June 2016 and carried out a private placement involving the issue of 5,000,000 new shares. The two transactions generated NOK 2.2 billion in extra cash for the Group in Q2 2016. Further financing of NOK 1 billion for the redemption of non-controlling interests was established by taking out a loan with a bank.
The cost of the share issue and expenses related to the sale of treasury shares in connection with the equity funding of the acquisition – totalling NOK 25 million after tax – are classified as a reduction in equity. Other acquisition costs are charged to profit.

The acquisitions have provided a substantial boost to the group's position within the European white fish segment, and ensured access to more than 100,000 tonnes of white fish raw material. Trough to the group's integrated value chain for salmon and trout, there is significant potential for future value generation by means of further developing the market for white fish, and thereby achieving the position of leading supplier of fresh/"refreshed" seafood with a full range of seafood products.

LSG perceives the two acquired enterprises plus their subsidiaries to be so closely integrated with each other that they must be considered as one in relation to the business combination. Havfisk's licences come with certain commitments. One condition for the use of the licences is that Havfisk fulfils certain commitments related to the onshore plants in North Norway operated by Norway Seafoods. These commitments cover supply, operations and processing.

Havfisk – and Norway Seafoods to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act)*.

The Participant Act stipulates inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of LSG's acquisition of the majority shareholding in Havfisk was granted on the basis of LSG's ownership on the date of the approval. The approval also states that no new applications are required for future changes in ownership of Havfisk, LSG and AUSS provided that LSG continues to own minimum 60% of the shares in Havfisk and that AUSS continues to own minimum 50% of the shares in LSG. However, the approval does not allow for changes in ownership that result in Laco AS directly owning less than 55.55% of the shares in AUSS. Any significant changes in ownership in Laco AS also require approval.

The approval also requires continuation of the prevailing terms related to permits for the vessels and structural quotas, in addition to compliance with the nationality requirement in section 5 of the Participant Act. Pursuant to the nationality requirement in section

NOTE 6 ACQUISITION OF SHARES/BUSINESS COMBINATIONS (CONT.)

5 of the Participant Act, operating permits can only be granted to parties that are Norwegian citizens or have status that equals Norwegian citizenship. According to the second paragraph letra a) of the provision, limited companies, public limited companies and other companies with limited liability have equal status to Norwegian citizens when the company's head office and Board of Directors are located in Norway, when the majority of the Board members, including the Chairman of the Board, are Norwegian citizens resident in Norway and who have lived in Norway for the last two years, and when Norwegian citizens own shares or stocks corresponding to minimum 6/10 of the company's capital and have voting rights in the company with minimum 6/10 of the votes. Havfisk, LSG and AUSS are obliged to submit an overview twice a year detailing the company's shareholders, including specification of the shares held by foreign shareholders.

Ultimately, a breach of the above-mentioned licence provisions could result in Havfisk losing its licences.

The purchase price allocation is preliminary. This is because the balance sheet date and the period afterwards has been a political process related to trawl licences and associated duties, where the outcome will be of great significance on the value of the acquired licences. The outcome is at the time of presenting the accounts still unresolved. See note 9 Events after reporting period for further information. In addition, it appears that there has been limited time between the time of the business combination and the balance sheet date.

Fair value adjustments	Balance before BC	Eliminations	Fair value adjustments	Fair value balance
Goodwill	0			0
Deferred tax assets	7	0	59	66
Licences	757	-4	2 942	3 696
Fixed assets	1 272		-180	1 092
Financial assets	265	-205	0	60
Inventory	256		-2	253
Short term receivables	306	0	0	305
Cash in bank	288		0	288
Identified value	**3 151**	**-210**	**2 818**	**5 760**
Equity	1 046	20	2 107	3 172
Deferred tax	194	7	683	884
Other non-current liabilities	1 309	-214	0	1 095
Current liabilities	602	-22	28	609
Total equity and liabilities	**3 151**	**-210**	**2 818**	**5 760**

In the table above, intercompany balances between Havfisk group and Norway Seafoods group are eliminated. Differences in net book value related to intercompany balances, rights and liabilities, derived from earlier impairment losses before acquisition date, are eliminated against equity in the purchase price allocation.

NOTE 6 ACQUISITION OF SHARES/BUSINESS COMBINATIONS (CONT.)

Acquisition analysis	Controlling interests	Non-controlling interests	Total
Recognised equity	705	340	1 046
Effect from elimination between acquired companies	13	7	20
Allocation of excess value	1 426	681	2 107
Net identified value	**2 144**	**1 028**	**3 172**
Calculation of Goodwill			
Total consideration	2 144	1 028	3 172
Net identified value	-2 144	-1 028	-3 172
Goodwill calculated	**0**	**0**	**0**

The tables below illustrate the total effect of the business combination and the subsequent of non-controlling interests allocated to (1) cost and (2) change in equity attributed to non-controlling interests in the group. The table also includes figures relating to the change of non-controlling interests in 2016.

Value added analysis	Business combinations	Purchase price from non-controlling interests	Total purchase price
Havfisk ASA	2 082	1 008	3 089
Norway Seafoods Group AS	62	22	85
Rode Beheer BV		197	197
Others		5	5
Total	**2 144**	**1 232**	**3 376**

Change in equity, non-controlling portion	Effect from business combinations	Effect from change in non-controlling interests	Total equity effect in non-controlling interests
Havfisk ASA	1 006	1 008	-2
Norway Seafoods Group AS	22	29	-7
Rode Beheer BV		207	-207
Others		2	-2
Total	**1 028**	**1 246**	**-217**

Notes to the accounts

NOTE 7 DIVIDENDS PER SHARE

Distributed dividend per share in 2016, based on profit figure for 2015 was NOK 7.00 per share. This amounted to a total of TNOK 1,419,019. Based on the profit figure for 2016, a dividend payment of NOK 2.50 per share is suggested for 2017. This will in total constitute TNOK 506,793. A final decision will be made by the ordinary shareholders' meeting on 24 May 2017.

Year	Profit after tax to AUSS shareholders	No of. shares 31.12.	Average no of outstanding shares	Earnings per share	Suggested dividend
2016	1 645	202 717 374	201 409 613	8,17	507
2015	722	202 717 374	200 995 151	3,59	1 419
2014	555	202 717 374	200 995 151	2,76	405
2013	699	202 717 374	200 995 151	3,48	324
2012	419	202 717 374	202 717 374	2,07	243
2011	369	202 717 374	202 717 374	1,82	203
2010	1 222	202 717 374	202 717 374	6,03	304
2009	723	202 717 374	188 917 000	3,83	243
2008	122	184 317 374	184 317 374	0,66	0
2007	499	184 317 374	183 302 000	2,72	55
2006	264	178 223 624	145 550 000	1,82	0
Total	**7 240**				**3 704**

Year	Proposed dividend per share	Dividend in % of net result (100%) ex. fair value of biological assets	Dividend paid out in mill (from last year)	No. of shares	Distributed dividend per share
2016	2,50	20 %	1 419	202 717 374	7,00
2015	7,00	129 %	405	202 717 374	2,00
2014	2,00	32 %	324	202 717 374	1,60
2013	1,60	32 %	243	202 717 374	1,20
2012	1,20	59 %	203	202 717 374	1,00
2011	1,00	21 %	304	202 717 374	1,50
2010	1,50	20 %	243	202 717 374	1,20
2009	1,20	26 %	0	202 717 374	0,00
2008	0,00	0 %	55	184 317 374	0,30
2007	0,30	12 %	0	184 317 374	0,00
2006	0,00	0 %	0	178 223 624	0,00
Total	**18,30**		**3 197**		**15,80**

AUSS aims to maximize value creation for the benefit of shareholders by constantly striving to achieve good results. Over time, the target is to pay out between 20 % and 40 % of the Group's net profit as dividends (excluding the value adjustment of biological assets).

Notes to the accounts

NOTE 8 CHANGE OF OWNERINTEREST IN SUBSIDIARIES

2016

Sale of shares in subsidiaries

AUSS has sold 2,750,000 shares in Lerøy Seafood Group ASA and, price per share was NOK 355, total MNOK 976. Following this transaction, AUSS owns 31,394,281 number of shares in Lerøy.

31st of August 2016 LSG became the majority owner of Havfisk ASA and Norway Seafood Group AS, and the consolidation was implemented from 1st of September. The purchase are described in note 6. In fourth quarter LSG became 100% owner of both companies, and the effect of the purchase from non-controlling interests are part of the table below.

2015

The acquirement in 2015 was related to acquire the last 50% of the shares in Alfarm Alarko Lerøy (Leroy Turkey). In addition the group acquired further 17% of the shares in Norsk Oppdrettsservice AS, whereby the group now owns 51% of the shares.

The effect of changes in the ownership interests mentioned above on the equity attributable to owners of the Group is summarized as follows:

Amounts in MNOK	2016	2015
Carrying amount of non-controlling interests acquired	1 233	60
Consideration paid to non-controlling interests	-1 233	-60
Excess of consideration paid recognised in parent's equity	**0**	**0**

The effect of transaction with non-controlling interests are also included in the Group's statement of changes in equity.

Transactions with non-controlling interests in EQ statment

Amounts in MNOK		2016
Sale of 2,750,000 shares in Lerøy Seafood Group ASA	AUSS	969
Share issue in Lerøy Seafood Group ASA	LSG	2 052
Sale of own shares (Lerøy Seafood Group)	LSG	122
Transactions with non-controlling interests*	LSG	-1 230
Purchase of own shares Br. Birkeland AS	Br. Birkeland AS	-28
Total		**1 885**

Business combinations in EQ statement

Amounts in MNOK		2016
Effect of initial consolidation Havfisk/Norway Seafoods, see note 6	LSG	1 028
Transactions with non-controlling interests in assosiated companies	Pelagia	-81
Total		**947**

***Transactions with non-controlling interests**

Amounts in MNOK		2016
Havfisk/Norway Seafoods	LSG	-1 030
Rode Beheer B.V.	LSG	-197
Other		-3
Total		**-1 230**

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NOTE 9 EVENTS AFTER REPORTING PERIOD

The Government announced 17 March 2017 a proposal that would imply in part significant changes to the regulatory framework for the fishing industry. Should the Storting adopt the proposed changes, this will have an impact on operations for Lerøy Seafood Group ASA's (LSG) subsidiaries, Havfisk AS and Norway Seafoods Group AS. The proposal is the result of a consultation process in which LSG also provided input. To date, the Group has not had the opportunity to gain in-depth knowledge of the proposal from the Government, and is therefore taking all necessary precautions.

The main elements in the proposal however seem to be that the Government proposes to remove the so-called trawler fleet land-lock obligation system parts in return for payment of financial compensation and parts a reduction in the company's basic quota. Forward-looking framework conditions, including predictability and a long-term perspective, are central in the effort to facilitate investments and create jobs in an industry exposed to tough competition and with high demands for capital.

The group is therefore not satisfied with the Government's proposal, which implies a reduction of the Group's basic quota of 20 %. It is our opinion that it is essential for the Group to sustain its raw material basis in order to substantiate the Group's long-term industrial investments both at sea and on land. The company plans to study the proposal in detail and assess it in its entirety, including the legal aspects. The group is satisfied that the Government has understood the need for modernisation of the framework conditions, and hopes that the company's input to further political discussions will be heard, so that the final resolution provides the best possible grounds for the future development of our sector.

The board have no knowledge of other events after reporting period and until the date of publication of the annual accounts who have essential significance, or comprised by the disclosure requirement of IAS 10.

NOTE 10 SEGMENT INFORMATION

Operating segments
The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segment based on the information reviewed by the Board of Directors. The Board of Directors considers the business from a company perspective. Several of the larger companies controlled by AUSS are separately listed companies, and as such naturally reviewed on a consolidated basis.

Lerøy Seafood Group ASA
Lerøy Seafood Group ASA (LSG) is a Norwegian public company listed on the Oslo Stock Exchange. LSG group is involved in fish farming (salmon and trout), fishery of white fish and VAP of salmon, trout and white fish, and sale and distribution of different fish species and processed fish products.

Austral Group S.A.A - Peru
Austral Group S.A.A (Austral) is a Peruvian public company listed on the Peru Stock Exchange. Austral is engaged in the production of fishmeal, fish oil, canned fish and frozen fish. From its fishing vessels to the finished products produced in the four fishmeal/oil factories, two canning plants and one freezing plant, Austral is a truly integrated system.

Foodcorp Chile S.A - Chile
Foodcorp Chile S.A. (FC) is a Chilean private company within the pelagic sector. The company is located in Coronel and is a truly integrated system engaged in production of frozen fish, canned fish, fishmeal and fish oil. The company holds a fleet of three modern purse-seiner vessels.

Br. Birkeland AS
The Norwegian Br. Birkeland AS group holds pelagic fishing licences which are utilised by three modern purse-seiner fishing vessels, in addition the company owns two vessels with licence to fish snow crab. The Br. Birkeland AS group also holds seven salmon farming licences in the Western Region of Norway.

Pelagia AS
Pelagia AS is private company within the pelagic sector. Pelagia AS is engaged in production of fish meal, fish oil and frozen fish for direct human consumption. Pelagia AS has its production facilities in Norway, UK and Ireland. The company is jointly owned with Kvefi AS, and is accounted for as a joint venture.

NOTE 10 SEGMENT INFORMATION (CONT.)

Other / Elimination
Austevoll Seafood ASA (parent company), Austevoll Eiendom AS, Austevoll Laksepakkeri AS, AUSS Laks AS and AUSS Shared Service AS are not included in any of the operating segments. Unrealised gains on sales between the operating segments, which are eliminated in the consolidated financial statements, are also presented as Other/Elimination.

2016	LSG ASA	Austral Group	Food-corp Chile	Br. Birkeland AS	Pelagia AS 50%	Other/elim	Group
External income	17 027	1 026	425	397	2 879	-2 849	18 905
Inter-segment income	243	0	0	387	0	-629	0
Other gains and losses	0	-5	0	6	0	5	7
Total segment income	**17 270**	**1 020**	**426**	**790**	**2 879**	**-3 473**	**18 912**
Operating expenses	-13 915	-880	-394	-445	-2 565	3 169	-15 031
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	**3 355**	**140**	**31**	**345**	**314**	**-304**	**3 881**
Depreciation and amortisation	-512	-175	-69	-67	-82	60	-845
Impairment/reversal of impairments*)	0	26	-149	0	0	0	-123
Operating profit before fair value adjustment of biological assets	**2 843**	**-9**	**-187**	**277**	**232**	**-244**	**2 913**
Fair value adjustment of biomass	1 471	0	0	79	0	0	1 549
Operating profit	**4 314**	**-9**	**-187**	**356**	**232**	**-244**	**4 462**
Income from equity accounted investments	263	0	0	3	23	171	459
Interest income	19	1	1	7	0	18	46
Interest expenses	-151	-36	-5	-23	-20	-63	-298
Net other financial	1	4	0	10	1	-4	12
Profit before tax	**4 445**	**-40**	**-190**	**354**	**236**	**-123**	**4 682**
Income tax expense	-927	-5	44	-73	-42	28	-975
Net profit	**3 519**	**-45**	**-146**	**281**	**194**	**-95**	**3 708**
Profit attributable to non-controlling interest	1 925	-5	0	143	3	-3	2 063
Profit attributable to Austevoll Seafood ASA shareholders	**1 594**	**-40**	**-146**	**137**	**191**	**-91**	**1 645**
Dividend attribute to AUSS	**377**			**65**	**175**	**1**	**617**

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NOTE 10 SEGMENT INFORMATION (CONT.)

2015	LSG ASA	Austral Group	Food-corp Chile	Br. Birkeland AS	Pela-gia AS 50%	Other/elim	Group
External income	13 258	1 090	490	355	3 046	-2 999	15 240
Inter-segment income	193	0	0	167	0	-360	0
Other gains and losses	34	1	0	-1	0	0	34
Total segment income	**13 485**	**1 091**	**490**	**520**	**3 046**	**-3 359**	**15 274**
Operating expenses	-11 671	-819	-444	-414	-2 687	3 005	-13 030
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	**1 814**	**273**	**47**	**106**	**359**	**-354**	**2 244**
Depreciation and amortisation	-434	-164	-64	-67	-85	64	-750
Impairment/reversal of impairments*)	0	8	-116	0	0	0	-108
Operating profit before fair value adjustment of biological assets	**1 380**	**117**	**-134**	**39**	**274**	**-291**	**1 386**
Fair value adjustment of biomass	189	0	0	58	0	0	247
Operating profit	**1 568**	**117**	**-134**	**97**	**274**	**-291**	**1 633**
Income from equity accounted investments	61	0	0	-1	23	181	264
Interest income	12	0	2	9	0	18	41
Interest expenses	-126	-25	-4	-24	-28	-55	-263
Net other financial	-15	-86	0	3	-14	8	-103
Profit before tax	**1 501**	**7**	**-136**	**84**	**255**	**-139**	**1 572**
Income tax expense	-268	-22	-7	-4	-49	61	-289
Net profit	**1 233**	**-15**	**-143**	**80**	**206**	**-78**	**1 283**
Profit attributable to non-controlling interest	509	-2	0	53	3	-3	561
Profit attributable to Austevoll Seafood ASA shareholders	**724**	**-14**	**-143**	**27**	**203**	**-75**	**722**
Dividend attribute to AUSS	**410**			**7**	**125**	**1**	**543**

* For information regarding impairments, see note 15 and 16.

Notes to the accounts

NOTE 10 SEGMENT INFORMATION (CONT.)

	Total assets		Total investments in non-current assets	
Segment	**2016**	**2015**	**2016**	**2015**
LSG ASA	23 115	13 768	770	662
Pelagia AS	IA	IA	IA	IA
Br. Birkeland AS	2 339	1 947	172	58
Other	5 615	6 006	11	41
Total for Norway	**31 068**	**21 721**	**953**	**760**
Austral - Peru	3 273	3 189	166	351
Foodcorp - Chile	660	885	24	14
Total	**35 001**	**25 794**	**1 143**	**1 126**

	Associated companies and joint venture		Total liabilities	
Segment	**2016**	**2015**	**2016**	**2015**
LSG ASA	762	702	11 808	7 579
Pelagia AS	928	1 053	IA	IA
Br. Birkeland AS	13	5	1 167	980
Other	6	6	1 826	1 756
Total for Norway	**1 709**	**1 766**	**14 801**	**10 315**
Austral - Peru	1	1	1 663	1 509
Foodcorp - Chile	0	0	326	358
Total	**1 710**	**1 767**	**16 789**	**12 183**

Sales revenue by geographic areas	2016	2015
Norway	2 868	2 550
EU	10 529	7 769
Eastern Europe	686	568
Africa	120	90
North America	1 072	1 040
Pacific	3 205	2 600
South America	425	623
Total	**18 905**	**15 239**

Turnover is allocated based on the customer's home country/destination of sales shipment.

NOTE 11 OTHER GAINS AND LOSSES

	2016	2015
Gains and losses on sale of property, plant and equipment	1	22
Gain on remeasurement from business combinations	0	12
Other gains and losses	6	0
Total other gains and losses	**7**	**34**

NOTE 12 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2016	2015
Salary and holiday pay	1 746	1 350
Hired personnel	93	98
Other remunerations	53	43
National insurance contribution	179	161
Pension costs (incl. national insurance contribution)	77	63
Remuneration to the members of the board	1	1
Other personnel costs	82	81
Total payroll expences	**2 230**	**1 797**
Average man-labour year	4 710	4 026

All companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP).

The schemes are in the main established as defined contribution pension schemes, with external life insurance companies.

Some of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The new AFP scheme which came into effect on 1 January 2011, is to be considered as a defined contribution scheme until reliable and sufficient information has been provided so that the Group can book its proportionate share of the pension cost, pension liability and pension funds in the scheme. However, a provision has been carried to cover the estimated payments related to undercoverage in the former AFP scheme.

Moreover, a limited part of the Group companies have defined benefit schemes with life insurance companies, with pension funds placed in a portfolio of investments by insurance companies. The insurance company administers all transactions related to the pension scheme. Estimated return on pension funds is based on marked prices on balance sheet date and projected development during the period in which the pension scheme is valid. The calculation of pension liabilities is based on assumptions in line with the recommendations of Norsk Regnskapsstiftelse (NRS) per 31.12.2016. Change in the benefit obligations as a result of actuarial gains and losses are booked as comprehensive income.

NOTE 12 PAYROLL, FEES, NO. OF EMPLOYEES ETC. (CONT.)

Pension costs	2016	2015
Pension costs related to defined contribution plan	58	50
Sosial security on defined contribution plan	9	7
Total pension costs related to defined contribution plan	**67**	**57**
Net pension cost related to defined benefit plan	4	6
Total pension costs	**71**	**63**
Pension obligations and other obligations		
Pension and pension commitments	13	13
Fair value of interest swapcontracts (ref. note 22)	127	139
Other obligations	6	2
Total	**146**	**154**

NOTE 13 FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest income	46	38
Net currency gains (unrealised and realised)	23	0
Other financial income	3	2
Total financial income	**72**	**40**
Interest expenses	298	262
Net currency losses (unrealised and realised)	0	91
Other financial expenses	13	13
Total financial expenses	**311**	**365**
Net financial cost	**-239**	**-325**

NOTE 14 EARNINGS PER SHARE AND DIVIDEND PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Basis for calculation of earnings per share	2016	2015
The year's earnings for shareholders in Austevoll Seafood ASA	**1 645**	**722**
No. of shares at the balance sheet date (see note25)	202 717 374	202 717 374
Average no. of outstanding shares	201 409 613	200 995 151
Earnings per outstanding share	8,17	3,59
Diluted earnings per share	8,17	3,59
Suggested dividend per share	**2,50**	**7,00**

The dividends paid in 2016 and 2015 were NOK 7.00 per share and NOK 2.00 per share respectively. A dividend in respect of the year ended 31 December 2016 of NOK 2.50 per share is to be proposed at the annual meeting on May 24, 2017. These financial statements do not reflect the proposed dividend.

NOTE 15 INTANGIBLE ASSETS

2015	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Per 01.01.						
Acquisition cost	2 004	3 854	727	1 099	50	7 734
Accumulated amortisation	0	-15	-69	-8	0	-92
Accumulated impairment	-24	-18	0	-31	0	-73
Carrying amount at 01.01.	**1 980**	**3 821**	**658**	**1 060**	**50**	**7 569**
Balance sheet value at 01.01.	1 980	3 821	658	1 060	50	7 569
Currency translation differences	39	0	0	127	0	165
Reclassification		10	0			10
Effect of business combination	42	60	327	0	0	430
Intangible assets acquired	0	10	0	0	0	10
Amortisation		-15	-17	-5	0	-36
Impairment	-108	0	0	0	0	-108
Carrying amount at 31.12.	**1 953**	**3 886**	**969**	**1 181**	**50**	**8 039**
Per 31.12.						
Acquisition cost	2 085	3 960	1 054	1 225	50	8 375
Accumulated amortisation	0	-55	-86	-15	0	-155
Accumulated impairment	-132	-18	0	-30	0	-181
Carrying amount at 31.12.	**1 953**	**3 887**	**969**	**1 180**	**50**	**8 039**
– of which assets with indefinite lives	1 953	3 858	815	1 180	50	7 856
– of which assets with definite lives	0	29	154	0	0	183
– remaining years for assets with definite useful lives (years)		10-12 years	12 years			

NOTE 15 INTANGIBLE ASSETS (CONT.)

2016	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Balance sheet value at 01.01.	1 953	3 887	969	1 180	50	8 039
Currency translation differences	-17	0	0	-3	0	-19
Effect of business combinations	0	0	3 695	0	0	3 696
Intangible assets acquired	0	1	0	0	0	1
Amortisation		-14	-14	-17	0	-44
Carrying amount at 31.12.	**1 936**	**3 875**	**4 650**	**1 161**	**50**	**11 672**
				0		
Per 31.12.						0
Acquisition cost	2 069	3 986	4 749	1 207	50	12 062
Accumulated amortisation	0	-93	-100	-16	0	-209
Accumulated impairment	-132	-18	0	-30	0	-180
Carrying amount at 31.12.	**1 936**	**3 875**	**4 650**	**1 161**	**50**	**11 672**
– of which assets with indefinite lives	1 936	3 844	3 701	1 161	50	10 693
– of which assets with definite lives	0	30	544	0	0	574
– remaining years for assets with definite useful lives (years)		10-12 years	11 -16 years			

Included in licences fishfarming above is a privilege for utilisation of waterfalls with definite useful lives.

Cash-generating units (CGU)

Every corporate subsidiary in the AUSS Group is classified as one group of CGUs in order to allow for the distribution of goodwill for impairment testing. Goodwill and intangible assets with an indefinite useful life are not amortised, but shall be tested for impairment at least once a year – or when there are indications of impairment – and written down if their value can no longer be justified. Useful life is utilised as a main rule when establishing recoverable amount. Useful life is estimated as the present value of future cash flows. The present value is compared with the book value per CGU or group of CGUs. The present value estimate is based on the budget for the next year and the estimated profit/loss over the next four years. A terminal value is estimated for the period following the next five years. The Gordon growth model is applied to estimate terminal value.

Goodwill and intangible assets with indefinite useful life (which is not depreciated) is distributed on the different groups as follows:

Booked value intangible assets per CGU	Goodwill	Licences	Brand/ Trademarks	Total
Lerøy Seafood Group ASA	1 399	7 394	50	8 843
Br. Birkeland AS	258	1 134	0	1 392
Austral Group S.A.A	279	809	0	1 087
Foodcorp Chile S.A	0	350	0	350
Total	**1 935**	**9 687**	**50**	**11 672**

THE GROUP

NOTE 15 INTANGIBLE ASSETS (CONT.)

Lerøy Seafood Group ASA (LSG)
LSG is a fully-integrated seafood company and comprises the entire value chain, from roe, fry, smolt, farming of Atlantic salmon and trout, catching white fish and processing to sales and distribution. LSG has following fish farming licences; 26 licences in the region of Troms, 57 in Central Norway and 63 in West Norway. The following rates are applied for tests of possible impairment: discount rate (WACC) before tax of 7.5%, WACC after tax of 5.7%, nominal rate of growth of 2.0% and estimated inflation of 1.0%. LSG's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2016 and 2015. The management's calculations are robust in the face of reasonable changes in conditions in the future, and a change of all essentials elements with 10-15% will not cause requirement of write-down. Historically until 2012, the Group has experienced a significant production growth per license in Norway. Since 2012 and until today it has been approximately no growth. As a consequence of new green farming licences together with research and development licences, it is raised probability for growth the next years. The model is based on an assumption of zero growth in volume which is a very conservative projection in the longer term. It is probable that such a low growth rate would result in a margin expansion, a condition which is barely covered by the model.

The licences in this segment are owned by the sub-group, Havfisk AS. The licences are governed by an obligation to supply products to the regions where the licences are located, i.e. Finnmark and Nordland. This implies that buyers in those regions have priority over other buyers of fish. The details of the supply obligation are stipulated in the licence terms for the individual licence unit. This may be a region but could also be a specific buyer. The principle for pricing is the average price realised for the species of fish in question over the past two weeks, taking into account condition, size and quality. Havfisk is also subject to a so-called "industrial obligation" in Stamsund, Melbu, Hammerfest, Båtsfjord, Honningsvåg and Kjøllefjord. This implies that the licence is linked to operation of the facilities in the respective locations. Havfisk has however leased out the facilities in these locations. The lessee is Norway Seafoods Group AS. The lessee is responsible for sustaining operations. If the lessee terminates operations, the licence terms oblige Havfisk to sustain operations in the specified locations.

At the end of the financial year, the Havfisk group owned 29.6 cod and haddock trawling licences, 31.9 saithe trawling licences, 8 shrimp trawling licences and 3 greater silver licences in Norway. These licences are owned via the subsidiaries Nordland Havfiske AS, Finnmark Havfiske AS and Hammerfest Industrifiske AS.

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2016, each vessel was permitted up to four licence units. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". In 2016, one cod licence entitled the holder to fish for 1,491 tonnes of cod, 578 tonnes of haddock and 366 tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2015, this is an increase of 1% for cod, 26% for haddock and 12% for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

In order to boost profitability for fisheries and reduce the number of vessels in operation, the fisheries authorities have implemented schemes allowing for companies to merge several quota units per vessel in return for the permanent removal of vessels that have handed over their quotas from the registry of fisheries. Each vessel has one cod trawling permit, a so-called basic quota. Vessels can also have so-called structural quotas for cod trawling. In total, one vessel cannot have more than four quotas per fish species. The structural quotas have a limited duration according to the scheme in place when the quota was structured. In principle, there are two schemes for structural quotas, comprising 20 and 25 years' duration. The new scheme for structural quotas was introduced in 2007. Structural quotas allocated before 2007 have a duration of 25 years starting in 2008, while quotas allocated after 2008 have a duration of 20 years.

The main purpose of the structure schemes is to reduce the number of vessels participating in individual fisheries, thereby facilitating improved profitability for the remaining vessels – i.e. improving efficiency within a regulated framework. Moreover, the schemes are intended to adapt fleet capacity to the basic resources. At the end of the duration of 20 and 25 years respectively,

NOTE 15 INTANGIBLE ASSETS (CONT.)

the structural quotas are no longer valid and the total quotas will be distributed among all parties in the regulation group in question, as basic quotas. Basic quotas do not have any time limits.

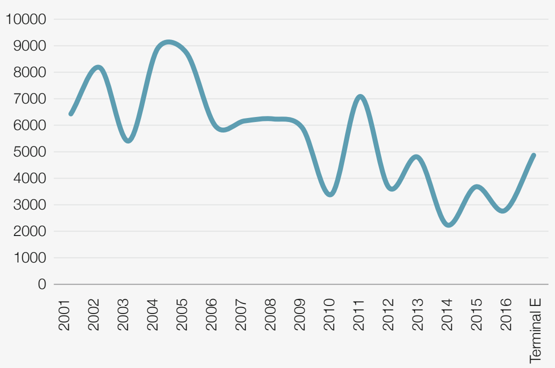
An impairment test has been performed for the assets with an unlimited useful life (basic quotas) in connection with the preparation of the provisional acquisition analysis. This test indicated values corresponding to those on which the provisional acquisition analysis was based, see note 6. The most significant premises in the test are estimated future volume of catches per species, estimated future prices per species and required rate of return. The required rate of return applied after tax is 7.22%. Any negative change in these premises would naturally have resulted in a write-down, as the values allocated in the acquisition analysis correspond to fair value reflected via the acquisition. The acquisition analysis is still provisional and is not final.

Br. Birkeland AS (BRBI)
BRBI has five fishing vessels, three of which are pelagic ring net/trawlers each with a 650 basic ton ring net licence and a 1.425 trawling licence, and one vessel has 471 basic ton ring net licence. Two vessels fishes for snow crab and have an onboard factory where the product is processed to completion. BRBI also has seven licences for farming Atlantic salmon and trout in West Norway. For licences related to pelagic fishing, the last known turnover figure has been applied for impairment tests, and this indicates a sound margin in relation to book values.
The following rates are applied for tests of possible impairment for farming licences: discount rate (WACC) before tax of 7.5%, WACC after tax of 5.7%, nominal rate of growth of 2.0% and estimated inflation of 1.0%. BRBI's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2016 and 2015. The management's calculations regarding farming licences are robust in the face of reasonable changes in conditions in the future.

Austral Group S.A.A (Austral)
Austral is a fully-integrated fishing company involved in catches, processing and sales. Austral has fishing rights for anchoveta and horse mackerel/mackerel in Peru. The company has a total anchoveta quota that represents 6.87% of the total quota for Central/North Peru, and just less than 4% of the quota in South Peru. Austral's product range comprises fishmeal and fish oil, in addition to canned and frozen products directly for the consumer market. Austral's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and quota sizes from year to year. There are two main seasons for anchoveta – the first from April to July and the second from November to January. Resource management is carried out by Instituto del Mar de Peru (IMARPE). Prior to each fishing season, IMARPE carries out a measurement of biomass and recommends quota sizes on the basis of their finds. Cash flows after tax and an equivalent discount rate (WACC) after tax of 7.6%, nominal rate of growth of 2.0% and estimated inflation of 2.0% are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2016-2025 report. The model makes use of current cost levels, adapted to take into account growth. The model also estimates a total anchoveta quota in the terminal element in Central/North Peru of 4.5 million tonnes and 0.3 million tonnes in South Peru – totaling 4.8 million tonnes. This figure is at the lower end of the sample space in the total quota over the past 15 years (ref. graph). Austral's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2016 and 2015. With the implemented WACC and best estimate for the terminal element, the tests show that this value is also intact in the face of reasonable changes in price attainment for fishmeal and -oil. The critical price in the terminal element for fishmeal is USD 1,477. For comparison, the average price of fishmeal FOB Peru was USD 1,571 in 2016 and USD 1,661 in 2015 (source: SUNAT).

Anchovy (Engraulis ringens) unloading

National Unloading (in 1 000 MT)

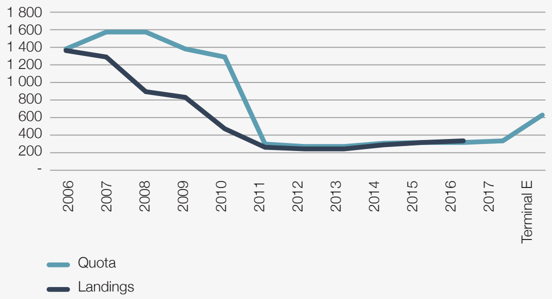


Foodcorp Chile S.A (FC)
FC is a fully-integrated fishing company involved in catches, processing and sales. FC has fishing rights for horse mackerel, mackerel, squid, sardines and anchoveta in

NOTE 15 INTANGIBLE ASSETS (CONT.)

Chile. The company has 9.1% of the quota for horse mackerel that applies to the fleet group in South Chile to which the company's vessels belong. FC supplies frozen products and canned products for consumers, and fishmeal and fish oil. FC's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and, as a result, quota sizes from year to year. The stock of horse mackerel in the southern Pacific has been subject to significant harvesting over the past decade, and a common fish stock management scheme was not implemented until 2011. Fish stock management is now provided by the South Pacific Regional Fisheries Management Organisation (SPRFMO). Their work involves measurements and estimates of stock sizes that in turn provide the basis for specification of total quotas from year to year. Total quotas (TAC) were set for the first time in 2012, and at extremely low levels historically. There has been a gradual increase in the total quotas since then. The resource management programme now in place is expected to result in a gradual increase in biomass in the future. Cash flows after tax and an equivalent discount rate (WACC) after tax of 8.4%, nominal rate of growth of 2.0 % and estimated inflation of 2.0 % are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2016-2025 report. The model makes use of current cost levels, adapted to take into account growth. The figure for volume of raw materials applied in the model is conservative and is based on SPRFMO's models, which project a build-up to a spawning stock biomass of 5.5 million tonnes over a five-year period. The critical total quota for Chile on horse mackerel in the terminal element is estimated at 617,000 tonnes. This volume is historical low (look at figures below). FC's impairment tests did not produce grounds for write-down of intangible assets with an indefinite useful life in 2016. FC made a write-down of goodwill by MNOK 116 in 2015.

Horsemackerel quotas and catches Chile (figures in 1,000 metric tonnes).



Notes to the accounts

NOTE 16 TANGIBLE FIXED ASSETS

2015	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Per 01.01.						
Acquisition cost	217	328	2 070	5 611	2 209	10 435
Accumulated depreciation	0	-1	-592	-3 282	-1 445	-5 320
Accumulated impairment	-18	0	-33	-51	-64	-166
Carrying amount at 01.01.	**198**	**327**	**1 446**	**2 278**	**700**	**4 949**
Balance sheet value at 01.01.	198	327	1 446	2 278	700	4 949
Currency translation differences	13	14	78	44	27	176
Reclassification	0	-200	28	126	46	0
Acquisitions through business combinations	21	0	7	19	24	71
Tangible fixed assets acquired	77	101	61	598	279	1 115
Tangible fixed assets sold/scrapped	-43	-5	-51	-49	-2	-151
Depreciation	0	0	-87	-497	-125	-709
Disposals acc. depreciation	0	0	35	33	0	69
Reversal of impairments	0	0	1	7	1	8
Reversal of impairments by scrapping/sale of fixed assets	1	0	0	1	0	3
Carrying amount at 31.12.	**267**	**237**	**1 518**	**2 560**	**949**	**5 531**
Per 31.12.						
Acquisition cost	283	236	2 223	6 514	2 764	12 020
Accumulated depreciation	0	-1	-673	-3 906	-1 764	-6 342
Accumulated impairment	-16	0	-32	-48	-51	-146
Carrying amount at 31.12.	**267**	**237**	**1 518**	**2 560**	**949**	**5 531**
Carrying amount of finance lease included above	**0**	**0**	**54**	**829**	**292**	**1 175**
Depreciation on finance lease included above	**0**	**0**	**9**	**224**	**37**	**269**

NOTE 16 TANGIBLE FIXED ASSETS

2016	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Balance sheet value at 01.01.	267	237	1 518	2 560	949	5 531
Currency translation differences	-3	-1	10	-36	-25	-56
Reclassification	0	-270	31	145	105	11
Acquisitions through business combinations	4	0	22	51	1 015	1 092
Tangible fixed assets acquired	18	153	140	643	187	1 142
Tangible fixed assets sold/scrapped	-2	-2	-9	-73	-185	-272
Depreciation	0	0	-138	-512	-151	-801
Disposals acc. depreciation	0	0	0	47	133	180
Reclassifications acc. depreciation	0	0	-11	0	0	-11
Impairment *	0	0	-82	-27	-37	-146
Reversal of impairments	-7	0	1	28	2	23
Carrying amount at 31.12.	**277**	**115**	**1 481**	**2 825**	**1 992**	**6 691**
Per 31.12.						
Acquisition cost	300	116	2 361	7 233	3 858	13 869
Accumulated depreciation	0	-1	-767	-4 371	-1 780	-6 918
Accumulated impairment	-23	0	-113	-37	-85	-258
Carrying amount at 31.12.	**277**	**115**	**1 481**	**2 825**	**1 992**	**6 691**
Carrying amount of finance lease included above	**0**	**0**	**41**	**730**	**244**	**1 015**
Depreciation on finance lease included above	**0**	**0**	**4**	**125**	**13**	**143**

* Impairment is mainly related to fishing vessels and canning plants in Chile.

NOTE 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES

The amounts recognised in the balance sheet are as follows:	2016	2015
Associates	782	714
Joint ventures	928	1 053
Total per 31.12.	**1 710**	**1 767**

Profit and loss recognised in the income statement are as follows:	2016	2015
Associates	266	61
Joint ventures	193	203
Total per 31.12.	**459**	**264**

Notes to the accounts

NOTE 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Associated companies

Set out below are the associates of the Group as of December 31, 2016, which are considered material to the Group.

Name	Country of incorporation	% interest and voting rights held	Measurement method
2015 and 2016			
Norskott Havbruk AS	Norway	50,00 %	Equity
Seistar Holding AS	Norway	50,00 %	Equity

In addition the Group has shareholding in the following companies recognised in the accounts as associated companies;

Name	Country of incorporation	% interest and voting rights held at beginning of the year	% interest and voting rights held at end of the year	Carrying value of investment
Lerøy Schlie	Denmark	0,00 %	50,00 %	6
Kirkenes Processing AS	Norway	0,00 %	50,00 %	4
Romsdal Processing AS	Norway	50,00 %	50,00 %	1
Lerøy Sommarøy AS	Norway	0,00 %	50,00 %	13

Set out below are the summarised financial information for the investments in associates considered material to the Group, and total amounts for associates considered to not be material.

Name	Norskott Havbruk AS		Seistar Holding AS	
Year ended	**2016**	**2015**	**2016**	**2015**
Summarised statement of comprehensive income				
Revenue	1 721	1 498	105	112
Pre-tax (loss)/profit	582	90	28	38
Post-tax (loss)/profit	478	83	27	35
Other comprehensive income	-6			
Summarised balance sheet				
Total current assets	1 130	1 036	82	71
Total current liabilities	-303	-215	-23	-23
Non-current assets	876	880	368	135
Non-current liabilities	-479	-553	-295	-74
Net assets	**1 225**	**1 149**	**131**	**110**
Foreign exchange differences				
Interest in associate				
Carrying value in AUSS group	**643**	**606**	**86**	**76**

The information above reflects the amounts presented in the financial statements of the associates on 100 percent basis, adjusted for differences in accounting policies between the group and the associates.

NOTE 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Reconciliation of summarised financial information.

Name	Norskott Havbruk group *		Seistar Holding AS		Others		Total	
Year ended	2016	2015	2016	2015	2016	2015	2016	2015
Carrying value beginning of year	606	552	76	0	32	113	714	665
Acquisitions	0	0	0	62	21	2	21	63
Disposals	0	0	0	0	-19	-84	-19	-84
Share of profit/(loss)	239	41	13	18	14	2	266	61
Exchange differences	-101	58	0	0	0	-1	-101	58
Dividends	-101	-46	-3	-3	0	0	-104	-49
Other changes in equity	0	0	0	0	5	-1	5	-1
Carrying value end of year	643	606	86	76	53	32	782	714

* Norskott Havbruk group operate their business through their subsidiary in Scotland. Exchange differences refer to translation of currency from GBP to NOK.

Investments in joint ventures	Location	Business	Voting share	Measurement method
Pelagia AS	Norway	Pelagic	50 %	Equity

Pelagia AS is a private company, and there are no quoted marked prices available for the shares.

NOTE 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Set out below are the 100% summarised financial information for the investment in joint venture, which is accounted for using the equity method.

	Pelagia AS	
Assets	**2016**	**2015**
Cash and cash equivalents	39	175
Other curent assets	1 428	1 373
Total current assets	**1 466**	**1 548**
Financial liabilities (excluding trade payables)	-573	-194
Other current liabilities (including trade payables)	-377	-419
Total current liabilities	**-949**	**-613**
Non-current assets	2 902	2 940
Non-current financial liabilities	-1 310	-1 433
Other non-current liabilities	-143	-228
Total liabilities	**1 448**	**1 280**
Minority interests	-110	-109
Net assets	**1 855**	**2 105**
Revenue	5 758	6 092
Depreciation and amortisation	-164	-169
Other expenses	-5 130	-5 375
Interest expense	-40	-56
Other financial items	48	18
Pre-tax profit	**472**	**510**
Income tax expense	-84	-97
Post-tax profit	**388**	**413**
Other comprehensive income	0	0
Total comprehensive income	**388**	**413**

	Pelagia AS	
Reconciliation of summarised financial information	**2016**	**2015**
Per 01.01.	**1 053**	**898**
Share of profit/(loss)	193	203
Share of comprehensive income	0	49
Currency exchange	-62	28
Dividends	-175	-125
Other changes in equity	-81	-1
Carrying value end of year	**928**	**1 053**

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NOTE 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

Investment in joint operations	Location	Business	Voting share	Nature of the relationship	Measurement method
Marfood S.A.	Chile	Fish oil/Fishmeal	46 %	1)	proportional

1) The establishment of Marfood S.A. was to serve the purpose of joint operation of production and marketing/sale of fishmeal/oil products with Alimar S.A. The owners are providing their own production assets, to which unique ownership is retained. The co-operation with Marfood ended 31.12.2015.

Set out below are the summarised financial information for the investments in joint operations, which are accounted for using the proportional method.

	Marfood S.A.	
Assets	**2016**	**2015**
Cash and cash equivalents	4	9
Other current assets	12	200
Non-current assets	1	11
Total assets	**17**	**220**
Other current liabilities (including trade payables)	7	109
Other non-current liabilities	0	83
Total liabilities	**7**	**191**
Total equity	**10**	**28**
Total equity and liabilities	**17**	**220**
Revenue	126	350
Operating costs	-113	-344
Depreciation and amortisation	0	-1
Interest expense	-1	-2
Other financial income/expense	0	-1
Pre-tax profit	**12**	**2**
Income tax expense	-3	-1
Post-tax profit	**9**	**1**
Other comprehensive income	0	0
Total comprehensive income	**9**	**1**

NOTE 18 INVESTMENTS IN OTHER SHARES

2016 Company	Business location	Ownership/ voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16,70 %	22	26
Bulandet Eiendom AS	Bulandet, Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	5	5
Other shares		minor	2	2
Total non-current			**30**	**34**

2015 Company	Business location	Ownership/ voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16,70 %	22	26
Bulandet Eiendom AS	Bulandet, Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	6	6
Other shares		minor	1	0
Total non-current			**30**	**33**

Reconciliation of the carrying amount of investments in other shares	2016	2015
Beginning of year	33	34
Business combinations	2	0
Acquired/sold	-1	0
Net gains/losses	0	-1
End of year	**34**	**33**
Less: non-current portion	-34	-33
Current portion	**0**	**0**

There were no impairment provisions on investments in other shares in 2016 and 2015.

Investments in other shares are denominated in the following currencies:	2016	2015
NOK	34	32
Total	**34**	**32**

NOTE 19 TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	2 371	1 687
Less: provision for impairment of trade receivables	-31	-32
Trade receivables - net	**2 340**	**1 655**
Other current receivables		
Prepayments	87	78
Receivables related parties	0	1
Loans to related parties	0	6
Loans to third parties	38	36
Public fees and taxes receivable	335	259
Currency forward contracts/Effects of fair value hedging	57	0
Insurance to recover	10	15
Short-term loans	92	66
Balance on sale of equipment	36	7
Other current receivables	80	153
Total other current receivables	**734**	**621**
Total current	**3 074**	**2 276**
Non-current receivables		
Loans to related parties	29	21
Loans to third parties	21	25
Other non-current receivables	71	16
Total non-current receivables	**121**	**61**
The agening of the trade receivables, past due but not impaired:		
0 to 3 months	448	341
3 to 6 months	9	7
Over 6 months	30	18
Total	**486**	**365**
The agening of the trade receivables, past due and impaired:		
0 to 3 months	2	2
3 to 6 months	0	0
Over 6 months	18	15
Total	**21**	**18**

The Group's trade receivables of MNOK 2,340 are partly covered by credit insurance and other types of security. Trade receivables per 31.12 were nominally MNOK 2,371 while provisions for bad debts were amounted to MNOK 31.

Trade receivables, past due but not impaired was MNOK 486 per 31.12. A major part of the trade receivables, past due but not impaired are related to the subsidiary Lerøy Seafood Group ASA (LSG) with MNOK 340 of the amount overdue. Per end of February 2017 more than 96.3% of the customer receivables related to LSG are paid.

Notes to the accounts

NOTE 19 TRADE AND OTHER RECEIVABLES (CONT.)

The carrying amounts of the trade and other current receivables are denominated in the following currencies:

	2016	2015
USD	533	361
GBP	59	59
EUR	944	691
NOK	1 168	710
CLP	21	50
PEN	80	113
SEK	167	218
Other	103	73
Total	**3 074**	**2 276**
Movements on the provision for impairment of trade receivables are as follows:		
Per 01.01.	-32	-35
This years change in provisions	5	-2
Receivables written off during the year as uncollectable	0	2
Currency translation differences	0	3
Unused amounts reversed	-4	0
Per 31.12.	**-31**	**-32**

NOTE 20 INVENTORIES

	2016	2015
Raw materials	412	359
Work in progress	33	67
Finished goods	696	555
Impairments, including obsoleteness	-17	-15
Total	**1 125**	**966**
Obsoletness of inventories expensed during the year	17	1

NOTE 21 BIOLOGICAL ASSETS

The group recognises and measures biological assets (fish in sea) at fair value. For roe, fry, smolt and cleaner fish, historical cost provides the best estimate of fair value. For salmon and trout, including parent fish, a present value model is applied to estimate fair value. A present value model is applied, where the fair value of fish in the sea is estimated as a function of the estimated biomass at the time of release from stock, multiplied by the estimated sales price. For fish not ready for slaughter, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. Please refer to note (I) on accounting policies for more detailed information.

The present value model now applied replaces the former growth model. Any impact on the financial statements is recognised as a change in accounting estimates. In relation to the former growth model, the transition to the new estimate model has resulted in an increase in stock value of NOK 716 million. The net effect on the income statement – minus the increase in provisions for loss-making (onerous) contracts – is NOK 432 million.

Fair value adjustment recognised in the period related to biological assets comprises: (1) change in fair value adjustment of stock of fish in sea, (2) change in fair value of onerous contracts and (3) change in fair value of unrealised gain/loss related to financial purchase and sale contracts for fish in Fish Pool. The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfil the contract. This implies that the Group may experience loss-making (onerous) contracts according to IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost for the products. In such a scenario, a provision is made for the estimated negative value. The provision is classified in the financial statements as other short-term debt. The Group also enters into Fish Pool contracts to hedge prices. The number of such contracts is limited. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

Carrying amount of biological assets	2016	2015
Fish in sea at historic cost*	3 610	3 278
Fry, brood, smolt and cleaning fish to cost*	283	244
Carrying amount of biological assets before fair value adjustments	3 893	3 522
Fair value adjustments	2 861	1 052
Total biological assets	**6 754**	**4 574**
Fish in sea to fair value	6 471	4 330
Fry, brood, smolt and cleaning fish to fair value	283	244
Total biological assets	**6 754**	**4 574**

* Historical cost are reduced with mortality charged as an expence

Carrying amount on onerous contracts	2016	2015
Fair value on onerous contracts per 31.12.	**284**	**0**

Fair value adjustment	2016	2015
Change in fair value biological assets	1 808	245
Change in onerous contracts, biomass	-284	0
Change in fair value on fish pool contracts	25	2
Fair value adjustments related to biological assets	**1 549**	**247**

Notes to the accounts

NOTE 21 BIOLOGICAL ASSETS (CONT.)

Reconciliation of changes in net book value	Fry, brood, smolt and cleaning fish*	Fish in sea (salmon and trout)*	Fair value adjustment	Total value on biological assets
Biological assets as of 31.12.2014	**203**	**2 872**	**808**	**3 882**
Changes in 2015				
Increase from biological transformation and net growth	573	5 546	0	6 119
Increase from business combinations	4	0	0	4
Reductions due to sales	-33	-263	0	-296
Reduction due to harvesting	-503	-4 758	0	-5 260
Reduction due to incident based mortality	0	-111	0	-111
Reduction due to escapes	0	-8	0	-8
Net change in fair value adjustment on fish in sea	0	0	245	245
Biological assets as of 31.12.2015	**244**	**3 278**	**1 052**	**4 574**
Changes in 2016				
Increase from biological transformation and net growth	636	5 460	0	6 096
Reductions due to sales	-597	-263	0	-860
Reduction due to harvesting	0	-4 673	0	-4 673
Reduction due to incident based mortality	0	-187	0	-187
Reduction due to escapes	0	-5	0	-5
Net change in fair value adjustment on fish in sea	0	0	1 809	1 809
Biological assets as of 31.12.2016	**283**	**3 610**	**2 861**	**6 754**

* Value of the balance before fair value adjustment (historical cost reduced with charged mortality).

Reconciliation of volume of fish in the sea (LWT)	2016	2015
Life weigt (LWT) on fish in sea per 01.01 (tonnes)	114 026	113 397
Changes through the year		
Increase from biological transformation and net growth	195 687	200 744
Reduction due to harvesting	-189 175	-195 800
Reduction due to incident based mortality	-6 241	-3 983
Reduction due to escapes	-196	-332
Life weight (LWT) on fish in sea per 31.12. (tonnes)	**114 101**	**114 026**

NOTE 21 BIOLOGICAL ASSETS (CONT.)

The table below shows the total volume of fish in sea, living weight measured in tonnes, distributed by weight:

Volume (LWT) - Overview of fish in sea as of 31.12.	2016	2015
Fish in sea, 0 - 1 kg	12 662	12 105
Fish in sea, 1 - 2 kg	14 812	15 086
Fish in sea, 2 - 3 kg	20 261	11 865
Fish in sea, 3 - 4 kg	23 329	39 862
Fish in sea, above 4 kg	43 036	35 107
Fish in sea, total salmon and trout	**114 101**	**114 026**

Distribution according to ready for slaughter or not, and by salmon and trout	2016	2015
Fish ready for slaughter (fish with live weight > 4.8 kg)	**15 786**	**14 769**
- Salmon	15 786	13 601
- Trout	0	1 168
Fish not ready for slaughter (fish with live weight < 4.8 kg)	**98 315**	**99 257**
- Salmon	84 546	76 062
- Trout	13 769	23 195
Total volume fish in sea (LWT)	**114 101**	**114 026**
- Salmon	100 332	89 663
- Trout	13 769	24 363
Number of individuals		
Total number of all groups (in 1,000)	55 534	57 147

NOTE 21 BIOLOGICAL ASSETS (CONT.)

Key premises in 2016 for fair value estimate Price -premices	Forward price*	Exporter fee	Clearing cost	Netto forward price
1. quarter 2017	73,52	-0,75	-0,185	72,58
2. quarter 2017	72,05	-0,75	-0,185	71,12
3. quarter 2017	64,83	-0,75	-0,185	63,90
4. quarter 2017	64,80	-0,75	-0,185	63,87
1. quarter 2018	64,10	-0,75	-0,185	63,17
2. quarter 2018	63,90	-0,75	-0,185	62,97

* Quarterly forward price based on monthly forward prices sourced from Fish Pool 30 December 2016.

Adjustments are also made for:	
Price-premium (+) for ASC salmon	0,00
Price premium (+/-) for trout	0,00
Reduction for quality differences	-0,25
Reduction for size differences	-0,40

Deductions are also made for well boat services, slaughtering and packaging (primary processing), and transport to Oslo from the locality being measured. Based on the above parameters, an estimated net price is calculated for each locality, and is then included in the cash flow calculation in relation to the assessment of fair value. In connection with the sensitivity analysis conducted in the note on significant accounting estimates and assessments, an estimated average net price is applied to all sizes. This is calculated by dividing the total estimated net sales revenue per locality by the total estimated volume (measured as slaughter weight), based on projected slaughter weight.

Calculated average net-prices, all sizes (NOK/kg)	61,87
Other parameters	
Projected mortality in relation to number of individuals per month in North Norway	0,50 %
Projected mortality in relation to number of individuals per month in other regions	1,00 %
Projected slaughter weight (live weight)	4,8 kg
Discount rate (monthly)	6 %

NOTE 21 BIOLOGICAL ASSETS (CONT.)

Parameters applied in 2015 for calculation of fair value	
Spot price applied for salmon, 31.12.2015	57,44
Spot price applied for trout, 31.12.2015	40,60
Share of contracts, salmon, included in calculation of fair value	33 %
Share of contracts, trout, included in calculation of fair value	13 %
Average price applied when calculating fair value for salmon, all sizes *	52,83
Average price applied when calculating fair value for trout, all sizes *	40,92

* Price is before reduction for quality discrepancies and logistics

The technical calculation model was amended on 1 January 2016, and the parameters applied are therefore different. Please refer to the description in item (I) in the note on accounting principles and in the introduction to this note for more detailed information.

Accidental release in 2016
For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. In 2016, the Group reported three accidental releases, all involving trout. In February, 50,000 individual fish with a total weight of 196 tonnes were accidentally released when a net was damaged creating a hole. The cost price for these fish totalled approx. NOK 5 million, and the fair value is estimated to have been around NOK 8 million. It cost the Group NOK 2 million to recapture the fish. 61% of the accidentally released trout were recaptured. In April, 20 individuals were accidentally released in connection with an accident when unloading a well boat. Measured in weight and value, this incident is insignificant. In October, 300 individuals were accidentally released from a juvenile fish plant when a container overflowed. These were small individuals with an average weight of 20 grams. 172 individuals were recaptured (57%). The accident was insignificant in terms of weight and value. All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident.

Incident-based mortality
The increase in incident-based mortality in 2016 must be seen in light of the significantly more stringent routines introduced by the Group for identifying mortality as abnormal. From and including 2016, the Group defines mortality as abnormal when more than 1.5% of the total number of fish die in the space of one month. For more detailed information, see the note on biological assets (I). Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2016, incident-based mortality mainly related to lice treatment. The Group is required by the authorities to carry out these treatments in order to comply with the limits established for salmon lice. Norway has the most stringent regulations world-wide for lice limits, and the Group remains in a transitional phase where the focus is on combating salmon lice by prevention rather than treatment. As the Group gradually gains success with prevention, and treatment technology is further developed, the Group expects incident-based mortality to decrease.

Other incidents
During certain periods of the year, the Group struggles to comply with the salmon lice limits imposed by the authorities. This does not necessarily result in mortality. However, due to stringent requirements on measures to be taken for lice infestation, the Group incurs major extra costs. These costs may either involve increased treatment costs – resulting in higher cost price for the fish – or higher costs for early slaughter. Although the slaughtering cost does not necessarily rise in total, the cost will still increase per kg due to the reduction in size. Fish harvested with a low weight represent a significantly higher cost per kg than fish ready for slaughter. At the same time, the price paid per kg for fish with low weight is lower. In addition, the cash flow may be affected by price reductions resulting from quality downgrades. The Group always makes use of best estimate, taking into account these factors, when calculating cash flow in the fair value assessment.

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS

Currency forward contracts
The table below shows the Group's currency forward contracts as of 31.12.2016. The contracts are for purchase (-)/sale (+) against NOK.

Currency	Currency amount	Exchange rate at maturity	Amount in NOK	Exchange rate 31.12.2016	Fair value NOK
EUR	132	9,090	1 202	9,087	0
USD	34	8,550	292	8,646	-3
SEK	190	97,110	184	94,840	4
JPY	7 303	0,077	562	0,074	22
GBP	18	10,710	195	10,610	2
AUD	5	6,300	32	6,242	0
DKK	22	122,800	27	122,230	0
CHF	0	8,480	3	8,452	0
Total					**26**

	2016	2015
Recognised assets (-liability) due to fair value hedging	26	-75

The Group applies in some particular cases fair value hedging for the currency exchange risk related to binding not booked sales agreements/delivery contracts (hedging object). The currency risk related to the contracts is hedged by using currency forward contracts and a multi-currency overdraft facility (hedging instrument). The cumulative change in fair value for the delivery contracts attributable to changes in currency exchange rates is recognised as an asset or a liability, with a corresponding gain or loss recognised in profit or loss, together with the gain or loss on the hedging instrument. Cumulative change in fair value for the delivery contracts are presented as other receivables in the balance sheet. See also note 19.

Interest swap contracts
Contracts with expiration later than one year:
Contract from 2011: MNOK 500, Start date on time of contract, Duration 10 year, Closing date 16.11.2021, Interest 3.55 %, LSG ASA
Contract from 2012: MNOK 500, Start date on time of contract, Duration 10 year, Closing date 16.01.2022, Interest 3.29 %, LSG ASA
Contract from 2013: MNOK 601.8, Start date on time of contract. Duration 2 year, Closing date 05.10.2018, Interest 3.33 %, Havfisk AS (new in connection with business combination)
Contract from 2016: MNOK 323.5, Start date: 05.10.2018, Duration 2.5 year, Closing date 06.04.2021, Interest 1.01 %, Havfisk AS (new in connection with business combination)
Contract from 2016: MNOK 323,5, Start date: 05.10.2018, Duration 2.5 year, Closing date 06.04.2021, Interest 1.02 %, Havfisk AS (new in connection with business combination)
Contract from 2008: MNOK 130, Start date on time of contract, duration 10 year, Closing date 22.10.2018, Interest 4.65%, Br. Birkeland AS.

Contracts with expiration within one year:
Contract from 2016: NOK 50,000, Startdate on time of contract. Duration 10 year, Closing date 04.06.2022, Interest 2.96 %, Norway Seafoods Group AS (new in connection with business combination). This contract has an option which allow an entering in the first half part of 2017. The option is planned to be utilised. This contract was classified as current in connection with the purchase of Norway Seadoods Group AS.

The fair value of the swap agreements have been estimated using market inputs. As at 31 December 2016, a total unrealised loss of MNOK 97 was included in equity. "

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Notes to the accounts

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

Interest swap contracts	Nominal value	Interest rate/ average rate	Liabilities recognised	Corresponding deferred tax	Effect on equity
Fair value at 31 December 2015	1 130	3,56 %	139	35	-104
Fair value adjustment 31 December 2016	2 429	3,56 %	-12	-4	7
31.12.2016			**127**	**31**	**-97**

Fair value of the interest swap contracts (gross liability) is recognized as "other long term liabilities". The effective part of the fair value adjustment is recognized in other comprehensive income (cash flow hedge). The deferred tax effect is also recognized in other comprehensive income, and is thus not part of current tax income in profit and loss.

NOTE 23 GUARANTEE OBLIGATIONS

	2016	2015
Letters of guarantees held by subsidiary	110	0
Letters of guarantees held by the associates	2	2
Total	**112**	**2**

NOTE 24 RESTRICTED BANK DEPOSITS

	2016	2015
Restricted deposits related to employee tax deduction	75	54
Other restricted deposits	39	20
Total	**114**	**73**

NOTE 25 SHARE CAPITAL AND SHAREHOLDERS

Share capital:
As of December 31, 2016, the Company has 202,717,374 shares at nominal value of NOK 0.50 per share.

Date of registration	Type of change	Nominal value per share (NOK)	Total share capital	No. of ordinary shares
01.01.2008/31.09.2009	Capital increase	0,50	101 358 687	202 717 374
2010 - 2016	No changes			
31.12.2016		**0,50**	**101 358 687**	**202 717 374**

Notes to the accounts

NOTE 25 SHARE CAPITAL AND SHAREHOLDERS (CONT.)

The shareholders in Austevoll Seafood ASA were as of 31.12.	2016 Number of shares	2016 Share holding	2015 Number of shares	2015 Share holding
Laco AS	112 605 876	55,55 %	112 605 876	55,55 %
State Street Bank and Trust Company A/C Client Fund Number OM80	6 543 636	3,23 %	5 150 905	2,54 %
State Street Bank and Trust Company A/C Client Omnibus F	4 838 666	2,39 %	3 370 299	1,66 %
Pareto Aksje Norge	2 990 456	1,48 %	4 490 447	2,22 %
Folketrygdfondet	1 938 691	0,96 %	1 938 691	0,96 %
OM Holding AS	1 881 850	0,93 %	1 741 850	0,86 %
Mitsui and Co., Ltd	1 782 236	0,88 %	1 782 236	0,88 %
Danske Invest Norske Instit. II.	1 674 929	0,83 %	1 546 282	0,76 %
The Northern Trust Company USL Non-Treaty Account	1 155 645	0,57 %	0	0,00 %
Morgan Stanley and Co. Intl Plc BNY Mellon SA/NV	1 102 000	0,54 %	0	0,00 %
Morgan Stanley & Co. International MS & Co Intl Plc Msip IPB CL	1 087 463	0,54 %	0	0,00 %
Citibank, N.A.	1 072 580	0,53 %	1 170 975	0,58 %
The Bank Of New York Mellon N.V.	1 068 932	0,53 %	1 488 002	0,73 %
State Street Bank and Trust Company	1 029 486	0,51 %	886 851	0,44 %
Pactum AS	1 000 000	0,49 %	1 800 000	0,89 %
The Northern Trust Company, Non-Treaty Account	986 390	0,49 %	1 159 515	0,57 %
Pareto AS	921 000	0,45 %	921 000	0,45 %
Austevoll Seafood ASA	893 300	0,44 %	0	0,00 %
JPMorgan Chase Bank, N.A. A/C Vanguard BBH Lending Account	848 759	0,42 %	1 765 000	0,87 %
JPMorgan Chase Bank, N.A. Nordea Re:Non-Treaty Account	829 598	0,41 %	1 372 600	0,68 %
Br. Birkeland AS	0	0,00 %	1 722 223	0,85 %
MP Pensjon OK	0	0,00 %	1 182 000	0,58 %
Skandinaviska Enskilda Banken AB	0	0,00 %	1 178 176	0,58 %
Forsvarets Personellservice	0	0,00 %	990 246	0,49 %
Total number owned by top 20	**146 251 493**	**72,15 %**	**148 263 174**	**73,14 %**
Total number owned by other shareholders	56 465 881	27,85 %	54 454 200	26,86 %
Total number of shares	**202 717 374**	**100,00 %**	**202 717 374**	**100,00 %**

* As of 01.01.2016 Br. Birkeland AS owned 1,722,223 shares in Austevoll Seafood ASA. In July 2016 these shares were paid as dividend to the shareholders of Br. Birkeland AS.

SHARES CONTROLLED BY BOARD MEMBERS AND MANAGEMENT:

Directors' ownership of shares:
Helge Singelstad owns 50,000 shares in the company.
Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in the company.
Helge Møgster owns shares indirectly through Laco AS.
Inga Lise L. Moldestad owns, through Ingasset AS, 40,000 shares in the company.
Lill Maren Møgster owns shares indirectly through Laco AS.
Leif Teksum owns 5,000 shares in the company.

Managements' ownership of shares:
Arne Møgster owns shares indirectly through Laco AS.
Britt Kathrine Drivenes owns, through Lerkehaug AS, 50,367 shares in the company.

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NOTE 26 TAX

	2016	2015
Specification of the tax expense:		
Tax payable	599	230
Change in deferred tax liabilities and assets	381	55
Adjustment previous year	-5	4
Taxes	**975**	**289**
Tax reconciliation		
Profit before tax	4 683	1 572
Tax calculated with the nominal tax rates *	1 173	431
Change in tax rate**	-136	-198
Income from associated companies	-36	-58
Exchange loss on investment financing	0	-1
Currency adjustment of tax values on fixed assets and leasing liabilities	0	0
Other differences	-34	90
Tax-free gain on sale of shares	-4	-11
Change in deferred tax asset not recognised	12	36
Taxes	**975**	**289**
Weighted average tax rate	**20,83 %**	**18,39 %**

* Nominal tax rates for the Group varies between 20% and 30%

** Tax rate in Peru increased from 28% to 29.5% in 2016. The effect of the change in tax rate is booked to profit and loss statement in 2016. Tax rate is reduced from 25 to 24 % in Norway from 1 January 2017. For the Norwegian companies in the Group, deferred tax asset and deferred tax liability is calculated with the reduced tax rate as of 31 December 2016.

The gross movement on the deferred income tax account is as follows:	**2016**	**2015**
Opening balance 01.01.	2 655	2 496
Booked to income in the period	374	59
Booked as OCI in the period	3	-26
Currency translation differences	62	47
Effect of business combinations	818	79
Balance sheet value (net) 31.12.	**3 911**	**2 655**
Balance sheet value of deferred tax assets	-75	-77
Balance sheet value of deferred tax liabilities	3 986	2 732
Total	**3 911**	**2 655**

Notes to the accounts

NOTE 26 TAX (CONT.)

The movement in deferred income tax assets and liabilities during the year is as follows:

Change in deferred tax liabilities/assets	Non current assets	Curent assets	Inventory and biological assets	Liabilities	Pensions	Loss carried forwards	Other	Total
2015								
Opening balance 01.01.	1 694	19	1 043	-16	-2	-126	-114	2 497
Booked to income in the period	-52	35	174	17	1	50	31	255
Booked as OCI in the period	0	0	0	0	0	0	-27	-26
Currency translation differences	72	-7	0	-10	0	-8	0	47
Effect of business combinations	92	-1	0	0	0	0	-12	79
31.12.	**1 806**	**45**	**1 217**	**-9**	**0**	**-84**	**-123**	**2 852**
Change in tax rate	-114	-4	-90	1	0	11	-2	-198
31.12.	**1 692**	**42**	**1 127**	**-8**	**0**	**-73**	**-125**	**2 655**
2016								
Booked to income in the period	-73	-11	561	-7	0	93	-52	509
Booked as OCI in the period	0	0	0	0	0	0	4	3
Group contrubition	0	0	0	0	0	0	0	0
Currency translation differences	62	0	0	0	0	0	0	62
Effect of business combinations	812	9	-1	0	0	-59	56	818
31.12.	**2 493**	**40**	**1 687**	**-15**	**0**	**-39**	**-117**	**4 047**
Change in tax rate	-69	-1	-67	0	0	2	0	-136
31.12.	**2 424**	**39**	**1 620**	**-16**	**0**	**-37**	**-117**	**3 911**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Vacation allowance deferred tax benefit	**2016**	**2015**
Loss carried forward	-524	-456
Deferred tax assets on loss carried forward	-126	-114

NOTE 27 REMUNERATION TO EXECUTIVES, BOARD OF DIRECTORS AND AUDITOR

Guidelines for remuneration to executive management
The main principles of the remuneration policy to executive management are based on the policy that the members of executive management shall have a competitive pay programme, with respect to salary, bonuses, pensions and other remuneration. Austevoll Seafood ASA shall offer a total remuneration to its executive management that is on level with comparable companies. However, the Company's need for well qualified personnel should always be considered.

For further information see own paragraph in the annual report regarding the board's statement about salary and other remuneration to executive management.

Salary and other remuneration to CEO and other group executives and members of the parent Company's Board are reported in amounts TNOK and were:

Amounts in NOK 1 000

2016 - Remuneration to the company's officers	CEO	CFO	Chairman of the board *	Other members of the board**	Total
Salary	3 547	2 636	0	0	6 184
Bonus payment based on results for the year 2015	1 500	500	0	0	2 000
Pension scheme payments	69	208	0	0	278
Other remunerations	196	207	0	0	405
Director's fee/Other remunerations	0	0	2 620	1 151	3 770
Total	**5 314**	**3 552**	**2 620**	**1 151**	**12 636**

2015 - Remuneration to the company's officers	CEO	CFO	Chairman of the board *	Other members of the board**	Total
Salary	3 532	2 629	0	0	6 160
Bonus payment based on results for the year 2014	1 500	500	0	0	2 000
Pension scheme payments	49	200	0	0	250
Other remunerations	213	187	0	0	455
Director's fee/Other remunerations	0	0	2 365	1 206	3 515
Total	**5 294**	**3 515**	**2 365**	**1 206**	**12 380**

* The annual Directors' Fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity Laco AS, with which company the Chairman is employed. The total amount paid in 2016 and 2015 includes board remuneration of TNOK 300.
** No member of the board received fee for business advisory in 2016. One member of the board has received fee of TNOK 56 for business advisory in 2015.

The Group management takes part in the Groups collective pension schemes.

No loans or securities have been issued in 2016 or 2015 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67, and the CEO takes part in the defined contribution scheme.

Options
There are as of December 31, 2016, no on-going option programme in the Group.

NOTE 27 REMUNERATION TO EXECUTIVES, BOARD OF DIRECTORS AND AUDITOR (CONT.)

Specification of auditor's fee	2016	2015
Audit fee	9	8
Audit from other auditors	2	1
Other assurance services	0	0
Other services from other auditors	1	0
Tax advice	0	0
Tax advice from other auditors	0	0
Other services	2	2
Total	**15**	**12**

NOTE 28 CONTINGENCIES AND PROVISIONS

Cormar
The Group has recognised a provision related to the acquisition of Cormar in 2007. The Group will have reimbursement rights for some of the liabilities, if the liabilities materialises. A provision of MNOK 21 has been recorded for this contingent liability, ref note 31.

Austral Group S.A.A
The subsidiary Austral Group S.A.A (Peru) has certain court actions pending resolution for a total of MNOK 164 as of December 31, 2016 mainly related to its business activities. It is considered unlikely that the prosecutor will succeed with the claims in full. Based on specific assessments of each case, a provision of MNOK 32 relating to these suits, which is considered to be the best estimate.

NOTE 29 INTEREST BEARING DEBT

Non-current	2016	2015
Bank borrowings	5 286	3 061
Bond loan	1 007	1 407
Other loans	34	30
Leasing liabilities	772	854
Total non-current	**7 099**	**5 352**
Current		
Bank overdrafts	788	878
Bond loans	400	0
Bank borrowings	713	902
Leasing liabilities	238	177
Total current	**2 139**	**1 956**
Total non-current and current	**9 238**	**7 308**
Cash and cash equivalents	3 745	2 470
Other interest-bearing assets - non current	0	0
Net interest-bearing debt	**5 493**	**4 839**

Repayment profile interest bearing debt	2017*	2018	2019	2020	2021	Sub-sequent	Total*
Bank borrowings*	713	586	731	701	1 781	1 488	6 000
Bank overdraft	788	0	0	0	0	0	788
Bond loan	400	500	0	0	500	7	1 407
Leasing liabilities	238	217	188	149	79	138	1 009
Other non-current liabilities	0	2	2	2	2	26	34
Total	**2 139**	**1 305**	**920**	**852**	**2 361**	**1 660**	**9 238**

* Repayments of non-current liabilities which mature in 2017 are classified as current liabilities in the balance sheet.

NOTE 29 INTEREST BEARING DEBT (CONT.)

Liabilities secured by mortgage	2016	2015
Current liabilities	1 507	1 991
Non-current liabilities	6 093	3 904
Liabilities to credit institutions incl. leasing liab.	**7 600**	**5 895**
Assets provided as security		
Non-current assets	5 616	4 563
Licences	272	
Inventory	573	432
Biological assets	6 590	4 493
Shares	835	580
Trade receivables	1 031	778
Total assets provided as security	**14 917**	**10 846**

AUSS has pledged as security the shares in Br. Birkeland AS (BRBI) and 8,066,500 shares in Pelagia AS for the bank loans of AUSS of MNOK 330. Assets owned by LSG and BRBI are also placed as security directly to their separate and individual loans, and are included in the figures presented above.

The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:	2016	2015
6 months or less	5 850	5 309
6 - 12 months	148	122
1-5 years	2 425	877
Over 5 years	815	1 000
Total	**9 238**	**7 308**

The carrying amounts and fair value of the non-current liabilities are as follows:	Carrying amount		Fair value	
	2016	2015	2016	2016
Bank borrowings	5 286	3 061	5 414	3 200
Bond loan	1 007	1 407	1 028	1 418
Leasing liabilities	772	819	772	819
Other non-current liabilities	34	30	34	30
Total	**7 099**	**5 317**	**7 247**	**5 467**

Based on contractual terms the fair value of non-current borrowings (ex. bond loan) are estimated to be equal to book value as of 31 December 2016, adjusted for fair value of interest swap contracts.

The bond loans are listed on Oslo Stock Exchange, and fair value is calculated using the last traded rates in 2016 for the bonds. The carrying amounts of short-term borrowings approximate their fair value. There is a repayment of bond loan with MNOK 400 in February 2017.

THE GROUP

NOTE 29 INTEREST BEARING DEBT (CONT.)

The carrying amounts of the group's borrowings are denominated in the following currencies:	2016	2015
NOK	7 556	5 776
USD	1 236	1 185
GBP	0	12
EUR	350	119
Other currencies	96	217
Total	**9 238**	**7 308**

Financial "covenants"
There are several financial covenant requirements for the companies in the Group. The Group has not been in breach of any covenants during the financial year 2016, and is not in breach as of December 31, 2016.

Bank overdrafts	2016	2015
Bank overdrafts	883	878
Bank overdrafts undrawn	1 532	1 215
Bank overdrafts limit	**2 415**	**2 092**

NOTE 30 LEASE CONTRACTS - GROUP COMPANY AS LESSEE

Overview of future minimum operating leases	Within 1 year	1-5 years	Sub-sequent	Total
Minimum lease amount, operating leasing contracts maturing:	36	77	6	118
Present value of future minimum lease (discount rate 5%)	35	72	5	111
Overview of future minimum financial leases				
Minimum lease amount, financial leasing contracts maturing:	245	777	146	1 168
Interest	19	37	14	71
Repayment	226	732	133	1 091

Leased assets booked as finance lease is specified in note 16, whilst maturities and balances of financial leases are specified in note 29.

Notes to the accounts

NOTE 31 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2016	2015
Salary and other personell expenses	330	206
Public taxes payable	311	146
Short term liabilities purchases fixed assets	31	0
Accrued expenses	224	149
Currency forward contracts/ Effect of fair value hedging	0	75
Provisions from acquisition Cormar (cf note 28)	21	21
Provisions for pending litigation Austral (cf note 28)	32	37
Provisions trade receivables	64	71
Unrealised loss on Fish pool contracts	284	0
Other short-term liabilities	61	50
Total other current liabilities	**1 358**	**754**

NOTE 32 RELATED PARTIES

The Group is controlled by Laco AS which owns 55.55% of the company's shares. The remaining 44.45% of the shares are widely held. The ultimate parent of the Group is Laco AS.

The majority of transactions with related parties are carried out through;

- Lerøy Seafood Group ASA (LSG) sale and purchase of goods to/from LSG associated companies.

In addition, the Group had some minor transactions with related parties such as the associated companies Pelagia AS and Marin IT AS (ownership directly by parent Company).

The following transactions were carried out with related parties:

a) Sales of goods and services	2016	2015
Sales of goods:		
- associates	99	51
Sales of services	0	0
- associates	0	16
- the ultimate parent and its subsidary	46	36
- close family members of the ultimate controlling party	0	0
Total	**145**	**103**

Notes to the accounts

NOTE 32 RELATED PARTIES (CONT.)

Group companies have sold services as slaughtering, packaging and storage of salmon, and goods as filleted salmon to associated companies. The Group has also sold administrative services to associated companies.

b) Purchase of goods and services	2016	2015
Purchase of goods:		
- associates	192	305
Purchase of services	0	0
- associates	0	6
- close family members of the ultimate controlling party	0	0
- the ultimate parent and its subsidary	110	222
Total	303	533

All goods and services are bought based on the market price and terms that would be available for third parties.

The Group has bought fish and fish products from associated companies. The Group has bought administrative services such as IT, reception, catering, accounting and secretary- and financial from associated companies.

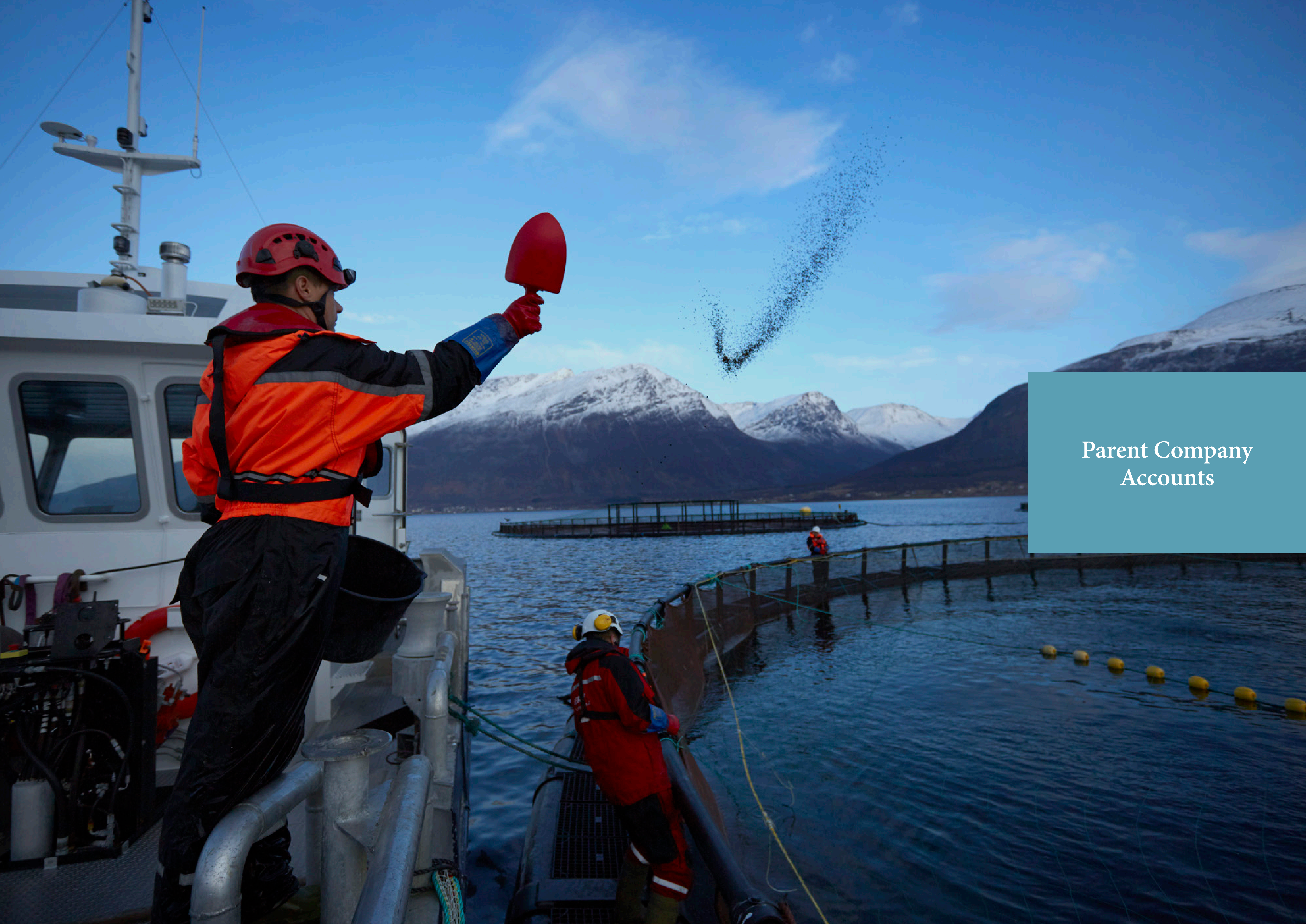
c) Year-end balances arising from sales/purchase of goods/services	2016	2015
Receivables from related parties:		
- the ultimate parent and its subsidary	24	4
- associates	29	23
- close family members of the ultimate controlling party	0	0
Payable to related parties	0	0
- the ultimate parent and its subsidary	6	4
- associates	14	27

The receivables from related parties arise mainly from sale transactions and are due one month after date of sale. The receivables are unsecured in nature and bear no interest.

The payable to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payable bear no interest.

d) Loans to related parties	2016	2015
Total loans to related parties:		
- associates	16	12
- minority interests/other	0	0
Interest income	0	0

THE GROUP



Parent Company Accounts

Statement of comprehensive income

Amounts in NOK 1 000	Note	2016	2015
Sales revenue	4,19	2 133	2 156
Total income		**2 133**	**2 156**
Salaries and personnel expenses	5,16	-16 151	-16 180
Other operating expenses	5,19	-13 315	-14 451
Operating expences		**-29 466**	**-30 631**
Depreciation	7	-86	-173
Operating profit		**-27 419**	**-28 648**
Financial income	6	1 419 686	553 033
Financial expenses	6	-81 821	-83 474
Profit before taxes		**1 310 446**	**440 911**
Income tax expense	15	0	-21 818
Net profit for the year		1 310 446	419 093
Actuarial change on post employment benefit obligation		-96	759
Total comprehensive income in the period		**1 310 350**	**419 852**
Average no. of outstanding shares		201 409 613	200 995 151
Earnings per share from continued operation (NOK)		6,50	2,08
Suggested dividend per share (NOK)		2,50	7,00

Statement of financial position

Amounts in NOK 1 000	Note	31.12.2016	31.12.2015
Assets			
Fixed assets	7	43	129
Shares in subsidiaries	8	3 744 023	3 986 831
Shares in associates and joint ventures	9	811 427	811 427
Shares in other companies	10	25 750	25 750
Long terms receivables on Group companies	11,19	72 795	70 392
Total non-current assets		**4 654 038**	**4 894 530**
Trade receivable	12,19,17	408	4 758
Short term receivable on Group companies	17,19	527 740	495 287
Other current receivables	11	1 076	741
Cash and cash equivalents	14,17	1 130 058	1 126 317
Total current assets		**1 659 282**	**1 627 102**
Total assets		**6 313 320**	**6 521 632**
Equity and liabilities			
Share capital	25 CFS*	101 359	101 359
Own shares		-447	0
Share premium		3 147 600	3 147 599
Retained earnings and other reserves		739 463	0
Total equity		**3 987 975**	**3 248 958**
Pension obligations	16	777	841
Borrowings	17	1 154 327	1 571 588
Total non-current liabilities		**1 155 104**	**1 572 429**
Borrowings	17	645 413	244 084
Trade payable	19	2 559	3 834
Accrued salary expense and public tax payable		2 365	2 489
Other current liabilities to Group companies	19	77	17 712
Dividends	20	506 793	1 419 022
Other current liabilities	18,19	13 034	13 104
Total current liabilities		**1 170 241**	**1 700 245**
Total liabilities		**2 325 345**	**3 272 674**
Total equity and liabilities		**6 313 320**	**6 521 632**

* If note reference contains the characters CFS, the reference refers to notes in the consolidated financial statement

Storebø, 21 April 2017
Board of Directors of Austevoll Seafood ASA

Helge Singelstad
Chairman of the board

Helge Møgster

Oddvar Skjegstad
Deputy Chairman

Inga Lise Lien Moldestad

Leif Teksum

Lill Maren Møgster

Siren M. Grønhaug

Arne Møgster
CEO & President

PARENT COMPANY

Statement of changes in equity

Amounts in NOK 1 000	Note	Share capital	Own shares	Share premium	Retained earnings	Total equity
Equity 01.01.15		**101 359**	**0**	**3 713 549**	**433 220**	**4 248 128**
Profit for the year		**0**		**0**	**419 093**	**419 093**
Other comprehensive income for the period		**0**		**0**	**759**	**759**
Total recognised income		**0**		**0**	**419 852**	**419 852**
Dividends	**21**	0		-565 950	-853 072	-1 419 022
Total equity to/from shareholders		**0**		**-565 950**	**-853 072**	**-1 419 022**
Total change of equity		**0**		**-565 950**	**-433 220**	**-999 170**
Equity 31.12.15		**101 358**	**0**	**3 147 599**	**0**	**3 248 958**
Profit for the year		**0**		**0**	**1 310 446**	**1 310 446**
Other comprehensive income for the period					**-96**	**-96**
Total recognised income		**0**		**0**	**1 310 350**	**1 310 350**
Dividends	**21**	0		0	-506 793	-506 793
Dividend received as own shares			-447	0	-64 094	-64 541
Total equity to/from shareholders		**0**	**-447**	**0**	**-570 887**	**-571 334**
Total change of equity		**0**	**-447**	**0**	**739 463**	**739 016**
Equity 31.12.16		**101 358**	**-447**	**3 147 600**	**739 463**	**3 987 974**

Cash flow statement

Amounts in NOK 1 000	Note	2016	2015
Profit before income taxes		1 310 446	440 911
Depreciation and amortisation	**7**	86	173
Dividends and Group contributions	**6**	-673 734	-534 829
Gain sold shares	**6**	-725 119	
Change in accounts receivable and other receivables		-4 105	-25 911
Change in accounts payable and other payables		-19 854	16 172
Change in other accruals		-70	263
Unrealised exchange (gains) / losses		0	-306
Net interest		59 368	62 062
Net cash flow from operating activities		**-52 983**	**-41 465**
Purchase of fixed assets		0	50
Sale / (purchase) of shares and equity investments in other companies	**8**	968 928	0
Change in non-current receivables		-2 403	-16 257
Dividends and Group contributions received		584 584	554 139
Interest received		18 625	15 778
Net cash flow from investing activities		**1 569 734**	**553 710**
Net change in long-term interest bearing debt		-17 324	375 187
Movement of short-term interest bearing debt		1 329	8 925
Interest paid		-77 993	-77 840
Dividends paid	**20**	-1 419 022	-405 435
Net cash flow from financing activities		**-1 513 011**	**-99 163**
Net change in cash and cash equivalents		**3 740**	**413 082**
Cash and cash equivalents at 01.01.		**1 126 317**	**713 234**
Cash and cash equivalents at 31.12.		**1 130 058**	**1 126 317**

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Notes to the accounts

NOTE 1 GENERAL

The separate financial statements of Austevoll Seafood ASA (parent company) have been prepared in accordance with simplified IFRS. Preparation of separate financial statements is required by law.

NOTE 2 ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of the separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION
The separate financial statements of Austevoll Seafood ASA (Company) were approved by the board of Directors of Austevoll Seafood ASA April 21st 2017. The statutory accounts have been prepared in accordance with the Regulations of January 21st 2008 regarding "simplified" IFRS as determined by the Ministry of Finance. Preparation of separate financial statements for the parent company is required by law.

The separate financial statements have been prepared under the historical cost convention, with the following modification below:

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 4 in the consolidated financial statements.

For a description of new standards and interpretations and amendments to existing standards, please refer to note 2 in the consolidated financial statements.

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES
Investment in subsidiaries, joint ventures and associates are accounted for at cost.

The fair value of the company's investments in subsidiaries, joint ventures and associated companies may vary over time, and is therefore reviewed for potential impairment. Fair value assessment will be affected by many factors, such as expectations of future earnings, specific branch conditions, owner shares, shareholder structure, but also macro conditions which are not directly related to the individual company. For quoted investments, current bid prices will be considered as one of several objective criteria in the fair value assessment. If the impairment test indicates that fair value is significantly lower than carrying amount and the situation is expected to persist, an impairment loss is recognised for the amount the carrying value exceeds the recoverable amount. Impairments may be reversed at a later reporting date.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
The separate financial statements are presented in Norwegian Kroner (NOK), which is the functional and presentation currency of Austevoll Seafood ASA.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

FINANCIAL ASSETS
The Company classifies its financial assets in the

NOTE 2 ACCOUNTING PRINCIPLES (CONT.)

following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'other receivables' in the balance sheet (note 11).

ACCOUNTS RECEIVABLE
Account receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BORROWINGS
Borrowings are recognised initially at fair value, net of transaction costs incurred.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CURRENT AND DEFERRED INCOME TAX
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

EMPLOYEE BENEFITS
Pension obligations
The Company has both a defined contribution plan and a closed defined benefit plan. The defined benefit plan is funded through payments to insurance companies, determined by periodic actuarial calculations. The defined benefit plan was terminated by end December 2016.
A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Norwegian governance bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Notes to the accounts

NOTE 2 ACCOUNTING PRINCIPLES (CONT.)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In such case, the past-service costs are amortised on a straight-line basis over the vesting period.

PROVISIONS
Provisions (e.g. environmental restoration, restructuring costs and legal claims) are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

REVENUE RECOGNITION
The company's revenue consists of sale of administrative services to related parties. These services are based on accrued time.

Revenues comprise the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.

The services is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company uses the right to derogate from the regulations in IAS 10 no. 12 and 13 in simplified IFRS, according to which dividend may be recognised as income in accordance with Norwegian Accounting Act. Dividends from subsidiaries are recognised in the period they relate to. Dividends from other companies are recognised when the right to receive payment is established.

LEASES
Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

BORROWING COSTS
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

CONTINGENT ASSETS AND LIABILITIES
Contingent liabilities are defined as

i. possible obligations resulting from past events whose existence depends on future events
ii. obligations that are not recognised because it is not probable that they will lead to an outflow of resources
iii. obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Company.

CASH FLOW STATEMENT
The Company must apply IAS 7 even though the financial statements are prepared according to simplified IFRS. The Company's cash flow statement shows the overall cash flow broken down to operating, investing and financing

NOTE 2 ACCOUNTING PRINCIPLES (CONT.)

activities. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents.

EVENTS AFTER THE BALANCE SHEET DATE
New information after the balance sheet date concerning the Company's financial position at the balance sheet date is considered in the financial statements. An event after the balance sheet date that does not affect the Company's financial position on the balance sheet date, but will affect the company's financial position in the future is reported where material.

EARNINGS PER SHARE
The Company must apply IAS 33 even though the financial statements are prepared according to simplified IFRS. Earnings per share are calculated by the profit attributable to equity holders of the company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Notes to the accounts

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses to some degree derivative financial instruments to reduce certain risk exposures.

Market risk
(i) Price risk
The Company is exposed to price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The company do not use financial instruments to manage its financial risk for non-current liabilities.

(ii) Cash flow and fair value interest rate risk
The Company's interest rate risk mainly arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash flow.

For information of the Company's financial liabilities see note 17.

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2016	2015
Total borrowings (note 17)	1 805 413	1 824 084
Less: cash and cash equivalents	1 298 134	1 290 793
Net debt	507 280	533 291
Total equity	3 987 975	3 248 958
Capital employed	**4 495 255**	**3 782 249**
Gearing ratio	**11 %**	**14 %**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

PARENT COMPANY

Notes to the accounts

NOTE 4 INCOME

	2016	2015
Rendering of services	2 133	2 156
Total sales revenue	**2 133**	**2 156**
Geographical allocation of revenues:		
Norway	160	973
Peru	1 814	1 183
Chile	159	
Total geographical allocation	**2 133**	**2 156**

NOTE 5 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2016	2015
Salary and holiday pay	11 308	11 484
Hired personnel	2 620	2 365
National insurance contribution	1 745	1 786
Pension costs (note 16)	472	531
Other personnel costs	7	14
Total	**16 151**	**16 180**
Average man-labour year	3	3

Pension costs are described in detail in note 16.

Accumulated expenses for wages, pension premiums and other remuneration to CEO, other executives and members of the parent company's board is presented in the consolidated financial statements.

The Group management takes part in the Groups collective pension schemes.

The annual Director's fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity, Laco AS, with which company the Chairman is employed.

No loans or securities have been issued in 2016 or 2015 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67, and the CEO takes part in the defined contribution scheme.

See note 27 in Group notes for guidelines to executive management and remunerations to the company's officers.

Specification of auditor's fee ex. VAT	2016	2015
Audit fee	1 428	1 774
Other services	252	63
Tax advice	26	53
Total	**1 706**	**1 890**

Notes to the accounts

NOTE 6 FINANCIAL INCOME AND FINANCIAL EXPENSES

	2016	2015
Interest income from companies within the same Group	2 158	2 059
Other interest income	18 625	15 778
Dividends and Group contributions	673 734	534 829
Gain sale shares	725 119	0
Currency gains	50	366
Total financial income	**1 419 686**	**553 033**
Interest expenses to companies within the same Group	1 508	2 166
Other interest expenses	76 485	75 252
Currency losses	53	27
Other financial expenses	3 775	6 028
Total financial expenses	**81 821**	**83 474**
Net financial items	**1 337 865**	**469 559**

Notes to the accounts

NOTE 7 TANGIBLE FIXED ASSETS

2015	Office equipment	Total
Per 01.01.		
Acquisition cost	2 271	2 271
Accumulated depreciation	-2 018	-2 018
Balance sheet value at 01.01.	**252**	**252**
Tangible fixed assets acquired	50	50
Depreciation	-173	-173
Balance sheet value at 31.12.	**129**	**129**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 191	-2 191
Balance sheet value at 31.12.	**129**	**129**

2016		
Balance sheet value at 01.01.	129	129
Depreciation	-86	-86
Balance sheet value at 31.12.	**43**	**43**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 277	-2 277
Balance sheet value at 31.12.	**43**	**43**

Notes to the accounts

NOTE 8 SHARES IN SUBSIDIARIES

	Gross numbers (100%)				
2016 - Subsidiaries Company name	**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Austevoll Eiendom AS	2 735	9 674	Storebø	56 627	100,00%
AUSS Shared Service AS	1 624	2 317	Storebø	1 010	100,00 %
Lerøy Seafood Group ASA, Group values	3 518 630	13 475 426	Bergen	2 783 350	52,69 %
A-Fish AS	-2 205	548 758	Storebø	660 100	100,00 %
Austevoll Pacific AS	5 818	574 557	Storebø	25 336	100,00 %
Aumur AS	-17	46	Storebø	0	100,00 %
Austevoll Laksepakkeri AS	12 943	20 511	Storebø	100	100,00 %
Br. Birkeland AS*, Group values	259 825	641 477	Storebø	217 500	49,99 %
Total				**3 744 022**	

AUSS has sold 2,750,000 shares in Lerøy Seafood Group ASA and, following this transaction, now owns 31,394,281 number of shares.

	Gross numbers (100%)				
2015 - Subsidiaries Company name	**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Austevoll Eiendom AS	2 255	10 207	Storebø	55 627	100,00%
AUSS Shared Service AS	2 500	2 208	Storebø	1 010	100,00 %
Lerøy Seafood Group ASA, Group values	1 232 883	8 764 051	Bergen	3 027 159	62,56 %
A-Fish AS	-28 519	550 963	Storebø	660 100	100,00 %
Austevoll Pacific AS	84 292	586 380	Storebø	25 336	100,00 %
Aumur AS	-22	63	Storebø	0	100,00 %
Austevoll Laksepakkeri AS	1 882	19 942	Storebø	100	100,00 %
Br. Birkeland AS*, Group values	98 594	539 383	Storebø	217 500	49,99 %
Total				**3 986 831**	

All subsidiaries follow the same accounting year as Austevoll Seafood ASA.

* Following the implementation of IFRS 10 from January 1 2014, AUSS has consolidated the investment in Br. Birkeland AS as a subsidiary. The investment was previously recognised as an associated company.

Notes to the accounts

NOTE 9 SHARES IN ASSOCIATED COMPANIES

2016 Company name	Classification of investment	Gross numbers (100%) Net profit	Equity	Business location	Carrying value	Voting share
Marin IT AS	Associated company	6	25 887	Storebø	4 003	25,00 %
Pelagia Group	Joint venture	388 316	1 965 443	Bergen	748 715	50,00 %
Foodcorp Chile Group*	Associated company	-24 446	791 866	Chile Santiago	58 709	26,39 %
Total					**811 427**	

* The remaining 73.61% shares of Foodcorp Chile S.A are held by the subsidiary A-Fish AS. In the group accounts Foodcorp Chile S.A is consolidated as a wholly owned subsidiary.

2015 Company name	Classification of investment	Gross numbers (100%) Net profit	Equity	Business location	Carrying value	Voting share
Marin IT AS	Associated company	1 559	25 813	Storebø	4 003	25,00 %
Pelagia Group	Joint venture	412 974	2 214 199	Bergen	748 715	50,00 %
Foodcorp Chile Group*	Associated company	-13 011	835 667	Chile Santiago	58 709	26,39 %
Total					**811 427**	

Shares in associated companies and joint ventures are estimated to original cost price in Parent company. In the group this shares are estimated to equity method.

NOTE 10 INVESTMENTS IN OTHER SHARES

2016 Company name	Business location	Number of shares	Owner-/ voting share	Fair value
Euro-Terminal AS	Bergen	4 897 290	16,7 %	25 711
Other shares				39
Total				**25 750**

2015 Company name	Business location	Number of shares	Owner-/ voting share	Fair value
Euro-Terminal AS	Bergen	4 897 290	16,7 %	25 711
Other shares				39
Total				**25 750**

Notes to the accounts

NOTE 11 OTHER RECEIVABLES

Other non-current receivables	2016	2015
Intragroup non-current receivables	72 795	70 392
Other non-current receivables 31.12.	**72 795**	**70 392**
Other current receivables		
Prepayments	603	248
Receivable public dues	473	493
Other current receivables 31.12.	**1 076**	**741**

NOTE 12 TRADE RECEIVABLE

	2016	2015
Trade receivable at nominal value	408	4 758
Accounts receivable 31.12.	**408**	**4 758**
The ageing of these trade receivables are as follows:		
0 to 3 months	328	3 874
Over 6 months	80	884
Total	**408**	**4 758**
The carrying amounts of the trade receivables are denominated in the following currencies:		
Currency		
NOK	408	4 758
Total	**408**	**4 758**

NOTE 13 GUARANTEE OBLIGATIONS

	2016	2015
Guarantee Innovasjon Norge	1 500	1 500
Total	**1 500**	**1 500**

NOTE 14 RESTRICTED BANK DEPOSITS

	2016	2015
Restricted deposits related to employee' tax deduction	1 736	1 757
Total	**1 736**	**1 757**

NOTE 15 TAX

	2016	2015
Specification of the tax expense		
Change in deferred tax	10 825	37 852
Deferred tax benefit not recognised	-10 825	-37 852
Charged deferred tax benefit from earlier years	0	21 818
Taxes	**0**	**21 818**
Tax reconciliation		
Profit before tax	1 310 466	440 911
Taxes calculated with the nominal tax rate	327 612	119 046
Other differences - including dividends	-338 412	-138 784
Tax OCI posts	-24	205
Deferred tax benefit not recognised	10 825	19 533
Charged deferred tax benefit from earlier years	0	21 818
Taxes	**0**	**21 818**
Weighted average tax rate	**0,00 %**	**4,95 %**
Change in book value of deferred tax		
Opening balance 01.01.	0	-21 818
Booked to income in the period	10 825	37 852
Deferred tax benefit not recognised	-10 825	-37 852
Charged deferred tax benefit from earlier years	0	21 818
Balance sheet value 31.12.	**0**	**0**

NOTE 15 TAX (CONT.)

Deferred tax	Non-current assets	Liabilities	Pensions	Loss carried forward	Other differences	Total
2015						
Opening balance 01.01.	26 787	3 471	-512	-74 875	1 546	-43 583
Booked to income in the period	-311	83	285	-19 533	682	-18 795
31.12. (tax rate 27%)	**26 476**	**3 554**	**-227**	**-94 408**	**2 228**	**-62 377**
Effect of change in tax rate from 27% to 25%	-1 961	-263	17	6 993	-165	4 621
31.12 (tax rate 25%)	**24 515**	**3 291**	**-210**	**-87 414**	**2 063**	**-57 757**
Valuation allowance deferred tax benefit	-24 515	-3 291	210	87 414	-2 063	57 757
31.12	**0**	**0**	**0**	**0**	**0**	**0**
2016						
Booked to income in the period	-223	-10	16	-10 026	-582	-10 825
31.12. (tax rate 25%)	**-223**	**-10**	**16**	**-10 026**	**-582**	**-10 825**
Effect of change in tax rate from 25% to 24%	9	0	-1	401	24	433
31.12. (tax rate 24%)	**-214**	**-10**	**15**	**-9 625**	**-558**	**-10 392**
Valuation allowance deferred tax benefit	214	10	-15	9 625	558	10 392
31.12	**0**	**0**	**0**	**0**	**0**	**0**

NOTE 16 PENSIONS AND PENSION COMMITMENTS

The company has a closed defined benefit plan and a defined contribution plan in DNB Livsforsikring ASA. In 2016 the defined benefit plan comprises a total of 2 employees. The retirement pension starts from 67 years and remains until death.

The law with regards to mandatory occupational pension applies for the company, and the company's scheme complies with the rules.
The company's defined benefit pension plan was terminated by end December 2016. From 2017 onwards the company retains one pension plan only, the defined contribution plan.

Net pension cost	**2016**	**2015**
Current service cost	237	273
Interest cost	20	38
Social security tax	36	44
Net pension cost related to defined benefit plan	**293**	**355**
Pension costs related to defined contribution plan	157	154
Social security on defined contribution plan	22	22
Net pension cost	**472**	**531**
Actuarial change on post employment benefit obligation	96	-759
Capitalised commitments are determined as follow		
Present value of future pension commitments	5 349	4 883
Fair value of plan assets	-4 668	-4 146
Social security tax	96	104
Net pension commitment on the balance sheet 31.12.	**777**	**841**

Financial premises for the Group	**2017**	**2016**	**2015**
Discount rate	2,60 %	2,60 %	2,70 %
Anticipated yield on pension assets	3,60 %	3,60 %	3,30 %
Anticipated regulation of wages	2,50 %	2,50 %	2,50 %
Anticipated regulation of pensions	0,00 %	0,00 %	0,00 %
Anticipated regulation of national insurance	2,25 %	2,25 %	2,25 %
Employee turnover	0,00 %	0,00 %	0,00 %
Social security tax rate	14,10 %	14,10 %	14,10 %

Change in carrying amount of net pension commitments	
Balance sheet value at 01.01.	841
Actuarial change on post employment benefit obligation	96
Net pension cost	293
Pension payments and payments of pension premiums	-452
Balance sheet value at 31.12.	**777**

NOTE 17 INTEREST BEARING DEBT

Austevoll Seafood ASA and some subsidiaries are part of a cash pool agreement.

Net interest-bearing assets/debt(-)	**2016**	**2015**
Liabilities to financial institutions - non-current	160 000	180 000
Bond loan - non-current*	1 000 000	1 400 000
Liabilities to financial institutions - current	550 000	150 000
Liabilities to financial institutions - overdraft	95 413	94 084
Total interest-bearing debt	**1 805 413**	**1 824 084**
Cash and cash equivalents	1 130 058	1 126 317
Other interest-bearing assets - non-current	168 076	164 476
Net interest-bearing assets/debt(-)	**-507 280**	**-533 291**
Bank overdrafts limit	100 000	100 000
Bank overdrafts undrawn	4 587	5 916
Average interest bond loan	4,43 %	5,06 %
Quarterly regulation of interest rates of bond loans		

Repayment profile debt	**2017***	**2018**	**2019**	**2020**	**2021**	**Sub-sequent**	**Total****
Mortgage loan	150 000	20 000	20 000	120 000	0	0	310 000
Bond loan	400 000	500 000	0		500 000	0	1 400 000
Total	**550 000**	**520 000**	**20 000**	**120 000**	**500 000**	**0**	**1 710 000**

* Repayments of non-current liabilities which mature in 2017 are classified as current liabilities in the balance sheet.
** Non-current liabilities are reduced with provision paid with loan rising. The provision is accrued between the term of loans, and is per 31.12.2016 TNOK 5,673.

Financial "covenants"
Financial covenant requirements for Austevoll Seafood ASA (the parent company) are measured on the Group's consolidated level, and requires a minimum book equity ratio of 30% and a debt service ratio not less than 1.05.

Liabilities secured by mortgage	**2016**	**2015**
Current liabilities	245 413	244 084
Non-current liabilities	160 000	180 000
Liabilities to credit institutions incl. leasing liab.	**405 413**	**424 084**
Assets provided as security		
Shares in Br Birkeland AS*	217 500	217 500
Trade receivables and other receivables	73 203	76 150
Total assets provided as security	**290 703**	293 650

* In addition 8,066,500 number of shares in Pelagia AS provide as security.

Fair value of non-current liabilities
Based on contractual terms of non-current borrowings (ex. bond loan), the fair value of the loans are estimated to be equal to book value as of 31.12.2016. For further information about the bond loan, please refer to note 29 in the consolidated financial statement.

NOTE 18 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2016	2015
Salary and other personnel expenses	850	883
Accrued interests	12 076	12 161
Other short-term liabilities	109	60
Other current liabilities	**13 034**	**13 104**

NOTE 19 RELATED PARTIES

	Sales revenue		Operating expences	
Connection	**2016**	**2015**	**2016**	**2015**
Subsidiaries	2 133	2 156	4 586	4 672
Associated	0	0	900	1 463
Owners and its related parties	0	0	4 576	4 545
Total	**2 133**	**2 156**	**10 063**	**10 680**

	Trade receivable		Trade payable	
Connection	**2016**	**2015**	**2016**	**2015**
Subsidiaries	219	0	-343	-385
Associated	188	0	-231	-128
Joint Venture	0	2 693	0	0
Owners and its related parties	0	2 065	-1 698	-2 746
Total	**407**	**4 758**	**-2 272**	**-3 259**

	Other current receivables		Long term receivables	
Connection	**2016**	**2015**	**2016**	**2015**
Subsidiaries	527 739	495 287	72 795	70 392
Total	**527 739**	**495 287**	**72 795**	**70 392**

	Other current liabilities		Long term liabilities	
Connection	**2016**	**2015**	**2016**	**2015**
Subsidiaries	77	-17 712	0	0
Total	**77**	**-17 712**	**0**	**0**

Møgster Management AS is owned by the company's major shareholder, Laco AS, and delivers administrative services (legal advice, catering, secretary, accounting) to the company. Marin IT AS delivers IT services, and is owned 75% by DOF ASA and 25% by Austevoll Seafood ASA.

In 2016 the company have paid TNOK 4,531 (2015: TNOK 4,472) to subsidiaries for rent and administrative services.

NOTE 20 EARNINGS PER SHARE AND DIVIDEND PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares issued during the year.

Basis for calculation of earnings per share	2016	2015
The year's total result	1 310 350	419 852
No. of shares at the balance sheet date (thousands)	202 717	202 717
Average no. of shares (thousands)	201 410	202 717
Earnings per share - all shares	**6,46**	**2,07**
Diluted earnings per share - excl. own shares	6,51	2,07
Proposed dividend per share	**2,50**	**7,00**

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable account standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Storebø, 21 April 2017
Board of Directors of Austevoll Seafood ASA

Helge Singelstad *Chairman of the board*	Helge Møgster	Oddvar Skjegstad *Deputy Chairman*	Inga Lise Lien Moldestad
Leif Teksum	Lill Maren Møgster	Siren M. Grønhaug	Arne Møgster *CEO & President*

To the General Meeting of Austevoll Seafood ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Austevoll Seafood ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, 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, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, 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 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase of Havfisk ASA and Norway Seafoods Group AS	
(See also note 6 on business combinations) The Group purchased the shares of the companies Havfisk ASA and Norway Seafoods Group AS in 2016 through the subsidiary Lerøy Seafood Group ASA. The purchased companies are consolidated in the Group's financial statements from September 2016. The business combination results in a significant increase in book values of vessels and intangible assets (licenses). Due to the size of the purchase, and the judgement involved in identifying and valuing the assets, we focused on the Group's preliminary purchase price allocation. We mainly focused on the valuation of vessels and licenses, and the technical calculation of goodwill and deferred tax.	We obtained the Group's preliminary purchase price allocation for the purchases of Havfisk ASA and Norway Seafoods Group AS. First, we evaluated the Group's purchase price allocation model by comparing it to the criteria in IFRS 3 and found no obvious exceptions. Secondly, we reconciled the balance sheet in the purchase price allocation model to the underlying balances for Havfisk ASA and Norway Seafoods Group AS respectively, without identifying any significant differences. We then obtained and reviewed the Group's valuation of vessels and licenses. We challenged management's assumptions regarding future prices and volumes, and tested that the model made mathematical calculations as intended. Furthermore, we challenged the Group's assumptions related to the allocation of the excess value. Our work supported that the allocation of the excess value was fair. Finally, we also made sure that the technical calculation of deferred tax on the excess values was performed correctly.
Measurement and valuation of biological assets	
(see also note 2 accounting principles, note 4 significant estimates and judgement, and note 21 biological assets) As described in the financial statements Austevoll Seafood ASA value biological assets to their fair value according to IAS 41. At the balance sheet date the fair value of biological assets was MNOK 6,755, out of which MNOK 3,893 is historical cost and MNOK 2 861 is adjustment to fair value. Biological assets comprise ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage). When auditing inventories the auditing standards require that the auditor attend the physical inventory counting when this is possible. The biological assets are by	The Group's biomass system include information on number of fish, average weight and biomass per site. We have reconciled the movement in the inventory of fish held for harvesting purposes (biomass and number of fish) for the farming regions. The movement in number of fish is the sum of opening stock, smolt stocked, loss of fish and harvested fish for the period. The movement in biomass equals the sum of opening biomass, stocked biomass, net growth and harvested biomass for the period. We focused mainly on the number of smolt stocked and the net growth for the period, as these have the most significant impact on the measuring at year-end. We have reviewed the Group's processes for registering the number of smolts stocked. Furthermore, we have reconciled a sample of registered smolt stockings in the biomass system against supporting documentation in the form of e.g. supplier invoice for smolt purchased

nature difficult to count, observe and measure due to lack of sufficiently accurate measuring techniques that at the same time does not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the sea. We have therefore focused on measurement of the biological assets (number and biomass), and specifically the inventory of live fish held for harvesting purposes (ongrowing), which constitutes the majority of the value of the biological assets.

The fluctuations in the value estimate that arise due to for instance changes in market price, may have a significant impact on the operating profit for the period. The Group therefore show the effect from changes in fair value estimates as a separate line item, before operating profit.

In 2016 the Group changed its model used for estimating the fair value of biological assets. We refer to note 2 and note 21 for further details.

We focused on the valuation of the biological assets due to the size of the amount and the effect the fair value estimate has on operating profit. Further, the company has changed its calculation model during the year and the calculations are already complex and there is a fair amount of judgement involved.

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The period's net growth corresponds to the feed used in the period divided by the feed conversion rate (kgs of growth per kg feed used). The feed usage is again closely associated with the feed purchase for the period. To evaluate the feed usage for the period were viewed the Group's controls for reconciling the feed inventory, reconciled the feed accounts payables at year-end against a confirmation from the feed supplier, and tested a sample of feed invoices throughout the year. Furthermore, we have compared the feed conversion rate for the period against our expectation based on industry data per farming region. Where the feed conversion rate differed from our expectation, we have obtained explanations and supporting documentation from the Group. Our procedures substantiated that the growth for the year was reasonable.

In order to challenge the historical accuracy of Group's biomass estimates we have reviewed the harvest deviation for the period. We found the accumulated deviations to be as expected. We challenged the Group's model for calculating the fair value of biological assets by assessing the model against the criteria in IAS 41 and IFRS 13. We found no obvious exceptions. We then examined whether the biomass and number of fish used in the calculation corresponded to the biomass and number of fish in the Group's biomass system, and tested that the model made mathematical calculations as intended.

After ensuring that these fundamentals were in place, we assessed if the assumptions made by the Group when estimating the fair value was reasonable. We did this by discussing the assumptions with the group management and comparing them to among other historical data, industry data or observable market data. We found that the assumptions were reasonable.

Valuation of licences and goodwill in South America

(See also note 15 on intangible assets)

On the balance sheet date, the book value of licences and goodwill related to the business segments in South America was MNOK 1,437. No impairment charges related to these assets was recognised in the income statement.

We obtained the Group's impairment calculation related to licences and goodwill. We considered the elements in the model against the accounting standards and did not find any obvious departures. Further, we evaluated the mathematical accuracy in the model on a test basis without finding any deviations.

We focused on the valuation of licences and goodwill in South America as there are impairment indicators identified for parts of the business. Of further significance, the calculations are complex and the assumptions in the estimate involves management judgement.

We challenged the Group's use of important assumptions in the model related to future volume, price, operating costs, reinvestments and discount rate. This was done by comparing the assumptions against industry data, historical results and budgets approved by the Board of Directors.

We compared the price assumptions in the budgets against expected price trends according to the OECD-FAO report "Agricultural Outlook 2016-2025". Further, we evaluated the volume assumptions against historical levels and updated counting performed by independent institutions on behalf of the governments in Chile and Peru.

We reviewed the operating costs development in the forecast period against historical levels and budgets approved by the Board of Directors.

We found that the assumptions in the model was in accordance with external data and our expectation for the development of the industry.

We have reviewed the discount rate and compared the input in the discount rate with external data. We found that the assumptions were reasonable.

Other information

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprise all of the information in the annual report including the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, 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 simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, 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 and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Bergen, 21 April 2017

PricewaterhouseCoopers AS

Hallvard Aarø

State Authorised Public Accountant

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

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