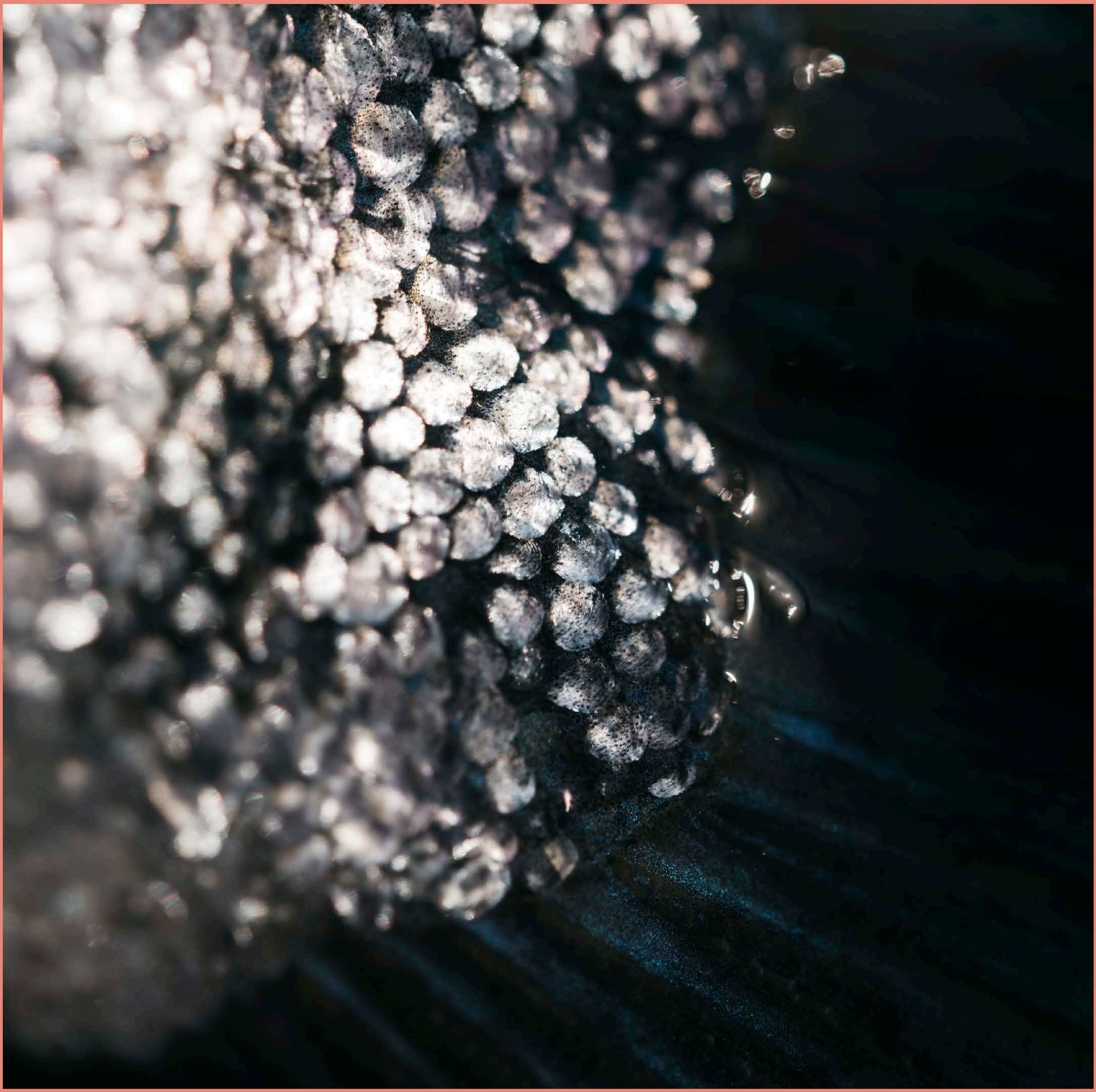
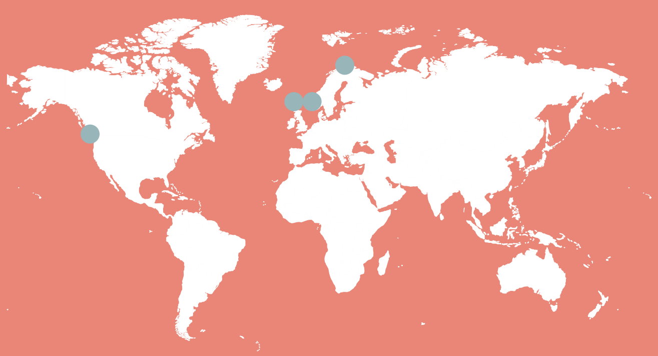


GSF:OSL

ANNUAL REPORT 2017



Grieg Seafood®

ROOTED IN NATURE

PART 1 - OUR JOURNEY

Letter from the CEO	5
Key Figures	8
Vision and Values	10
The Board	14
The Organization	16
Our history	19

PART 2 - CREATING VALUES

Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

PART 3 - ANNUAL ACCOUNTS

Board of director's report	46
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

FRONTPAGE PHOTO: TOMMY ELLINGSEN

ROOTED IN NATURE

PART 1 – OUR JOURNEY

PHOTO: EILERT MUNCH LUND

PART 1 - SUMMARY

PART 1 | P.

PART 1	P.
Letter from the CEO	5
Key Figures	8
Vision and Values	10
The Board	14
The Organization	16
Our history	19

25 YEARS OF OPERATIONS, BUT THE ADVENTURE HAS JUST BEGUN

In 2017, we celebrated our 25th anniversary. The celebration gave us a reason to look back, but more importantly, a reason to reflect on what we aim to accomplish going forward. The oceans must play a bigger role in providing food in the future. We intend to take a leading role in utilizing new technology and data to make better and more sustainable decisions.

We believe that a healthy environment, good fish welfare and profitability, are not opposites, but must go hand in hand. Rooted in nature – we farm the ocean for a better future.

Our adventure has just begun!

FARMING THE OCEAN FOR A BETTER FUTURE - A STRUCTURED APPROACH TO VALUE CREATION

During 2018, we will continue to operationalize our digitalization strategy GSF Precision Farming and implement our improvement program Grieg Seafood 2020. Our goal is to be at the forefront in the industry in utilizing new technology. We apply sensor technology which combined with artificial intelligence facilitates better and more sustainable operational and strategic decisions, safeguards our employees and accelerates operational improvements. Through GSF 2020, we systematize our operational drivers and connect them to financial indicators. Our goal is to ensure that employees understand how what they do contributes to strategic goal achievement. We will also continue to build our culture, as we believe there is an irrefutable causality between culture and performance – if culture comes first, performance will follow. Lead by a dedicated workforce we intend to deliver long-term value for many years to come.

PHOTO: HUNG NGO

LETTER FROM THE CEO

PART 1	P.
Letter from the CEO	5
Key Figures	8
Vision and Values	10
The Board	14
The Organization	16
Our history	19

For 25 years, Grieg Seafood has produced delicious salmon for people all over the world. Now it is time to look forward to our next 25 years of adventure. The salmon farming industry faces challenges, and these we must contribute to solve. In my perspective, a healthy environment, good fish welfare and profitability are not opposites. Our job is to ensure that these considerations go hand in hand. That is how we can provide sustainable, healthy and tasty food to a growing population, and that is how we intend to deliver on our vision:

"Rooted in nature - farming the ocean for a better future"

ANDREAS KVAME
CEO

In 2017, we celebrated our 25th anniversary. The celebration gave us a reason to look back and reflect on what we have accomplished, but more importantly, to reflect on what we aim to accomplish going forward.

GROWTH AND IMPROVEMENT AMBITIONS

From an annual harvest of 62 600 tons, we on average exported approximately 800 000 meals of salmon to the rest of the world every day in 2017. Our ambitious growth target is to harvest 100 000 tons in 2020, which converted to salmon meals equals approximately 1.3 million per day. We intend to reach our targets by working smarter, investing in new capacity and by utilizing our existing licenses better. On the cost side, our ambition is to be at or below industry average. We have a digitalization strategy and intend to be the first in the industry to test out new, digital tools that can challenge us and help us think differently. Our dedicated employees, willing to walk the extra mile every day, will be crucial to goal achievement.

CARING FOR THE ENVIRONMENT

The salmon farming industry faces challenges that we must contribute to solve. Although we aim for growth, we cannot grow at the expense of the environment. We support the "traffic light system" for production in Norway, understanding that a potential red light in Rogaland could mean reduced production for us going forward. We work hard to keep the sea lice levels low, and our most important initiative in Norway is large smolt. From 2017 to 2021, the average size of our smolt put to sea in Rogaland is expected to increase from less than 150 gram to almost 600 gram. A larger smolt is more robust and takes shorter

PART 1 | P.
Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19

time to grow to harvest size, which combined with use of wrasse and other non-medicinal lice treatment methods will have a positive effect on the environment.

In Finnmark, we have seen positive results from extended fallowing. A few years back, we decided to fallow all sites in Øksfjorden beyond what is required by the authorities. In 2017, we began harvesting salmon from this area again. The harvested generation has not been subject to any bath treatments and medicinal treatment has been limited[1]. We believe this proves that our action had the intended effect.

The sea lice situation is expected to remain challenging in 2018, but we believe it is possible to achieve production growth and care for the environment at the same time, and will not compromise long-term sustainable production for short-term profitability.

OPEN, HONEST AND TRUSTWORTHY

As a food producer growing salmon in fjords that belong to us all, we have a responsibility to provide open and honest information about the food safety aspects of our product as well as environmental aspect of our operations.

Salmon is a safe and healthy food product. Both the authorities and Grieg Seafood continuously test our products to document the facts and to ensure that fish sent to the market comply with the different market requirements globally. In February 2018, Ocean Quality AS, the sales company we own with Bremnes Seashore AS , unfortunately released salmon for sale to the Chinese market that did not comply with Chines requirements. The released fish was approved for all other markets globally, but not the Chinese. Failure to comply with the relevant regulations is unacceptable, and both Ocean Quality and Grieg Seafood have taken actions to prevent this from happening again. As a result of the incident, Ocean Quality AS is currently not allowed to service the Chinese market.

> “At NOK 7 017 million, our topline in 2017 was the highest ever in the history of the Group.

We also have to deliver trust regarding the environmental impact of our operations, and aim to be open towards all stakeholder groups. We get to produce our salmon in areas that belong to the public, and in return, our stakeholders have a right to be informed about our production methods, our impact on the environment and how we work to solve environmental challenges. In British Columbia, our process of informing our neighbors about our operations is formalized. Here our staff meets with Chiefs and Councils of the Mowachaht Muchalat and Tlowitsis First Nations at least four times a year, to share information about our farms in their territories, and answer questions of importance to the Chiefs. Although not formalized to the same extent as in BC in other regions, our ambition is to be open and forthcoming and make all relevant information available to our neighbors. We continuously strive to improve our sustainability reporting and for 2017 we will provide climate accounts to the public for the first time. Going forward we will work systematically to deliver trust in the communities where we are present and towards all other stakeholder groups.

OUR RESULTS IN 2017

At NOK 7 017 million, our topline in 2017 was the highest ever in the history of the Group. The record performance was a result of increased activity in Ocean Quality and favorable prices. At 62 598 tons, volume harvested was lower in 2017 than in the year before, as we decided to move 3 000 tons from 2017 into 2018. In Finnmark, a skewed harvest plan negatively affected revenue and profitability. We harvested 75% of our volumes from this region in the second half of the year when prices were significantly lower than in the first half, and therefore lost margin compared to

1 Two sites were treated for the regular salmon lice in 2016 and two sites were treated for Caligus elongates - a lice type carried by wild species like herring and capelin and transferred to farmed salmon – in 2017.

PART 1 | P.

Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19

competitors with a more balanced harvest plan. In addition, biological challenges contributed to increased costs compared to 2016, which resulted in further reduction in profitability. With reference to our cost ambition, our 2017 performance was not good enough. In order to achieve our cost target by 2020, we have therefore started a program to improve our performance going forward. The program is focused on actions affecting key drivers in our operations, most importantly good farming practices, survival and growth. Supported by new technology like sensors and an active management, I believe that significant improvement is achievable. We will provide more information about our improvement program, GSF 2020, in our 2018 reports.

NEW VALUES

In November, we launched our new vision and values. Our new values are Open, Ambitious and Caring. The entire organization, from the smallest facilities in the outskirts of Finnmark, Rogaland, Shetland and British Columbia to the head office in Bergen, have provided input to what the values will mean for their everyday work-life and for the company. In other words, our values are not there as decoration, we want them to define our company both internally and externally, and in 2018, we will start to "live our new values" in full in our effort to achieve our strategic goals.

SALMON FARMING HAS COME A LONG WAY SINCE 1973. THE IMAGE SHOWS SIGVALD EIKE OG JOHANNES SKARTVEIT IN FRONT OF THE FISH FARM SKJÆRSUND.

LOOKING AHEAD

The Board and management of Grieg Seafood are committed to two ambitious targets; to harvest 100 000 tons of salmon, and to achieve costs that are at or below industry average by 2020. Through utilization of new technology and effort from our dedicated staff, I truly believe that we can reach these targets. By developing a performance culture where everyone knows how his or her effort contributes to strategic goal achievement, I believe that our performance will improve in all aspects going forward. To me, a healthy environment, good fish welfare and profitability are not opposites. We have to ensure that these considerations go hand in hand, because only then can we provide sustainable, healthy and tasty food to a growing population in line with our vision: rooted in nature, farming the ocean for a better future.

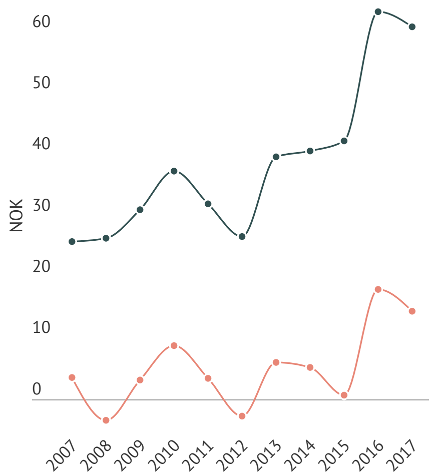
Andreas Kvame
CEO

KEY FIGURES

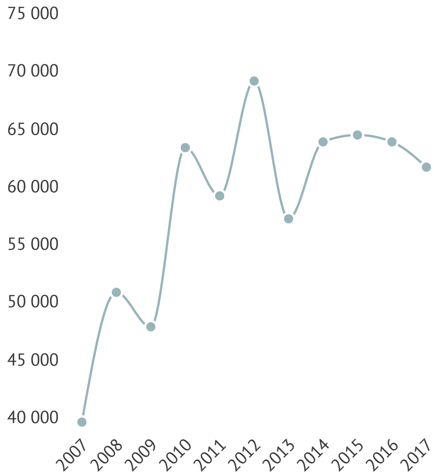
PART 1 P.

Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19

EBIT VS. PRICE (NOK)



HARVEST VOLUME

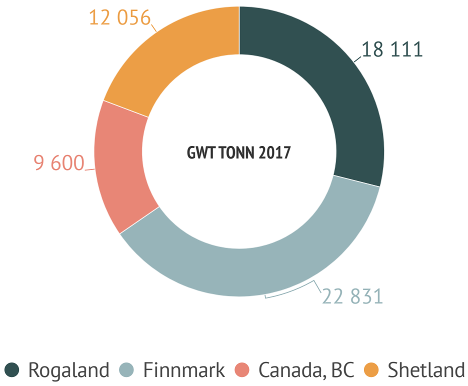


NOK x 1 000	2017	2016	2015	2014	2013	2012	2011	2010
Revenue	7 017 456	6 545 187	4 608 667	4 099 543	2 404 215	2 050 065	2 047 000	2 446 800
EBITDA	1 105 533	1 341 662	261 311	483 820	484 330	-29 818	345 820	686 944
EBIT	904 400	1 167 745	47 742	343 104	348 293	-191 162	205 613	639 754
EBIT after fair value adjustment	812 937	1 683 486	80 951	219 367	615 743	-93 099	-189 567	847 383
Profit or loss for the year	600 899	1 222 331	4 366	144 395	430 985	-147 188	-123 158	631 039
Cash flow from operations	708 877	953 113	367 282	156 541	317 282	202 733	215 406	594 731
Gross investments	552 821	254 852	322 168	311 698	163 961	189 539	324 186	241 804
Total assets	7 152 615	6 768 038	5 935 777	5 351 599	4 590 594	4 070 279	4 172 197	4 057 628
NIBD according to covenants equirement	1 283 606	906 319	1 568 878	1 566 242	1 445 005	1 529 976	1 443 690	1 046 640
NIBD incl. Factoring	1 763 786	1 399 981	1 907 109	1 761 802	1 445 005	1 529 976	1 443 690	1 046 640
Equity (incl. minority)	3 347 905	3 206 951	2 356 192	2 241 451	2 001 781	1 513 230	1 690 150	1 982 405

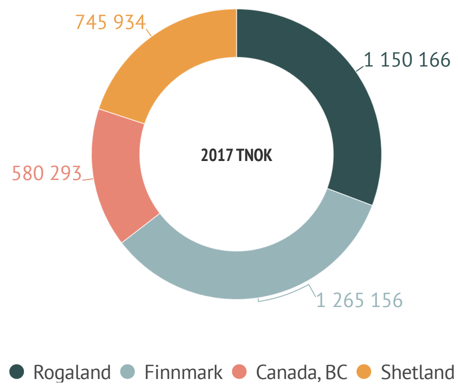
	2017	2016	2015	2014	2013	2012	2011	2010
EBIT* per kg GWT**	14.4	18.0	0.7	5.3	6.0	-2.7	3.4	8.8
Harvest volume (1000 GWT**)	62 598	64 726	65 398	64 736	58 061	70 000	60 082	64 214
NIBD/EBITDA	1.2	0.7	6.3	3.3	3.0	-51.3	4.2	1 .5
Dividende* per share	4.00	1.50	0.50	0.00	0.00	0.00	1.50	0.25
Equity %	47%	47%	38%	42%	43%	37%	41%	49%
Earnings per share*	5.02	10.74	-0.06	1.26	3.90	-1.33	-1.11	5.65
Number of employees (full-time equivalent)	707	654	681	686	626	640	589	578
Market price*** salmon	60.71	63.19	42.22	40.51	39.56	26.57	31.86	37.21

* Norwegian kroner (NOK)
** GWT = Gutted weight
*** NOK/KG average

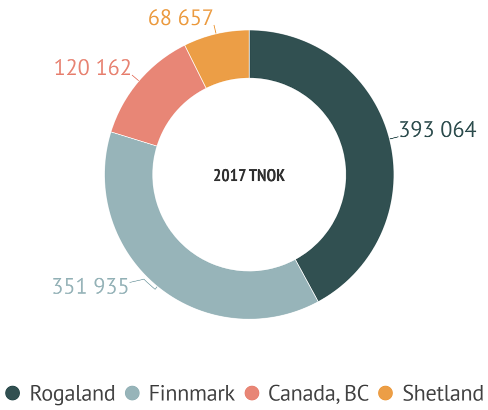
HARVEST VOLUME TON GWT*



SALES REVENUE NOK x 1 000



EBIT**



EXPECTED HARVEST VOLUME IN 2018

80 000 tons GWT

PRODUCTION CAPACITY

Total capacity 100 000 tons GWT

* GWT = Gutted Weight
** EBIT before fair value adjustment of biological assets

HARVEST

Tons GWT	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rogaland	18 111	18 367	15 236	12 778	15 088	19 247	15 986	12 839	12 000	6 733	11 591
Finnmark	22 831	22 104	19 481	26 470	23 076	20 080	16 143	20 705	14 218	14 834	7 640
Canada, BC	9 600	10 715	14 311	6 257	6 739	13 576	13 236	13 682	10 134	16 326	8 503
Shetland	12 056	13 541	16 370	19 231	13 158	17 097	14 717	16 988	12 395	13 838	12 727
TOTAL GSF	**62 598**	**64 726**	**65 398**	**64 736**	**58 061**	**70 000**	**60 082**	**64 214**	**48 747**	**51 731**	**40 461**

EBIT

NOK x 1 000	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rogaland	393 064	466 756	83 516	77 835	144 794	50 763	104 243	131 013	65 431	–15 972	27 814
Finnmark	351 935	447 131	124 004	205 934	216 778	–17 651	55 460	216 167	68 815	–188 292	–3 815
Canada, BC	120 162	80 526	13 310	–47 810	-7 777	–75 167	37 988	69 150	36 626	55 877	38 171
Shetland	68 657	176 558	–164 833	81 087	27 279	–132 228	5 894	178 612	–4 414	–16 474	55 418
TOTAL GSF	**904 400**	**1 167 745**	**47 742**	**340 857**	**348 293**	**–191 162**	**205 613**	**567 369**	**153 525**	**–172 853**	**120 570**

EBIT / KG GWT

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rogaland	21.7	25.4	5.5	6.1	9.6	2.6	6.5	10.2	5.5	–2.4	2.4
Finnmark	15.4	20.2	6.4	7.8	9.4	–0.9	3.4	10.4	4.8	–10.7	–0.5
Canada. BC	12.5	7.5	0.9	–7.6	–1.2	–2.4	2.9	5.1	3.6	3.4	4.5
Shetland	5.7	13.0	–10.1	4.2	2.1	–7.7	0.4	10.5	–0.4	–1.2	4.4
TOTAL GSF	**14.4**	**18.0**	**0.7**	**5.3**	**6.0**	**–2.7**	**3.4**	**8.8**	**3.2**	**–3.3**	**3.6**

ROOTED IN NATURE
– FARMING THE OCEAN FOR A BETTER FUTURE

PART 1	P.
Letter from the CEO	5
Key Figures	8
Vision and Values	10
The Board	14
The Organization	16
Our history	19

We have produced delicious salmon for people in all corners of the world for more than 25 years. Our focus is on sustainable utilization of natural resources, and our ambition goes beyond short-term operational profitability. We care about the footprints we leave as we go along, understanding that there is an interdependency between financial results and sustainability.

Our vision "Rooted in nature – farming the ocean for a better future", describes how we intend to make a difference.

WE ACTIVELY PROMOTE SUSTAINABLE SALMON FARMING. IMAGE FROM GRIEG SEAFOOD ROGALAND.

FOTO: HUNG NGO

GRIEG SEAFOOD - A VALUE BASED SALMON FARMING COMPANY

Covering 70 % of the globe, the oceans must play a bigger role in providing food in the future. Globally, we need to find a way to farm the ocean with sustainable seafood solutions. Balancing profitable growth and innovation with environmental sustainability is essential to what we regard as sustainable food production. We believe focused innovation and research in biology and technology will be prerequisites for maintaining healthy oceans and farm profitability going forward. Through our digitalization strategy GSF Precision farming we intend to take a leading role in utilizing new technology and data to make better and more sustainable decisions.

We actively participate in industry led sustainability efforts like the Global Salmon Initiative (GSI) and the Norwegian Center of Expertise's Seafood project, Aqua Cloud. In the Aqua Cloud project, the goal is to predict sea lice exposure at least two weeks ahead, suggest best measures to reduce lice exposure, and advice on the most efficient treatment. We are also committed to the UN Global compact, and committed to uphold the UN Sustainable Development Goals (SDGs) and principles in how we operate. During 2018, we will incorporate the SDGs in a new sustainability strategy, linking our vision to targets and actions. To learn more about how we work with sustainability, please read the sustainability report.

In addition to our attention to sustainable food production, our majority owner's attention to sustainability in a wider perspective drives us beyond general market expectations in this area. Through Grieg Foundation's 25% ownership of the Grieg Group, profit from our company is allocated to philanthropic projects all over the world. In 2017, the Grieg Foundation contributed with NOK 32 million to such projects globally, of which a significant share was contribution from Grieg Seafood.

PART 1 | P.

Letter from the CEO | 5
Key Figures | 8
Vision and Values | 10
The Board | 14
The Organization | 16
Our history | 19

HOW WE INTEND TO MAKE A DIFFERENCE - OUR VISION

We are sea farmers rooted in nature - we live by and for the ocean. Our vision, rooted in nature – farming the ocean for a better future, reflects how we intend to matter, what we as a company aim to create together and why our employees are proud to be working in Grieg Seafood.

WHAT WE EXPECT FROM OUR EMPLOYEES - OUR VALUES

In 2017, we defined Open, Ambitious and Caring as our values. While our vision sets the direction for the culture we want our employees to embrace, our values describe the qualities we believe are required to deliver results. The values describe what we expect from each other and what others can expect from us. We have defined the content of our values through workshop discussions across all Regions to further develop our engaged culture.

OPEN

Our definition of Open states that "we are open with each other. We share knowledge, ideas and learn from each other. We meet new perspectives with an open mind. We are always honest – also in difficult situations. Our managers have an open door, and are always open for ways to improve. We are open and transparent towards society. That is the only way we can earn their trust. We proactively share honest information about our operations with the public, the authorities and the media – even before they ask. We invite the community to our facilities, participate in the public debate and engage in dialogue with other users of the fjords".

In line with our value, we strive to be open towards all stakeholder groups and in BC, our staff meet at least four times a year with Chiefs and Councils of the Mowachaht Muchalat and Tlowitsis First Nations, to share information about Grieg's farms in their territories, and answer questions of importance to the Chiefs.

In Rogaland, we openly contribute when students and researchers ask for our participation in studies regarding our operations including how we work to comply with relevant environmental standards. We encourage transfer of best practice between sites and active sharing of information.

WE INVITE THE COMMUNITY TO OUR FACILITIES, PARTICIPATE IN PUBLIC DEBATE AND ENGAGE IN DIALOG WITH OTHER USERS OF THE FJORDS.

PHOTO: EILERT MUNCH LUND

PART 1 | P.

Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19

CARING

Our definition of caring says that "we do not only treat each other with respect, we care. We care about our people, we let them flourish and develop their talents. We foster a caring environment – even in difficult situations and in times of hard decisions. We care about our fish and the nature we use to produce healthy salmon. We constantly work to control biology and reduce our impact on the environment. We will pass healthy fjords and salmon on to future generations. We care about our communities. We recognize that the fjords belong to the general public, and we take their concerns seriously. We create opportunities and lasting value for society. We are good neighbors."

Our employees at Trosnavåg and seawater sites in Rogaland practice the value caring when they regularly participate in cleaning up plastic and other debris that wash ashore close to our locations, not because we are the cause of the littering, but because protecting the environment is important to us.

CARING: WE DO NOT ONLY TREAT EACH OTHER WITH RESPECT, WE CARE.

PHOTO: HUNGO NGO

On a wider scale, caring is reflected in our ownership structure. Through the Grieg Foundation a significant part of our profit is allocated to philanthropic projects across the world. In 2017, one of the main beneficiaries of Foundation support was SOS Children's Villages worldwide. In their 2016 annual report SOS Children's Villages wrote the following: "Through Grieg`s collaboration with SOS Children's Villages Norway, we help build families for children in need. We help children shaping their own future and we take active part in the development of the SOS children's communities."

AMBITIOUS

Our definition of Ambitious states that "every day, we are dedicated to do our job the best possible way. We never settle for the average. We walk the extra mile. We always strive to improve. We think big and set ambitious goals for everything we do. We are not afraid of making bold decisions, even if they are tough and out of our comfort zone. We embrace change and innovation. We prioritize our commitments and carry them out. Our ambitious goals always aim to make Grieg Seafood more profitable. Only then can we develop the salmon farming industry further".

Our digital strategy, GSF Precision Farming, represents ambition. Our goal is to be at the forefront in the industry in utilizing new technology in our operations. We aim to identify operational areas where automatic data acquisition from sensor technology, combined with artificial intelligence can facilitate better and more sustainable operational and strategic decisions, safeguard our employees and accelerate operational improvements.

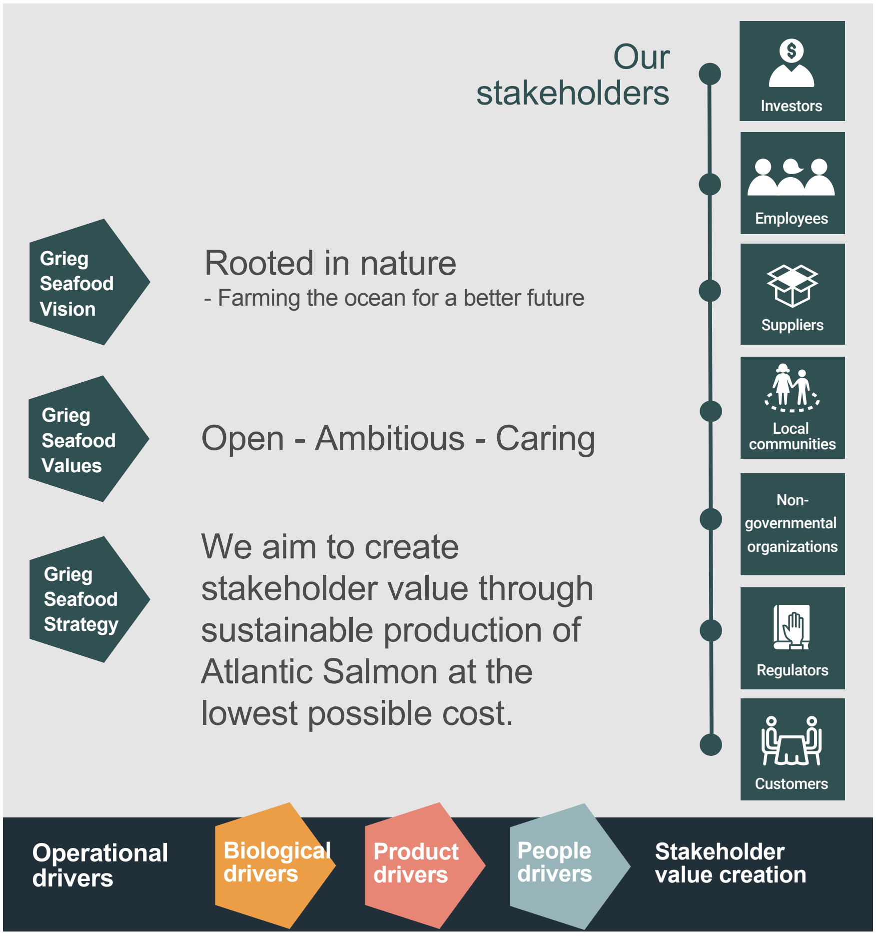
PART 1 | P.

Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19

OUR PLAN TO ACHIEVE OUR GOALS – OUR STRATEGY

Our strategy is to create stakeholder value through sustainable production of Atlantic Salmon at the lowest possible cost. We measure our ability to create stakeholder value through return on capital employed – ROCE. By improving ROCE, we provide shareholder value, safeguard our ability to operate sustainably, provide job opportunities for current and new employees and generate means to support the development of a better world.

ROCE in our operations is the result of past performance as the cost of our fish only is reflected in the profit and loss statement only when the fish is harvested. Therefore, our day-to-day focus is on operational drivers within biology, people and product. The biological drivers include, fish growth, fish health and welfare, survival, as well as sustainability in a broader perspective (CO_2 footprint and preservation of biodiversity). Our people drivers include continuous development of sustainable and good farming practices, ensuring a safe and healthy working environment, safeguarding ethical employee behavior and continuous effort to develop our performance culture. Our product, farmed Atlantic salmon, is the means by which we generate value. In order to ensure that the demand for our product continues to grow, we need to assure consumers and customers that our products are tasty and appealing, as well as safe and healthy. These are out product drivers.



FROM VISION TO STAKEHOLDER VALUE CREATION - GSF 2020

We are currently in the process of adjusting the way we track our performance and follow up our operations. During 2018, we will further align our operational follow up process to strategic drivers. We will also continue to build our culture, as we believe there is an irrefutable causality between culture and performance – if culture comes first, performance will follow. Through our improvement program GSF 2020, we have started a project to look at how different drivers in our operations are connected to performance. The program is focused on actions affecting key drivers in our operations, most importantly good farming practices, survival and growth. Rooted in nature – we farm the ocean for a better future and lead by a dedicated workforce we intend to deliver long-term value for many years to come.

THE BOARD OF GRIEG SEAFOOD ASA

PART 1	P.
Letter from the CEO	5
Key Figures	8
Vision and Values	10
The Board	14
The Organization	16
Our history	19

PER GRIEG JR.
CHAIR

Per Grieg jr has been actively involved in leading positions in Grieg Seafood ASA since the foundation in 1992, and has played a major role in building the Grieg Seafood Group. He has previously acted as Chairman and CEO, and he is presently back as Chairman of the Board.

He holds a MSc degree at The Norwegian University of Science and Technology (NTNU), Department of Marine Technology and a Master in Business and Economics from INSEAD, France. Grieg's work experience includes Researcher at Marintek in Trondheim, Ship broker at EA Gibson and Joachim Grieg & Co, where he also was CEO in the 90's and now holds the position as Chairman.

Per Grieg jr has been involved in establishing numerous companies within several sectors, and has been or is board member in companies like Fjord Seafood ASA, Marine Farms ASA, Erfjord Stamfisk AS and AON Grieg – in addition to several companies in The Grieg Group. Grieg also owns and manages his own investment company. He is a Norwegian citizen and resides in Bergen, Norway.

ASBJØRN REINKIND
DEPUTY CHAIR

Asbjørn Reinkind has a a Master in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen and has further education from IMD and Insead (AMP). He has extensive experience from experience from the food industry and branded products including 18 years employment in Rieber & Søn ASA, CEO of Denja, CEO of Toro and CEO of Rieber & Søn ASA.

Reinkind also has experience from aquaculture and fish farming including CEO of Hydro Seafood Group from 1997 to 2000, former chairman of Pieters Group, Seafarm Invest and Sjøtroll Havbruk. He has previously been a board member in the marine sector, including Fiskeriforskning, Domstein ASA and Pronova Biocare.

Reinkind is presently chairman of Grilstad AS, Isbjørnis AS, deputy chairman of Biomar Group, board member in Scandi Standard AB and senior advisor in two private equity companies. He is a Norwegian citizen and resides in Bergen, Norway.

OLA BRAANAAS
BOARD MEMBER

Ola Braanaas was born in Hamar. He is a fish farmer and agricultural college graduate, and has also studied, pedagogics, aquatic ecology, and fishery at the county colleges of Oppland and Nordland.

Braanaas established the company Firda Settefisk in 1986, and is currently the sole owner and chairman of the board in the Firda Eienedom AS Group, which is a fully integrated fish farming company based at Byrknesøy in the county of Sogn og Fjordane. During the mid 90's Braanaas was involved in establishing the company GO-Fish which was involved in fish farming at the Faroe Islands and in the counties of Troms, Møre og Romsdal and Sogn og Fjordane.

Braanaas has held various board positions in Vestnorsk Havbrukslag, Norway Seafarms AS and Wergeland Holding AS. Braanaas is a Norwegian citizen residing at Svinøyna in the Gulen municipality.

WENCHE KJØLÅS
BOARD MEMBER

Wenche Kjølås has a Master in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen. She had been Executive Director of Grieg Maturitas AS since 2009. Her previous position was CFO of Grieg Logistics AS from 2006 to 2009.

Kjølås' past experience includes CFO of Kavli Holding AS, CEO of O. Kavli AS, CFO of Kavli Holding AS, business manager of Hakon Group AS in Bergen and manager and management consultant in Deloitte.

Kjølås has been board member of Cermaq ASA, Selvaag Bolig ASA, PGS ASA and DOF ASA. She was Chairman of Flytoget until 2017, and she has also been a member of the general assembly of Sparebankstiftelsen DNB.

Kjølås is now member of the board of Innovasjon Norge and Chairman of Keolis Norge. She has been the chairman of Grieg Seafood's audit committee since 2009. Kjølås is a Norwegian citizen and resides in Bergen, Norway.

KARIN BING ORGLAND
BOARD MEMBER

Karin Bing Orgland has a Master in Business and Economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen. She is a professional board member with extensive experience from the financial sector.

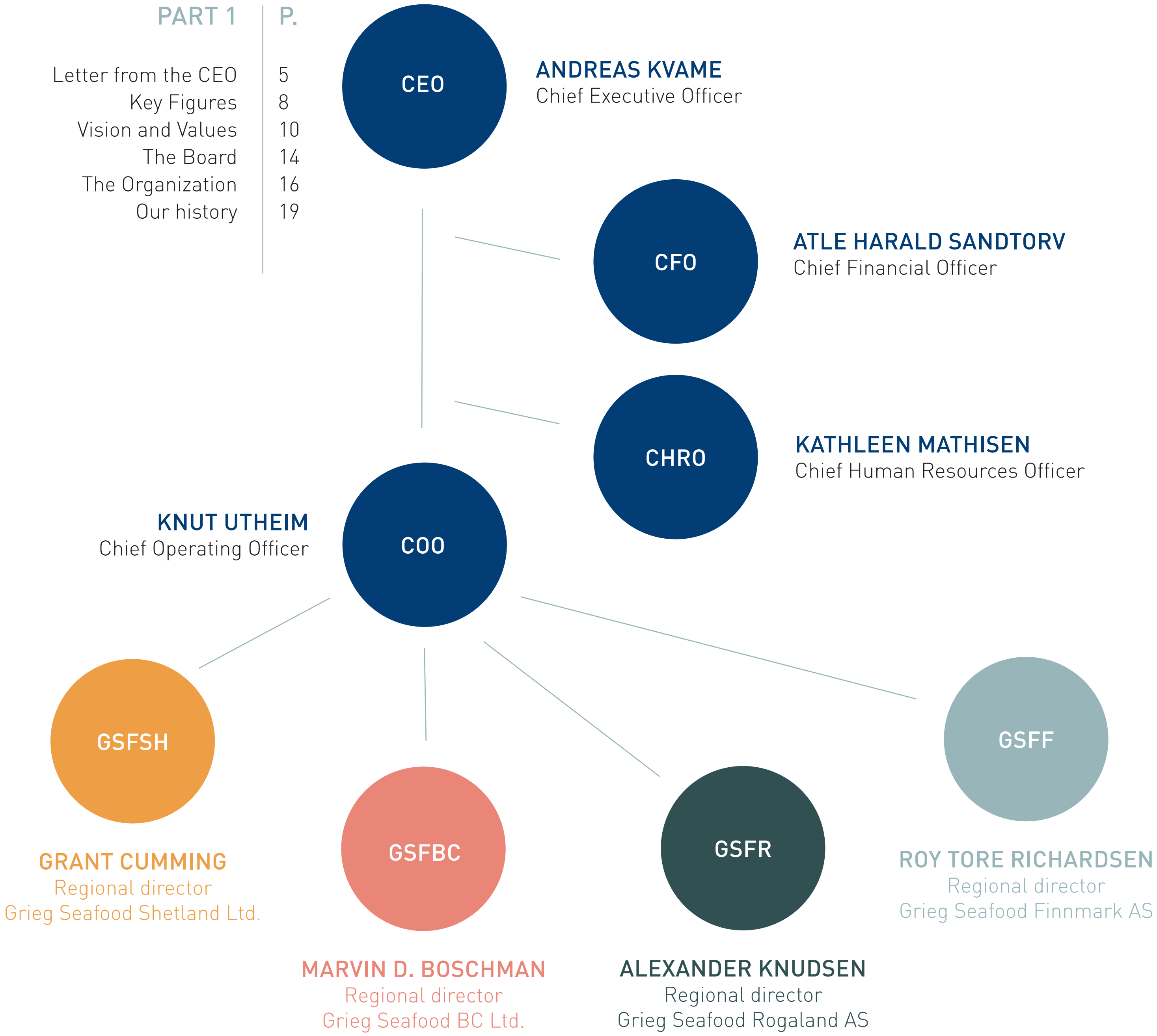
Orgland has a long career as manager and board member in DNB companies, the most recent being Group Director of DNB Retail until the first quarter of 2013.

Orgland is Chairman of GIEK and Entur AS and board member of Storebrand ASA, KID ASA, Hav Eiendom and Grieg Seafood. She is also a member of Grieg Seafood's audit committee.She is a Norwegian citizen and resides in Oslo.

THE ORGANIZATION

PART 1 | P.

Letter from the CEO 5
Key Figures 8
Vision and Values 10
The Board 14
The Organization 16
Our history 19



Organization

The internal management structure in Grieg Seafood ASA reflects the company structure. The organization is split into functional areas and farming. Group management consists of the CEO, CFO, COO and CHRO. Farming is organized as one business area under the responsibility of the COO. Finance and HR are separate functional areas in the parent company.

A new functional area, digitalization, has recently been set up to facilitate implementation of the Group's digitalization strategy. With effect from 1 January 2018, Trond Kathenes was appointed manager in charge for digitalization. To strengthen the commercial, growth and sustainability focus of the Group, a separate functional area for business development has also been established. Nina Willumsen Grieg is manager in charge of business development. Trond and Nina both report to the CEO.

.

GROUP MANAGEMENT

ANDREAS KVAME
CEO

Andreas Kvame was appointed CEO in Grieg Seafood ASA in 2015.

Andreas came to Grieg Seafood from the CEO position in Scanbio. He has 17 years of experience from Marine Harvest Group where he was a member of the Group management team for many years and responsible for sales, logistics, processing and integration.

Andreas has international experience from change management and improvements in the aquaculture industry from a number of companies, including the integration of Stolt Seafarms, Panfish, Fjord Seafood and Marine Harvest. His educational background is from agriculture and aquaculture. Andreas is a Norwegian citizen residing in Hjelmeland.

ATLE HARALD SANDTORV
CFO

Atle Harald Sandtorv was appointed CFO in Grieg Seafood ASA in 2009.

Prior to joining Grieg Seafood, he was CFO in Bennex and Tide ASA. During his 13 years in the management of Tide ASA (former HSD and Gaia), Atle Harald was central in a time of strong growth and structural changes, mergers and acquisitions that formed what today is one of Norway's leading transport companies.

He has a Master in Business and Economics from the Norwegian School of Economics and Business Administration (NHH). Atle Harald is a Norwegian citizen residing in Bergen.

KNUT UTHEIM
COO FARMING

Knut Utheim was appointed COO Farming in Grieg Seafood ASA in 2014.

He has been working in the salmon farming industry since 1990, first in Stolt Sea farm (1990-2005) and later in Marine Harvest (2005-2014).

Prior to joining Grieg Seafood, Knut was regional director in Marine Harvest Norway; Region Mid. He has a degree in aquaculture from the regional college in Sogn and Fjordande. Knut is a Norwegian citizen residing in Bergen.

KATHLEEN O. MATHISEN
CHRO

Kathleen O. Mathisen was appointed CHRO in Grieg Seafood ASA in 2016.

She has extensive experience from the international offshore oil and gas industry. She has worked in HR for more than 18 years.

Kathleen's core competencies include organizational development and transformation processes, and she has several years of experience with business driven HR activities with focus on the human capital in the organization.

She has a number of management courses from the University of Bergen, the Norwegian School of Economics and the Norwegian School of Business and Administration. She is presently in the process of completing an MBA in Leadership and Sustainability at the University of Cumbria in UK. In December 2013, she was awarded "Sunnivaprisen", named after Bergen's patron St. Sunniva. Kathleen is a Norwegian citizen residing in Bergen.

REGIONAL MANAGEMENT

ROY-TORE RIKARDSEN
REGIONAL MANAGER FINNMARK

Roy-Tore Rikardsen took over as Managing Director for Grieg Seafood Finnmark AS in July 2014.

He has 15 years' experience from the fishfarming industry. The last 6 years he has worked as 'production manager seawater' at Lerøy Aurora AS (25,000 tons).

Roy-Tore Rikardsen has also worked in the aquaculture technology industry (Akva Group), and the feed and nutrition industry (Ewos). He holds an 'environment and marine technology engineering' degree from the University of Tromsø.

Roy-Tore Rikardsen is a Norwegian citizen and resides in Tromsø, Norway.

ALEXANDER KNUDSEN
REGIONAL MANAGER ROGALAND

Alexander Knudsen has been working in Grieg Seafood since 1997.

He previously worked in Øvrebø Fisk AS which was bought by Grieg Seafood in 1997.

Alexander Knudsen had a degree in economy and administration from Molde Universtiy College.

He is a Norwegian citizen and resides in Rennesøy.

MARVIN D. "ROCKY" BOSCHMAN
REGIONAL MANAGER BC

Rocky Boschman has been Managing Director of Grieg Seafood BC Ltd. since September 16, 2016.

He started as Saltwater Production Director at the beginning of 2016 until filling the position vacated by Stewart Hawthorn.

Rocky Boschman has been working in BC's salmon farming industry since 1986 and has held various management positions.

He holds a Bachelor of Science degree in Marine Biology from the University of Victoria and a Master in Business Administration from Royal Roads University.

Rocky Boschman is a Canadian citizen living in BC, Canada.

GRANT CUMMING
REGIONAL MANAGER SHETLAND

Grant Cumming takes over as Managing Director of Grieg Seafood Shetland Ltd. on the 1st of December 2016.

He has worked in the company since 2005, where he has served as Production Manager.

Grant has seventeen years of experience in salmon farming and five lecturing in aquaculture.

Grant holds a degree in Zoology from the University of Aberdeen and a Master in Mariculture Science from the NAFC Marine Centre.

He is a British citizen and lives in the Shetland Islands, UK.

OUR STORY SO FAR

Grieg Seafood

ROOTED IN NATURE

1992

The beginning of the adventure. **Establishment** of Grieg Norwegian Salmon (trading company) and Bioinvest (salmon farm investor)

2001

Scandic Marine Ltd acquired - GSF BC established in **British Columbia**

2006

Merger with Volden Group in **Finnmark.**

2007

Grieg Seafood listed on the **Oslo Stock Exchange** in June 2007. Acquisition of Hjaltland Ltd in **Shetland** and Target Marine Ltd in Sechelt BC. Further acquisitions completed on Shetland in 2008-2011.

2010

Establishment of **Ocean Quality AS** in cooperation with Bremnes Seashore (GSF ownership 60%, Bremnes 40%). Ocean Quality Ltd established on Shetland in 2013, Ocean Quality North America, in Vancouver in 2014 and Ocean Quality USA agent office in 2017.

2011

First step of **smolt self-sufficiency strategy** completed with RAS I in Rogaland. Significant expansion of smolt facilities completed or in progress in all regions between 2011 and 2018.

2014

Allocated 4 **green licenses** in Finnmark. An important step for our ambition to sustainably farm the ocean.

2017

Grieg Seafood 25 years - New vision and values

The oceans must play a bigger role in providing food in the future, and we intend to take a leading role in utilizing new technology and data to make better and more sustainable decisions. We believe that a healthy environment, good fish welfare and profitability, are not opposites, but must go hand in hand. It is this interaction that underlies our vision Rooted in nature - farming the ocean for a better future.

25 years - Our adventure has just begun!

ROOTED IN NATURE

PART 2 – VALUE CREATION

PHOTO: TOMMY ELLINGSEN

PART 2 - SUMMARY

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

LARGE SMOLT INITIATIVE FOR SUSTAINABLE GROWTH

We work hard to keep the sea lice levels low, and an important initiative in this regard is large smolt. From 2017 to 2021, the average size of our smolt put to sea in Rogaland is expected to increase from less than 150 gram to almost 600 gram. The increase in size is a result of expansion of an existing smolt facility combined with the building of a new smolt facility in Tytlandsvik in cooperation with Bremnes Seashore and Vest Havbruk. A larger smolt is more robust and takes shorter time to grow to harvest size, which combined with use of wrasse and other non-medicinal lice treatment methods will have a positive effect on the environment.

REVENUE AND COST DRIVERS – WHAT AFFECTS OUR RESULTS

We apply EBIT per kg as a measure of regional profitability. EBIT is driven by key factors affecting revenuees and costs. Our main product, whole gutted salmon, is a commodity. As a result, the prices we achieve for our products will reflect the commodity market price (reference price). How much we are able to harvest depends on the number of smolt put to sea 1-2 years prior to harvest, fish growth rates, survival and our harvest plan. We track our performance both internally and externally through the cost of harvested salmon per kg. More importantly however is our tracking of the cost drivers influencing the cost of salmon to be harvested in the future. Our cost drivers represents the operational factors we can influence in order to improve the future cost of our salmon. These drivers include smolt stocking, survival and growth. Our improvement program GSF 2020 (discussed in Part one of this report) focuses on driver-based improvement activities.

THE GRIEG SEAFOOD SHARE IN 2017

The Grieg Seafood share price declined 12% in 2017. The closing price in 2017 was NOK 72.25 compared to NOK 81.70 at year-end 2016. Our share price is sensitive to the development in salmon prices. The Fish Pool salmon price in NOK at year-end 2017 was 32% lower than at year-end 2016, and this is the main contributing factor to the observed share price decline. Our dividend yield was 5.5% in 2017.

OPERATIONAL VALUE CREATION

PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

We farm salmon in four regions, Rogaland and Finnmark in Norway, on Shetland, UK and in British Columbia, Canada. Our operations span the entire value chain from egg to harvest and most of our fish is processed and packed at our own facilities. We also have our own brood activity in Erfjord in Rogaland. Our farming regions sells their fish to our sales company Ocean Quality, while Ocean Quality resells the salmon to third parties.

In this part of the report we discuss operational achievements by region in 2017 as well as our thoughts about the road ahead. Towards the end we provide own and third party market reflections for 2017 and 2018, under our discussion of Ocean Quality.

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GRIEG SEAFOOD ROGALAND

Grieg Seafood Rogaland AS (GSFR) farms salmon in Rogaland on the west coast of Norway. In this region, we have 19[1] seawater license equivalents and two licenses for land based production of smolt. We also have our own brood activity in Erfjord. All salmon harvested in the region, is processed and packed at our own facilities.

Production capacity is estimated to be approximately 25 000 tons gutted weight. The company is Global GAP certified. We have no ASC certified sites in this region. Our operations are located in six municipalities in Rogaland and they contribute significantly to local value creation. Read more about our community commitments in the Sustainability Report.

18 111 TONS GWT

19 SEA WATER LICENSES

2 SMOLT SITES

1 BROODSTOCK SITE

VOLUME

Volume harvested in 2017 was 18 111 tons GWT, which was a slight decrease from 18 367 tons GWT in 2016. The reduction was a result of accelerated harvesting to implement a common zone structure in the industry and our decision to transfer 1 000 tons GWT to 2018.

Production in sea was strong in the first half of 2017, but seawater temperatures below normal and biological challenges negatively affected growth in the second half of the year.

COSTS

The 2017 cost per kg salmon harvested was higher than in 2016. The increase was due to cost increases in general, PD related issues and accelerated harvest of some sites in order to implement the common industry zone structure.

EBIT (BEFORE FAIR VALUE ADJUSTMENT TO BIOLOGICAL ASSETS)

EBIT amounted to NOK 393.1 million in 2017, a decrease from NOK 466.8 million in 2016. EBIT per kg harvested amounted to NOK 21.7 in 2017 compared to NOK 25.4 in 2016. In the first half of 2017, good growth, favorable prices and low costs contributed to high EBIT per kg. In the second half of the year, low harvest volume and PD negatively affected profitability.

GOING FORWARD

At year-end the biological situation was stable. Low harvest volume will affect cost per kg harvested in the first quarter of 2018. Our sites in this region are located in a yellow area in the recently introduced "traffic-light" system. Sites in a yellow area cannot increase production and an escalation to red light could

1. We have 18 license numbers, but one of our licenses is double which in practice means we have 19 licenses. In addition, we have a long-term rental agreement with Rogaland County for one license, which means that we in total make use of 20 license equivalents.

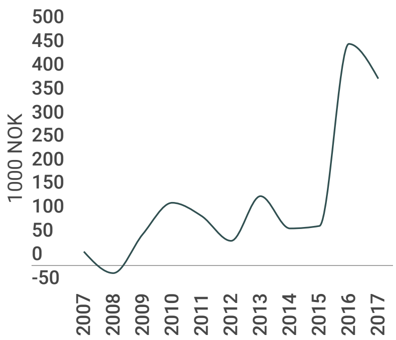
PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

reduce our production capacity going forward. The yellow light is a consequence of high sea lice density and a fear that this could negatively affect wild salmonid stocks.

In 2017, we completed the expansion of our smolt capacity from 500 to 1 300 tons. The expansion is in line with our strategy to increase the size of smolt put to sea in this region in an effort to mitigate the sea lice challenge. Further to this strategy, we are in the process of building a new smolt facility in Tytlandsvik in cooperation with Bremnes Seashore and Vest Havbruk. From this site, smolt approaching 500 gram will be available for stocking by 2019.

To improve our feeding efficiency, we have started to utilize sensor technology. Implementation of the Group's digitalization strategy is expected to contribute to further operational improvement in 2018.

EBIT ROGALAND



GSF Rogaland	2017	2016	2015	2014	2013
Harvest in tons GWT*	18 111	18 367	15 236	12 778	15 088
Sales revenue (NOK x 1 000)	1 150 166	1 140 398	661 204	572 550	640 600
EBIT ** (NOK x 1 000)	393 064	466 756	83 516	77 835	144 794
EBIT / kg GWT **	21.7	25.4	5.5	6.1	9.6

* GWT = Gutted Weight
** EBIT = EBIT before fair value adjustment of biological assets

OUR OPERATIONS ARE LOCATED IN SIX MUNICIPALITIES IN ROGALAND AND THEY CONTRIBUTE SIGNIFICANTLY TO LOCAL VALUE CREATION

FOTO: EILERT MUNCH LUND

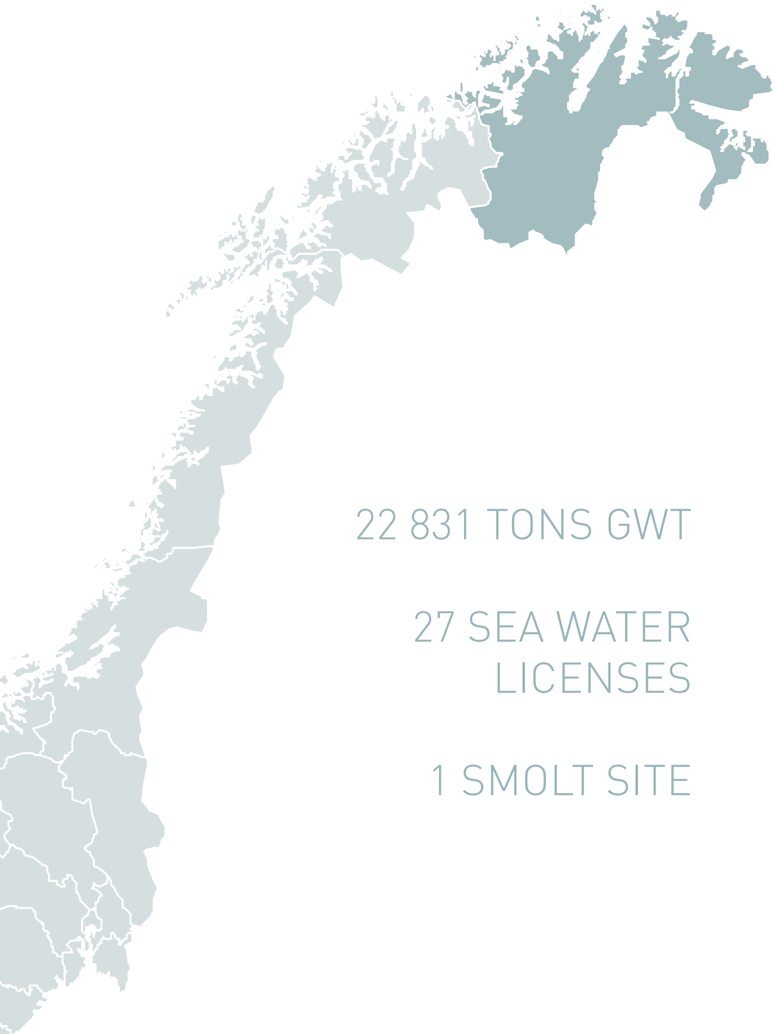
PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GRIEG SEAFOOD FINNMARK

Grieg Seafood Finnmark AS (GSFF) farms salmon in Finnmark, the northernmost county in Norway. In this region, we have 27 seawater licenses and one license for land based production of smolt. Four of the sea water licenses are "green licenses" and subject to stricter environmental measures. Salmon harvested in the region is in general processed and packed at our local facilities.

Production capacity is estimated to be approximately 38 000 tons gutted weight. The company is Global GAP certified. Two sites were ASC certified in this region in 2017. Our operations are located in five municipalities in Finnmark and they contribute significantly to local value creation. Read more about our community commitments in the Sustainability Report.



22 831 TONS GWT

27 SEA WATER LICENSES

1 SMOLT SITE

VOLUME

Volume harvested in 2017 was 22 831 tons GWT, an increase of 3% from 22 104 tons GWT in 2016. A decision to transfer 1 500 tons GWT to 2018 negatively affected volume harvested in 2017.

Production in sea was stable, but seawater temperatures below normal negatively affected growth throughout the year. In line with our growth strategy, we put 10 million smolt to sea in this region in 2017, which is the highest number we have ever stocked.

COSTS

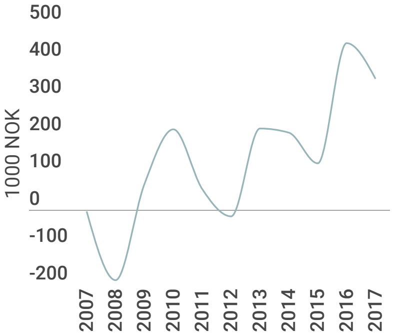
The cost per kg salmon harvested was higher than in 2016. The increase was due to low sea water temperatures resulting in lower growth and thus higher cost per kg harvested, combined with cost increases in general. Extended fallowing of Øksfjorden has contributed to reduced sea lice treatment and thus reduced health cost for salmon from this area.

EBIT (BEFORE FAIR VALUE ADJUSTMENT TO BIOLOGICAL ASSETS)

EBIT amounted to NOK 351.9 million in 2017, a decrease from NOK 447.1 million in 2016. EBIT per kg harvested amounted to NOK 15.4 and NOK 20.2 in 2017 and 2016 respectively. Harvest volumes were highly skewed towards the second half of the year with 75% of the full year harvest taking place in the last six months of the year. This had a significant negative effect on profitability, as prices during this period were more than 20% lower than in the first half of the year. Increased costs contributed to further profit reduction compared to 2016.

PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

EBIT FINNMARK



GOING FORWARD

At year-end, the biological situation was stable. Low harvest volume will negatively affect cost per kg harvested in the first quarter of 2018. Our sites in Finnmark are located in a green area in the recently introduced "traffic-light" system. We have as a result been able to acquire additional production capacity in this region. The increase amounts to 470 tons MAB. With two new sites approved in 2017 and a record high number of smolt stocked, we are ready for growth in Finnmark. The new sites will help us optimize production and reduce costs going forward.

Further to our growth strategy, we are investing substantially in smolt capacity. These investments will enable increased smolt production in both number and average weight. The expansion at our Adamselv facility will increase smolt capacity from 800 to 1 600 tons. The first smolt from the expanded facility will be put to sea in the first half of 2019.

To improve our feeding efficiency, we have started to utilize sensor technology. Implementation of the Group's digitalization strategy is expected to contribute to further operational improvement in 2018.

GSF Finnmark	2017	2016	2015	2014	2013
Harvest in tons GWT*	22 831	22 104	19 481	26 470	23 076
Sales revenue (NOK x 1 000)	1 265 156	1 244 255	797 872	975 291	870 100
EBIT ** (NOK x 1 000)	351 935	447 131	124 004	205 934	216 778
EBIT / kg GWT **	15.4	20.2	6.4	7.8	9.4

* GWT = Gutted Weight
** EBIT = EBIT before fair value adjustment of biological assets

FOUR OF THE SEA WATER LICENSES ARE "GREEN LICENSES" AND SUBJECT TO STRICTER ENVIRONMENTAL MEASURES.

PHOTO: EILERT MUNCH LUND

PART 2 | P.
Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GRIEG SEAFOOD BC

Grieg Seafood BC Ltd (GSFBC) farms salmon on the east and west side of Vancouver Island as well as along the Sunshine Coast north of Vancouver. In this region, we have 20 seawater licenses and one license for land based production of smolt. We do not process our own salmon in this region.

Production capacity is estimated to be approximately 20 000 tons gutted weight. The company was the first salmon farming company in North America to be BAP Certified. The company has also been audited and approved by the Aquarium of the Pacific's "Seafood for the Future" program. We have no ASC certified sites in this region. Some of our sites are located in First Nation Territories and our relationship with the Mowachaht Muchalat and Tlowitsis First Nations is good. Read more about our community commitments in the Sustainability Report.

9 600 TONS GWT

20 SEA WATER LICENSES

1 SMOLT SITE

VOLUME

Volume harvested in 2017 was 9 600 tons GWT, a decrease of 10% from 10 715 tons GWT in 2016. The reduction was a result of limited biomass available for harvest due to low 2015 and 2016 smolt stocking, combined with losses during an algal bloom in 2016.

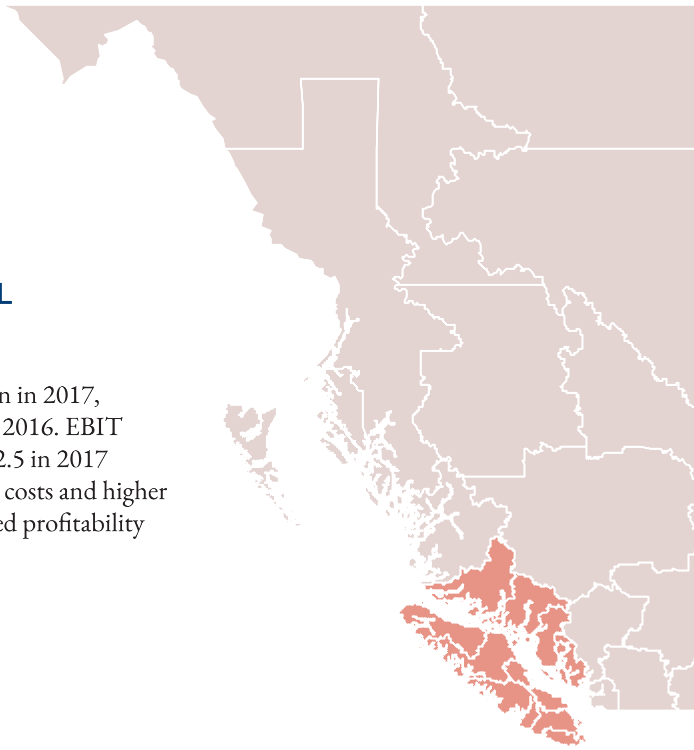
Production in sea was good throughout the year. Our effort to reduce biological risk in the region is starting to pay off. New monitoring equipment has contributed to improved feeding efficiency and thus better growth, and the introduction of plastic rings as opposed to steel pens has contributed to further improvement.

COSTS

The cost per kg salmon harvested was reduced compared to 2016 as a result of good seawater growth. Losses during lice treatment had a negative effect on cost in the fourth quarter.

EBIT (BEFORE FAIR VALUE ADJUSTMENT TO BIOLOGICAL ASSETS)

EBIT amounted to NOK 120.2 million in 2017, an increase from NOK 80.5 million in 2016. EBIT per kg harvested amounted to NOK 12.5 in 2017 compared to NOK 7.5 in 2016. Lower costs and higher achieved prices contributed to improved profitability compared to 2016.



PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GOING FORWARD

At year-end the biological situation was good. There has been a significant build up of biomass during 2017 and we will therefore harvest significantly more salmon from this region in 2018. We expect the cost of harvested salmon to be further reduced going forward due to the actions taken to mitigate biological risk and optimize production.

The introduction of sensor technology to monitor algal blooms enables us to determine at an early stage the type of algae and the appropriate feeding response. This has resulted in increased number of feeding days and thereby improved growth. We have also installed upwelling- and oxygen systems at our sites in BC to improve water quality and growth conditions.

EBIT BRITISH COLUMBIA

GSF BC	2017	2016	2015	2014	2013
Harvest in tons GWT*	9 600	10 715	14 311	6 257	6 739
Sales revenue (NOK x 1 000)	580 293	611 223	573 900	277 757	330 700
EBIT ** (NOK x 1 000)	120 162	80 526	13 310	-47 810	- 7 777
EBIT / kg GWT **	12.5	7.5	0.9	-7.6	-1.2

* GWT = Gutted Weight
** EBIT = EBIT before fair value adjustment of biological assets

THERE HAS BEEN A SIGNIFICANT BUILD UP OF BIOMASS DURING 2017 AND WE WILL THEREFORE HARVEST SIGNIFICANTLY MORE SALMON FROM THIS REGION IN 2018.

PHOTO: OLE-JØRN BORUM

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GRIEG SEAFOOD SHETLAND

Grieg Seafood Shetland Ltd (GSFS) farms salmon on Shetland and the Isle of Skye. We are the largest salmon producer on Shetland. In this region, we have 17 active seawater sites (13 on Shetland and 4 on the Isle of Skye) and one freshwater site. Our operations span the entire value chain, fresh water, seawater and harvesting.

Production capacity is estimated to be approximately 17 000 tons gutted weight. The company is Global GAP certified. We have no ASC certified sites in this region. Our operations contribute significantly to local value creation. Read more about our community commitments in the Sustainability Report.

VOLUME

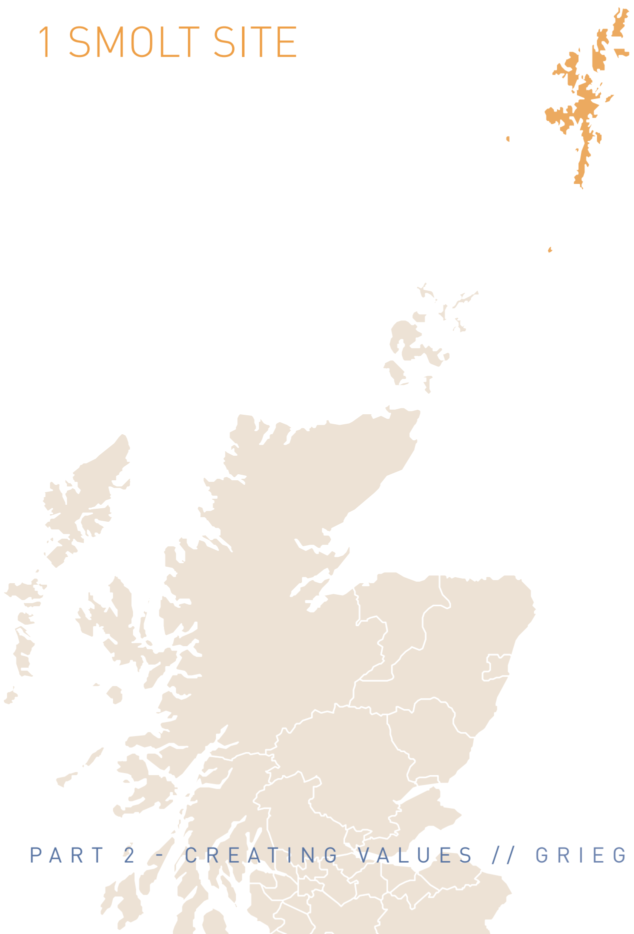
Volume harvested in 2017 was 12 056 tons GWT, a decrease of 11% from 13 541 tons GWT in 2016. The decrease was a result of biological challenges due to sea lice and algal blooms. We continue to remove our worst performing sites from the operational footprint, which contributes to volume reduction compared to prior years.

Sea lice and algal blooms affect production in this region and the first half of 2017 was challenging. Towards the end of the third quarter, the biological situation stabilized and it remained stable throughout the fourth quarter and into 2018. Sealice levels are currently at historically low levels.

12 056 TONS GWT

17 ACTIVE SEAWATER SITES

1 SMOLT SITE



COSTS

The cost per kg salmon harvested increased compared to 2016 due to the sea lice and algal challenges.

EBIT (BEFORE FAIR VALUE ADJUSTMENT TO BIOLOGICAL ASSETS)

EBIT amounted to NOK 68.7 million in 2017, a reduction from NOK 176.6 million in 2016. EBIT per kg harvested amounted to NOK 5.7 in 2017 compared to NOK 13.0 in 2016. Higher costs and lower achieved prices due to reduced quality and low average harvest weight were the main drivers for the reduction in profitability compared to 2016.

GOING FORWARD

At year-end the biological situation was stable with historically low levels of sea lice present. We work closely with other farmers in the region to mitigate biological challenges and our efforts include joint area fallowing for a period of 3 months and good operational procedures. Overall, we expect the cost of harvested salmon to fall in 2018, but in the first quarter costs will be high due to low harvest volume.

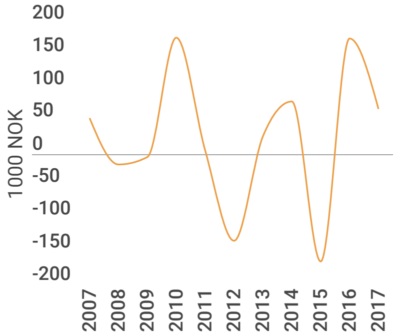
PART 2 | **P.**

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

To mitigate the biological challenges, all future inputs of salmon will be stocked with aeration systems, and cleanerfish to reduce the risk of algal and sea lice issues. Where on-site currents permit, all salmon will also be protected with sea lice skirts.

Algal monitoring is carried out in cooperation with our GSF BC operations with daily samples being analyzed from all sites using advanced image analysis techniques to correctly identify the species, prevalence and depth distribution of any algae present. This information is expected to reduce the numbers of lost feeding days and increase seawater growth. We have also instigated bi-weekly PCR gill sampling to identify gill pathogens at a pre-clinical stage. This information should enable more rapid intervention to control the development of complex gill disease. In addition, we now also have access to freshwater treatment capacity to improve both gill health and sea lice control.

EBIT SHETLAND



GSF Shetland	2017	2016	2015	2014	2013
Harvest in tons GWT*	12 056	13 541	16 370	19 231	13 158
Sales revenue (NOK x 1 000)	745 934	859 815	773 526	852 455	567 400
EBIT ** (NOK x 1 000)	68 657	176 558	-164 833	81 087	27 279
EBIT / kg GWT **	5.7	13.0	-10.1	4.2	2.1

* GWT = Gutted Weight
** EBIT = EBIT before fair value adjustment of biological assets

GRIEG SEAFOOD
IS THE LARGEST
SALMON PRODUCER
ON SHETLAND

PHOTO: HUNG NGO

OCEAN QUALITY

Your supplier of seafood

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

Ocean Quality AS is the sales organization of Grieg Seafood (60%) and Bremnes Seashore (40%). The company was established in 2010 and is headquartered in Bergen. The Ocean Quality Group also has sales companies on Shetland and in North America for the purpose of selling the salmon harvested by Grieg Seafood in these regions.

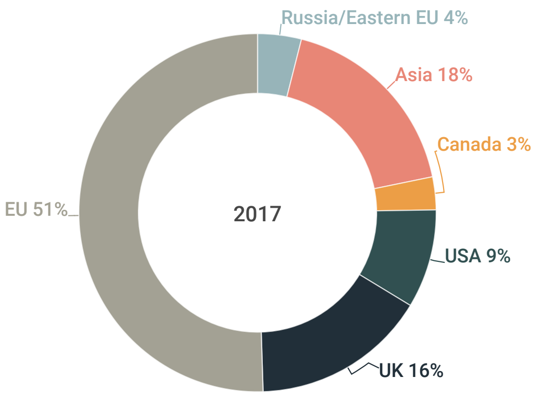
Ocean Quality is committed to high standards in their service offering focusing on the following aspects:

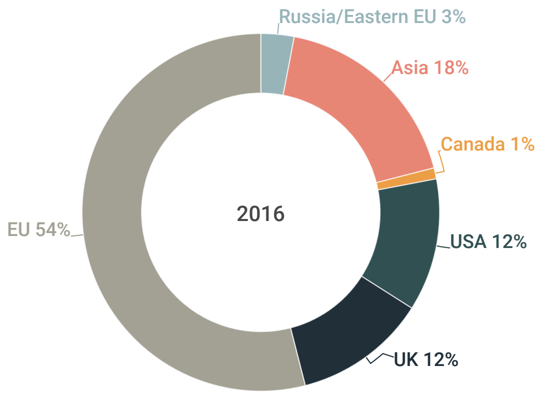
- Reliable year round supply according to customer requirements.
- Fresh and healthy products.
- Traceability and food safety.
- Quality control and sustainability of raw materials.
- Fish health and welfare and environmental care.

VOLUME AND PRICE DEVELOPMENT

Ocean Quality´s primary target is to be a preferred and reliable supplier for its global customer base. In 2017, the Grieg Seafood Group (including Ocean Quality) had a turnover of NOK 7 017 million, compared to NOK 6 545 million in 2016, corresponding to an increase of NOK 472 million (7.2%). Sales to different markets were distributed as indicated in the graph below. Continental Europe is by far the most important market, representing 51% of the turnover in 2017, down from 54% in 2016. The share of total sales directed to the Asian market was 18%, both in 2016 and 2017. Due to increased sales from Norway into the UK market, this markets share of the total increased from 12% in 2016 to 16% in 2017. The value of sales to the United States was reduced by 3 percentage points to 9% of the total in 2017, following a significant reduction in harvest volumes in BC.

Supply shortage in the beginning of 2017, made it difficult to maintain stable consumption. Production and supply increased marginally in the second quarter, while the supply growth in the second half of the year was significant. From being in a position where orders had to be declined, the supply growth made it possible grow and develop the customer base. Volume sold in 2017 was 105 500 tons. This is equivalent to an increase of 7.3% from 98 323 tonses in 2016.





PART 2 | **P.**

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

GOING FORWARD

The Group expects the market to be strong in 2018. The year has started well, with significantly higher market activity than in prior months. This is especially evident for promotions and sales. As a result of high salmon prices and high contracts shares during the last couple of years, the retail sector encountered difficulties in maintaining their promotional activities. The market now seems to have returned to normal levels, both in terms of prices and frozen stock, and retailers as well as other customers are again eager to develop closer cooperation with the salmon producers. Expected sales volume in 2018 for the Grieg Seafood Group (including Ocean Quality) is 127 700 tonses, corresponding to an increase of 21% compared to 2017. The increase is mainly due to a higher harvest volumes in Grieg Seafood.

The Group has hedged approximately 22% of the 2018 volumes by entering into fixed price contracts. As of mid-March 2018, the average contract price is higher than the forward prices from FishPool. The market clearly trends towards increased demand for of certified and specialty products. Grieg Seafood works on a continuous basis to adapt to changing customer preferences. Our efforts include activities to increase the number of ASC certified sites. We are also committed to increase our sales of high quality products like Skuna Bay from Grieg Seafood BC and Kvitsøy Salmon from Grieg Seafood Rogaland. The Skuna Bay fish is currently sold to gourmet restaurants in major American cities. The majority of the Kvitsøy fish is currently sold to the Italian and Spanish market.

THE GLOBAL SALMON MARKETS

The following sections describe the general market trends in 2017, as well as expectations for 2018. The volume figures have been prepared by Kontali Analyse.

Volume and price development in 2017

The global production of salmon increased in 2017. Global sales of farmed Atlantic salmon are estimated to 2 033 000 GWT, which is an increase of around 2% from 2016. In Europe the supply increase was 6-7% in the fourth quarter of 2017, compared to the same quarter in 2016. For the full year, the European market experienced a supply decrease of 2.5%.

Spot prices for salmon were significantly higher in the first half of 2017 compared to the first half of 2016. The trend shifted in the second half of the year and the average price in 2017 ended below 2016. With higher contract prices than spot prices throughout the year, the situation was different than in 2016. This contributed to a different supply /demand dynamic with the outcome being declining prices. The reduction was stronger than anticipated due to higher contract shares, resulting in a more volatile spot market for salmon than i previous years.

Market expectations to 2018

Global supply of salmon is expected to increase by 5% in 2018. The price level is expected to fall slightly below 2017 for the full year, taken into account the very high price level during the first half of 2017. Currently, contracts are in high demand, while spot prices indicate that the demand is stronger than previously anticipated. Prices are expected to remain favorable for the rest of the year. The expected supply growth for the year has been reduced and a major part of the growth has presumably already been realized during the first quarter.

THE GRIEG SEAFOOD SHARE

PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

We aim to deliver attractive return to our shareholders and contribute to the correct pricing of our share. In our effort to achieve this, we share honest information about our operations – also in difficult situations.

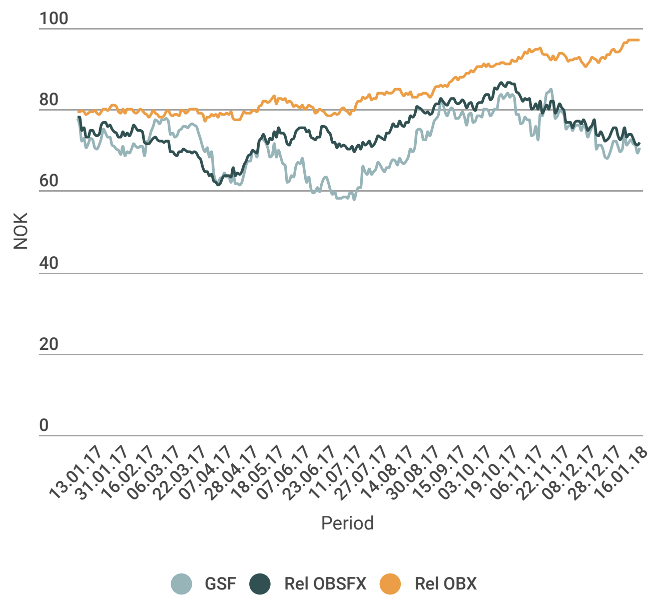
OUR SHARE AND SHAREHOLDERS

Grieg Seafood was listed on the Oslo stock exchange on 21 June 2007 under the ticker GSF. We have only one class of shares, and all shares carry the same rights. At 31 December 2017 the Company had 110 412 000 shares outstanding at a nominal value of NOK 4.0 per share (excluding own shares).

As of 31 December 2017, we had 4 433 shareholders, with our 13 largest investors holding 70.86% of our shares. Domestic based shareholders own the majority of the Company and Per Grieg jr and his immediate family controlled 52.8% of the shares outstanding as of 31 December 2017. In June 2011, we purchased 1 250 000 of our own shares at a price of NOK 14.40 per share. These shares are still in our possession. For more information about our shareholders, please refer to Note 17 to the financial statements.

RELATIVE SHARE DEVELOPMENT 2017

Grieg Seafood compared with OBX (stock index) and OBSFX (seafood index) in NOK



The OBX og OBSFX lines starts at NOK 79,20 (opening price for the Grieg Seafood share in 2017) and is adjusted according to relative movement throughout the year.

THE RETURN ON OUR SHARE

Our ambition is to create shareholder value and deliver competitive return relative to comparable investment alternatives. The return on our share is a combination of dividend and share price appreciation.

The Grieg Seafood share price declined 12% in 2017. The closing price at 31 December 2017 was NOK 72.25 compared to NOK 81.70 at year-end 2016. Our share price is sensitive to the development in salmon prices. The Fish Pool salmon price in NOK at year-end 2017 was 32% lower than at year-end 2016, and this is the main contributing factor to the observed share price decline. Our dividend yield was 5.5% in 2017. Adjusted for dividend of NOK 4.00 per share, the total return on our share was negative 7%.

The Oslo Stock Exchange Seafood Index (OBSFX) consists of the most liquid seafood companies worldwide. The OBSFX declined by 5% in 2017 driven by the reduction in salmon prices. Measured against the OBSFX and OBX, our share underperformed in 2017. We believe this is due to high cost of harvested fish in several of our regions (please see the graph Relative shareprice development 2017).

Over the last 5 years, the Grieg Seafood share is among the shares on the Oslo Stock Exchange that have yielded the highest return. During this period, our share appreciated 483% compared to 72% for the OBX.

PART 2 | P.
Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

The OBSFX was established late November 2013, and from inception to year-end 2017, the increase has been 239%. The corresponding increase for the Grieg Seafood share and the OBX has been 223% and 49% respectively. Our share has overall tracked the OBSFX, with a significantly stronger performance than the index in the last 2 years. The rebound of our share, coincides with Marine Harvest's realization of forward contracts and immediate sale of shares in 2016 (please refer to the liquidity section below for further information).

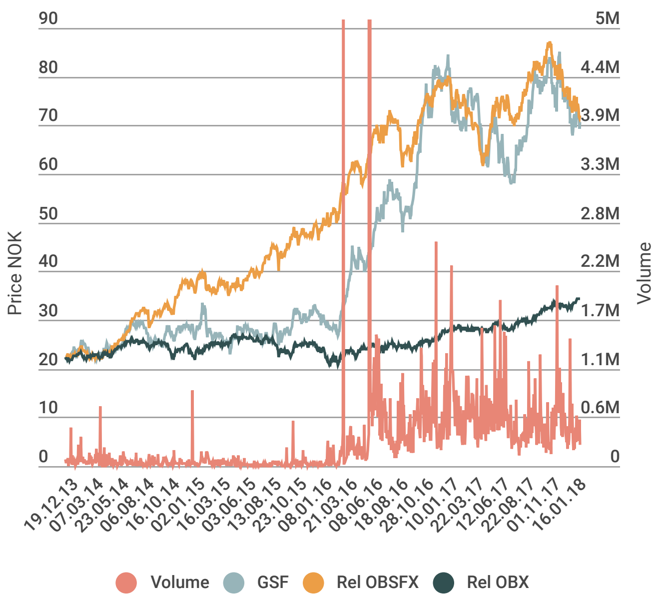
The graph below shows the relative performance of the GSF share compared to OBX and OBSFX as well as daily traded volume from 2 December 2013 to year-end 2017.

THE LIQUIDITY OF OUR SHARE

In 2016 and 2017, the liquidity of our share increased significantly compared to prior years. The increase was a result of Marine Harvest ASA realizing a set of old forward contracts to acquire close to 29 million shares in Grieg Seafood ASA and immediately selling them in the market in May 2016. These transactions, in addition to being huge volume transactions in themselves, contributed to an increased number of shares available for active trading, and thus improved liquidity. In 2017, the bid/ask spread of our share declined compared to 2016, contributing to increased number of transactions. Despite the narrowing of the bid/ask spread, total volume traded declined from the year before, as 2016 was significantly affected by Marine Harvest's transactions. Excluding these transactions, traded volume was higher in 2017 than in 2016,

RELATIVE SHARE PRICE DEVELOPMENT AND DAILY VOLUME TRADED LAST 4 YEARS

Grieg Seafood compared with OBX (stock index) and OBSFX (seafood index) in NOK



The OBX og OBSFX lines starts at NOK 22,40 (opening price for the Grieg Seafood share on 2 desember 2013) and is adjusted according to relative movement throughout the year.

PART 2 | P.
Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

ending at 143.1 million shares. The median number of shares traded per day in 2017 was above 586 000, compared to slightly above 171 000 shares in 2016. Our share was traded on 251 out of 251 possible trading days in 2017, and the average turnover per trading day was approximately 570 000 shares. We did not trade in our own shares in 2017.

DIVIDEND AND DIVIDEND POLICY

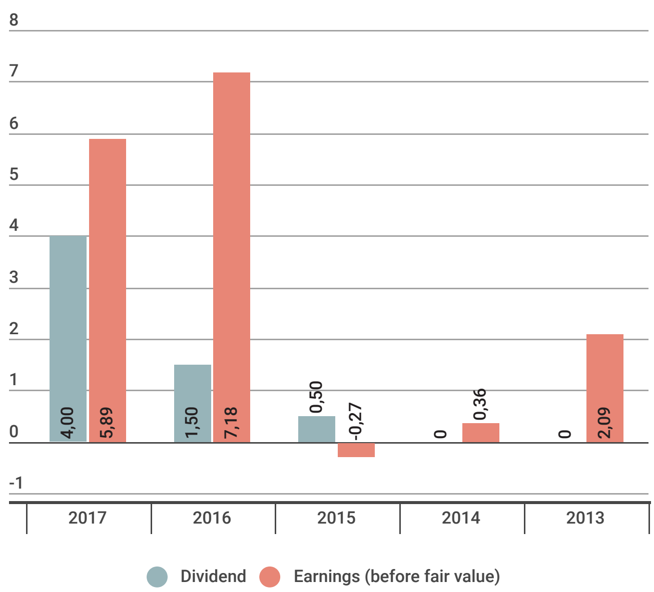
Over time, Grieg Seafood should provide its shareholders with a competitive return on invested capital. Dividend is one of the factors driving return.

Our dividend policy states that dividend payout will depend on future earnings, the Group's financial situation and cash flow. The Board is of the opinion that dividend payout should follow the development in the Group's results, but balanced against the desire to maintain a healthy equity and adequate financial resources to facilitate future growth and investment, as well as the desire to minimize the cost of capital. The Board believes that dividend over time should average 25%-35% of the Group's net profit after tax, adjusted for the impact of biomass adjustments. At the same time, the Group's net interest-bearing debt per kg harvested salmon should remain between NOK 15 and NOK 20. Dividends declared and paid may be adjusted to satisfy the targeted debt level.

In 2017, NOK 4.0 per share was paid out as dividends, which corresponds to a pay out ratio of 56%. The high payout ratio reflects a sound financial position and the opening provided in the dividend policy to increase dividend when the debt target is met. The 2018 Annual General Meeting will decide dividend for the fiscal year 2017.

The below graph shows the dividend and earnings after tax, but before fair value per share in the period 2013 to 2017.

DIVIDEND AND EARNINGS (BEFORE FAIR VALUE) PER SHARE 2013-2017



Key figures	2017	2016	2015	2014	2013
Number of shares at year-end (incl own shares)	111 662 000	111 662 000	111 662 000	111 662 000	111 662 000
Number of shares traded	143 109 533	167 281 077	8 251 926	13 108 181	na
Number of shareholders	4 433	4 390	1 156	1 028	1 044
Average total value of shares traded per day (NOK million)	40.68	31.64	0.94	1.34	na
Average number of shares traded per day	570 158	661 190	33 008	52 433	na
Median number of shares traded per day	586 472	171 696	16 727	32 100	na
Market value Equity	7 977 267	9 020 660	3 422 772	3 146 742	2 705 094
Share price 31.12 (NOK)	72.25	81.70	31.00	28.50	24.50
Average share price (NOK)	71.49	52.69	28.24	26.06	na
Lowest closing price (NOK)	58.00	26.70	23.10	21.80	na
Highest closing price (NOK)	85.10	84.45	33.60	29.80	na
Dividend per share	4.00	1.50	0.50	-	-
Earnings per share (before fair value adjustment)	5.89	7.18	-0.27	0.36	2.09
Price/Earnings ratio	12.27	11.38	-116.18	78.12	11.72
Price/Book ratio	2.38	2.81	1.53	1.40	1.36
Payout ratio (%)*	56 %	-562 %	137 %	0 %	0 %
Dividend yield (%)	5.5 %	1.8 %	1.6 %	0.0 %	0.0 %
Return on Capital Employed (ROCE)	24 %	33 %	1 %	10 %	11 %
Enterprise value/EBIT before fair value (EV/EBIT)	10.24	8.50	104.55	13.74	11.92
Enterprise value/Capital Employed (EV/CE)	2.45	2.82	1.48	1.40	1.36

* Payout ratio is calculated as the dividend paid out in a year divided by the earnings before fair value in the prior accounting year.

For more information about key figures and trading statistics, please visit the Oslo Stock Exchange's web page www.oslobors.no – Grieg Seafood (GSF).

RETURN ON CAPITAL EMPLOYED

Return on capital employed (ROCE) measures if capital invested in our company yields competitive return. Our long-term ambition for ROCE is to achieve a result that is at or above industry average. Our ROCE target is a reflection of our ambition to be at or below industry average on cost by 2020. Operationally we break down our ROCE target to the relevant performance drivers and track our performance accordingly. For more information about how we calculate ROCE and track our performance, please refer to the analytical section of this report. Looking back on recent history, 2015 was a challenging year for us due to biological challenges and impairment losses when shutting down the smokehouse and filleting line on Shetland. These factors explains the low ROCE achieved in 2015.

ENTERPRISE VALUES AND MULTIPLES

EV/CE: Enterprise value to capital employed measures the market value of Grieg Seafood based on expected future cash flows compared to the capital invested in our assets. The majority of our assets (i.e. the majority of our licenses and buildings) were assigned values at the time of acquisition. Since then, these assets have multiplied in value, but as they are not subject to fair value adjustment, the recognized values have remained unchanged and in the case of buildings been depreciated, which contributes to explain the increasing difference between capital employed and the enterprise value.

EV/EBIT: Enterprise value to EBIT or EBIT before fair value, measures the markets valuation of Grieg Seafood based on expected future cash flows compared to the past year's EBIT. As EBIT includes the change in fair value of biological assets, we recommend using EBIT before fair value in the calculation. Looking back on recent history, 2015 was a challenging year for us (as described above), which explains the high EV/EBIT this year.

PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

ANALYST COVERAGE

It is in the interest of Grieg Seafood that high-quality equity analysis are published on a regular basis, reflecting the information that is distributed to the stock market. The following analysts cover the Grieg Seafood share:

- Nordea Markets
- DNB NOR Markets
- Handelsbanken
- Enskilda
- Pareto Securities
- Kepler Cheuvreux
- Carnegie ASA
- ABG Sundal Collier
- Arctic Securities
- Sparebank 1 Markets
- Danske Bank Markets

INVESTOR RELATIONS

Grieg Seafood provides information to, and communicates with the capital market participants, including shareholders, potential investors, analysts, portfolio managers, investment banks and others that are interested in our share. Investor relations activities are primarily aimed at giving the market a correct picture of our activities and future prospects. In connection with the release of our quarterly financial results, we arrange presentations to contribute to greater understanding of our operations. In addition, we hold meetings with existing and potential investors. The dates for our annual general meeting and quarterly presentations in 2018 are available on our web site www.griegseafood.com


PHOTO: HUNG NGO

ANALYTICAL INFORMATION
and alternative performance measures

PART 2	P.
Operational value creation	22
GSF Rogaland AS	23
GSF Finnmark AS	25
GSF BC LTD	27
GSF Shetland Ltd	29
Ocean Quality	31
The Grieg Seafood share	33
Analytical information	38
APM	43

Our ambition is to be open and transparent towards all stakeholders. That is the only way we can earn their trust. Through sharing of honest and relevant information about our operations and the salmon farming industry, we aim to contribute to improved understanding and correct pricing of our share.

VALUE CREATION

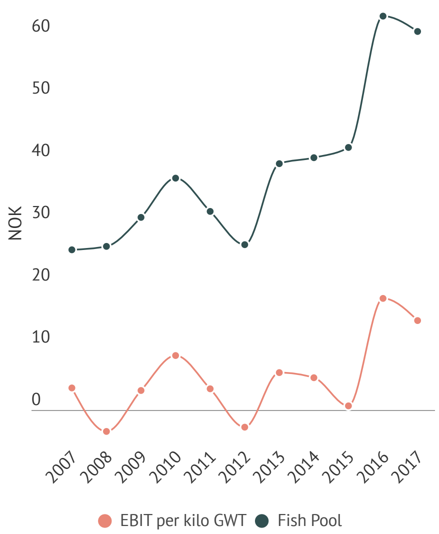
For Grieg Seafood, as for any listed company, creating shareholder value is a prerequisite for company growth and survival. Return on Capital Employed (ROCE) is therefore our ultimate financial indicator. We believe there is an interdependency between financial results and sustainability. We need good financial results to develop our operations sustainably, but also sustainable operations to safeguard our long-term financial results. This interdependency lays the foundation for our strategy – to create stakeholder value through sustainable production of Atlantic salmon at the lowest possible cost.

VALUE CREATION PER REGION

We farm salmon in four regions, Rogaland and Finnmark in Norway, on Shetland, UK and in British Columbia, Canada. By 2020, we aim to harvest 100 000 tons GWT Atlantic salmon at a cost that is at or below industry average. Our operations span the entire value chain from egg to harvest and most of our fish is processed and packed at our own facilities. We also have our own brood activity in Erfjord in Rogaland. Our farming regions sells their fish to Ocean Quality at prices quoted by Fish Pool or similar indexes. Ocean Quality resells our salmon to third parties for further processing or to other customers for consumption as is.

We measure our overall value creation by Region through EBIT per kg salmon harvested. EBIT from Ocean Quality is allocated back to the Regions based on volume. Bremnes Seashore's 40% share of Ocean Quality is not included in the calculation of Grieg Seafood's EBIT per kg by Region.

EBIT VS. PRICE (NOK)



VALUE DRIVERS IN OUR INDUSTRY

With ROCE as the starting point, we break down our performance based on the profitability of our product (EBIT per kg before fair value adjustment) and the development in invested capital (fixed assets and working capital). Our EBIT is driven by key factors affecting revenue and costs. As producing a salmon takes 2-3 years from egg to harvest size, the costs of harvested fish represents historic events, some of them far back in time. Costs throughout the production cycle are accumulated in the balance sheet and generally do not hit the profit and loss statement before the fish is harvested and sold. Therefore, although EBIT per kg is an important external benchmark measure for our Regions, our operational focus is not on the cost of harvest fish, but on the development of the cost drivers affecting the cost of salmon to be harvested in the future.

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

REVENUE DRIVERS

We produce fresh, gutted salmon and sell it to retailers, hotels, restaurants, third party processors and distributors worldwide. Our main market is the EU.
Our revenues are driven by volume harvested and the price we achieve. Our reported revenues include a substantial freight element as we ship our salmon over long distances and our customers generally pay for this freight.

Volume

How much we are able to harvest depends on the number of smolt put to sea 1-2 years prior to harvest, fish growth rates, survival and our harvest plan. Our growth ambitions combined with our expectations for future demand determines the number of smolt we put to sea. At present, we aim for growth and in 2017, we put 26 million smolt to sea, the highest number in the history of our Group.

Fish growth rates are affected by water temperatures, biological issues, farming practices and survival. For more information, please refer to "cost drivers – salmon growth and salmon survival" below. Our harvest plan also affects volumes harvested. Our harvest window is effectively limited by fish age (maturation), but we do have some ability to accelerate or delay harvest to optimize price achievement. Expectations of higher prices were the reason for our decision to move 3 000 tons GWT of harvest from the fourth quarter of 2017 to the first quarter of 2018.

FOTO: EILERT MUNCH LUND

PART 2 | P.

Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

Prices

Our main product, whole gutted salmon, is a commodity. As a result, the prices we achieve for our products will reflect the commodity market price (reference price). However, our achieved prices will to some extent deviate from the market price based on the quality of our salmon, sales contracts and our ability to place our salmon effectively in the market. Our ambition is to sell our salmon at or above market prices and we measure our relative price achievement as achieved price divided by the relevant reference price.

Reference prices for salmon

There are several reference prices for salmon available. In Norway, Fish Pool ASA provides historic price information as well as salmon derivative prices FCA Oslo. In the US, Urner Barry provides reference prices for North American salmon in Seattle and Chilean salmon in Miami. Market prices are correlated across regions.

FOTO: HUNG NGO

Salmon prices are subject to significant fluctuation as demand grows steadily, whereas supply fluctuates strongly depending on smolt stocking, growth and biological status. Salmon farmers are in general price takers as the salmon market primarily is a fresh market supplied by producers that have a short time window available for harvesting. In 2017, the European market price (Fish Pool, FCA Oslo) was NOK 60.71 per kg, a reduction from NOK 63.19 in 2016. Prices were significantly higher in the first half of 2017 than in the second half of the year due to increasing supply throughout the year.

Quality

Disease, sea lice, biological issues and stress may affect the quality of our products. Salmon quality categories are relatively standardized. "Superior" or "premium" quality salmon provides a positive overall impression (good meat quality and no exterior damage or fault). Downgraded salmon has from minor to significant external and/or internal faults or damages and is therefore lower priced. In Norway, downgraded salmon is priced according to standard rates of deductions. For salmon classified as "ordinary" the standard deduction is NOK 1.50 to NOK 2.00 per kg GWT. For salmon classified as "production grade", the deduction is NOK 5.00 to NOK 15.00 per kg GWT, depending on the extent of faults and damages. In other regions, the price deductions compared to "superior" or "premium" salmon are less standardized, but the same principles apply.

Contracts

We enter into sales contracts to limit our exposure to fluctuations in the salmon price. Sales contracts generally have a duration of three to 12 months, but sometimes longer. Our contract share

PART 2 | P.
Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

varies across regions from zero in BC and up to 50% in the other regions. According to our hedging policy, 20% of our turnover in a current year must be hedged through either physical contracts or salmon derivatives. In addition, up to 30% of our turnover could be hedged if this is supported by market analysis. Hedging beyond the current year is only entered into if supported by market evaluation.

Contracts mitigate our exposure to fluctuations in salmon prices, but can also result in us selling our products at prices that are lower than the reference price. In 2016 and 2017 the contribution from contracts was negative due to high spot prices.

Achieved prices

The average price achieved, measures our ability to sell our products at or above market prices. Our price achievement is primarily affected by the quality of our salmon, physical or derivative contracts and our ability to efficiently place our products in the market. In 2017 our achieved prices were above the reference prices driven by efficient sales performance.

COST DRIVERS

The cost of producing a salmon from egg to harvest size drives the costs in our operations. The cost of processing our salmon and general administration must be added to arrive at the total operational cost. We track our performance both internally and externally through the cost of harvested salmon per kg. More importantly however is our tracking of the cost drivers influencing the cost of salmon to be harvested in the future. Our cost drivers represents the operational factors we can influence in order to improve the future cost of our salmon. These drivers include salmon survival and growth.

Salmon survival

A number of factors affect salmon survival rates for example, disease, algal blooms, predation and lice treatment. In recent years, approximately 20% of the smolt stocked have been lost during the seawater growth phase. The number of fish lost per generation fluctuates across sites and regions. For salmon harvested in 2017, our survival rates showed wide variation with the best performing site harvested out with a survival rate of 93% for the generation (7% loss) measured in the number of harvested fish compared to smolt set in sea[1]. Our target is that at least 88% of the smolt we put to sea survives the grow out stage. Whether the fish we put to sea survive or die, makes a difference for our profitability. Accounting wise, we expense mortality exceeding a threshold level on a continuous basis. Costs associated with "normal" mortality is included in the value of the remaining inventory contributing to increased cost when the fish is harvested and sold.

Salmon growth

How fast our salmon grows and how good it is at converting feed into fish meat influences our future profitability as both factors affects the cost of salmon to be harvested going forward. Water temperatures, biological issues, farming practices and survival are key drivers for salmon growth. As salmon is a cold-blooded animal, seawater temperature plays an important role for its growth rate. Higher seawater temperatures increases growth, but also increases biological risks in the form of disease and algal blooms. Diseases and blooms may again result in lost feeding days

1 The calulation deviated from the GSI calculation in the sustainability report which shows 12 months rolling mortality.

PART 2 | P.
Operational value creation 22
GSF Rogaland AS 23
GSF Finnmark AS 25
GSF BC LTD 27
GSF Shetland Ltd 29
Ocean Quality 31
The Grieg Seafood share 33
Analytical information 38
APM 43

and reduced survival. Through introduction of sensor technology and the use of advanced image analysis techniques we are now better able to correctly identify the species, prevalence and depth distribution of any algae present. With this information, we can take more informed decisions concerning feeding and protective measures and thereby improve our farming practices and relative costs.

Efficient feed conversion is crucial to achieve our future cost target. Feed accounted for more than 40% of our total cost per kg harvested in 2017. Strong and healthy fish, combined with high feed quality and good feeding practices improves salmon growth rates. We measure our ability to effectively grow our fish through feed conversion rates (the number of kg of fish feed needed to increase the salmons bodyweight by one kg) and relative growth indexes (achieved growth compared to own and/or feed supplier expectations). Our economic feed conversion rate is typically between 1.2 and 1.4, while our relative growth both can be above and below 100%. Salmon growth and thus the relative growth index may be affected by disease, as an outbreak of disease often coincides with or is followed by a subsequent period of reduced appetite and inability to effectively convert fish feed into salmon meat. Slow growth will ultimately translate into reduced revenues and increased cost per kg harvested fish.

KEY PERFORMANCE INDICATORS AND ALTERNATIVE PERFORMANCE MEASURES (APM)

We believe that the figures in our financial statements only partially reflect the underlying performance of our operations. We therefore continuously work to develop key operational performance indicators and alternative performance measures that we believe better describe our performance. The APMs listed below have been consistently applied over time with one exception: The calculation of net interest bearing debt for covenant purposes. From the first quarter of 2016, we removed Bremnes Fryseri AS' share of bank in Ocean Quality AS from the calculation.

PHOTO: HUNG NGO

ALTERNATIVE PERFORMANCE MEASURES

APM	DEFINITION AND CALCULATION	REASON FOR APPLYING APM
EBIT before fair value adjustment of biological assets	Operating profit incl. amortization and depreciation, excl. fair value adjustment of biological assets Unless otherwise specified, we shorten EBIT before fair value adjustment of biological assets to EBIT (earnings before interest and taxes) when we talk about our operations. This also applies to all key figures where EBIT is a component, including: EBIT margin (%) EBIT/ kg GWT ROCE EV/EBIT	EBIT before fair value adjustment provides a more informative result as it does not take into account future gains or losses on fish not yet sold. EBIT before fair value adjustment is generally considered the industry measure for profitability.
EBITDA before fair value adjustment of biological assets	Operating profit before amortization and depreciation, excl. fair value adjustment of biological assets Unless otherwise specified, we shorten EBITDA before fair value adjustment of biological assets to EBITDA when we talk about our operations. This also applies to all key figures where EBITDA is a component, including: EBITDA margin (%) EBITDA margin – terminal value NIBD/EBITDA	EBITDA before fair value adjustment provides a more informative result as it does not take into account future gains or losses on fish not yet sold.
Equity ratio excluding Ocean Quality	The equity ratio is calculated both with and without Ocean Quality. The bank syndicate equity covenant definition is exclusive Ocean Quality, solely considering Grieg Seafood companies, both with regards to equity and total liabilities.	Applied to measure the company´s solidity, according to the Group's covenant requirements.
NIBD	Net interest bearing debt (NIBD) comprises long-term and current debt to financial institutions, after deducting cash and cash equivalents. NIBD is calculated in two ways: 1) For external reporting purpose: Including all long-term and current debt to credit institutions 2) For covenant calculation as required by the bank syndicate: As in 1, but excluding the factoring debt. Furthermore, cash and cash equivalents are reduced with an amount corresponding to Bremnes Fryseri AS' 40% share of Ocean Quality AS' bank deposits. NIBD calculated according to method 2 above is used for calculation of NIBD/EBITDA Capital Employed (CE) Enterprise Value (EV)	NIBD/EBITDA is a measure of solidity and one of the covenants in the bank agreement. When calculating NIBD/ EBITDA NIBD is calculated according to method 2 and EBITDA is before fair value adjustment of biological assets.
ROCE	Return on capital employed is calculated using values before fair value adjustment of biological assets. The ROCE is calculated as follows: EBIT before fair value adjustment of biological assets divided by average annual NIBD plus average annual equity before fair value adjustment of biological assets. The average annual values for NIBD and equity are calculated as Opening Balance plus Ending balance divided by 2. NIBD is excluding Ocean Quality (refer to method 2 under NIBD above)	We extract a share of OQ from interest bearing debt, as it is not interest bearing debt according to covenant definitions. Fair value adjustment of biological assets is extracted as this reflects future gains or losses on fish not yet sold.
EPS adjusted for fair value of biomass	Adj EPS (Adjusted earnings per share) is calculated as net profit after taxes minus non-controlling interests plus/minus fair value adjustment of biomass net of tax effects divided by the number of shares.	We extract the fair value adjustment of biological assets to avoid including future gains or losses on fish not yet sold. Adjusted earnings per share is used to calculate the dividend payout ratio (dividend paid per share relative to adjusted earnings per share)
Enterprise value	Enterprise value is calculated as the sum of the market value of equity as of the last trading day of the year (last day price per share times number of shares outstanding), plus NIBD per year end NIBD is excluding Ocean Quality (refer to method 2 under NIBD above)	Enterprise value is used for calculations of share multiples like EV/ EBIT and EV/CE.

Grieg Seafood®

ROOTED IN NATURE

PART 3 – ACCOUNTS

PART 3 SUMMARY

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

IS FISH THE NEW OIL?

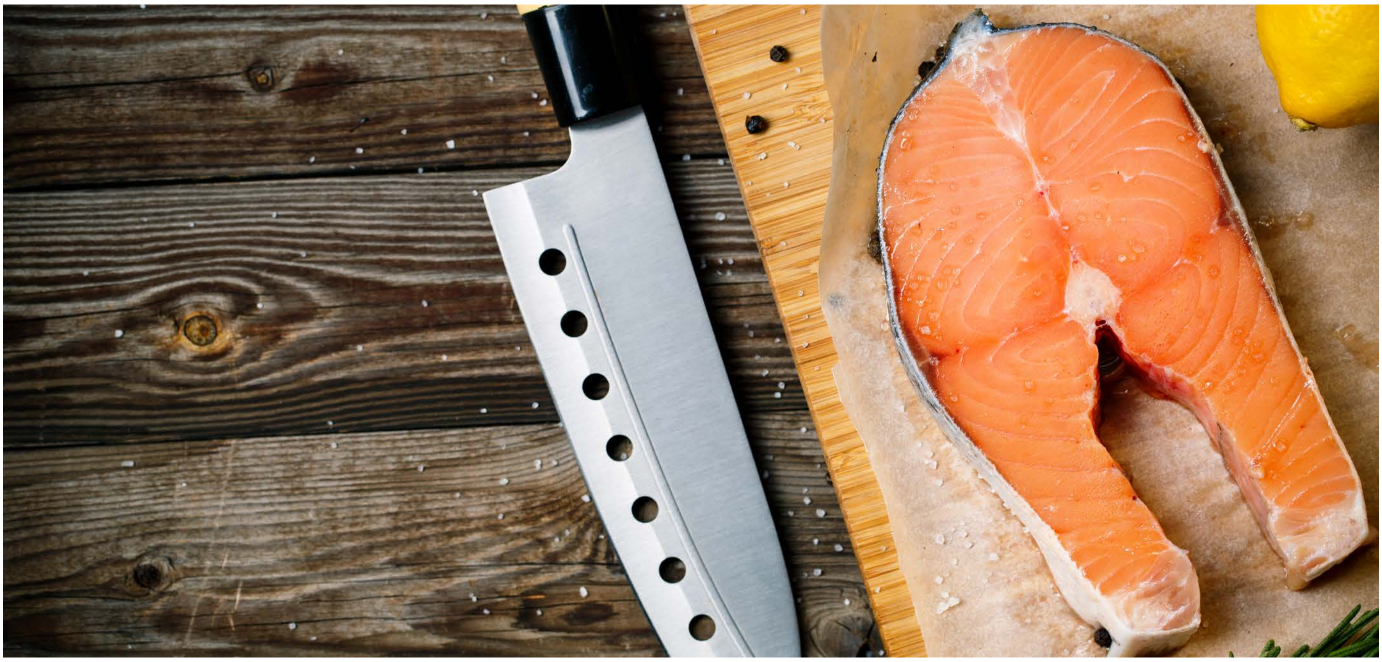
Declining oil prices and prosperous times in the salmon farming has made the industry take a leading role in Norwegian export over the past few years. In the fall of 2016, salmon prices began to increase, an increase that escalated throughout the spring of 2017, contributing to record high profitability in the Norwegian salmon farming industry. In the second half of 2017, significant supply increase, resulted in price correction however, and entering into 2018, market expectations were more cautious. Market activity in the first quarter of 2018 was however stronger than expected and as of early April, market prices were back to the 2017 level. Demand is strong in all markets, Asia, the US and Europe, and as such the future looks bright for the industry, if the biological challenges are solved. Treatment and stand-by costs related to treatment contribute to cost increases in the industry at present. Grieg Seafood focuses on sustainability throughout the value chain and aims to contribute to the continuous development of sustainable food production. To improve Group performance and facilitate cost target achievement by 2020, the improvement project GSF 2020 has been initiated.

FOCUS ON GOOD CORPORATE GOVERNANCE

Internal control and risk is under continuous monitoring and improvement in Grieg Seafood. In order to reduce risk, it is important to ensure that internal procedures are complied with. This is highly prioritized.

The Grieg Seafood Group complies with the prevailing recommendation issued by the Norwegian Code of Practice for Corporate Governance (NUES) and has updated existing rules and procedures as recommended by the Norwegian Corporate Governance Board in 2014.The Group's approach is the follow or explain principle. This implies that the Group will explain all areas where the NUES recommendations are not followed.

In 2017, the Group complied with all NUES recommendations.



BOARD OF DIRECTORS' REPORT 2017

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

GROUP ACTIVITIES AND LOCATION

The Grieg Seafood Group (GSF) is one the world's largest salmon farmers with a 2017 harvest volume of 62 600 tons gutted weight. The Group has 83 active licenses for seawater farming and five licenses for land based smolt production. Total production capacity is estimated to 100 000 tons gutted weight. The Group was established 25 years ago, and has over the years grown to become a leading industry player through continuous focus on business development. The foundation for the Group's operational development is profitable growth, innovation and sustainable utilization of natural resources. The Group's vision "Rooted in Nature – farming the ocean for a better future", describes how the company intends to make a difference and what it aims to accomplish. The Group does not see a healthy environment, good fish welfare and profitability as opposites. The competencies of the Group's employees will be crucial going forward. Through the new digitalization strategy, the ambition is to take a leading role in the utilization of new technology to improve the Group's performance.

The Board in Grieg Seafood ASA. From the left: Wenche Kjølås, Ola Branaas, Andreas Kvame (CEO), Asbjørn Reinkind, Karin Bring Orgland and Per Grieg jr. (Chairman of the Board)

The Group's activities relate to production and trading of sustainably farmed salmon, as well as related activities. Grieg Seafood ("The Company") is the parent company. The Group has operations in Finnmark and Rogaland in Norway, in British Columbia, Canada and on Shetland/Scotland, UK. The Group owns 60% of the sales company Ocean Quality AS. The head office is located in Bergen. The Company has been listed on the Oslo Stock exchange since June 2007.

HIGHLIGHTS 2017

- Highest turnover in the history of the Group, MNOK 7 017.
- Prices lower than the year before, but still favorable due to underlying demand growth.
- Good profitability during the past two years supporting dividend payout of NOK 4.00 per share.
- Low interest margin and good financial flexibility due to strong solidity and liquidity.
- Partnership with Bremnes Seashore AS and Norway Royal Salmon ASA to invest in smolt production, an investment that will contribute to Group strategy realization.
- Two new locations approved and two sites ASC certified in Finnmark.
- In line with the growth strategy, 26 million smolt stocked in 2017, the highest number ever.
- Satisfactory, but lower than normal seawater production in Norway due to low seawater temperatures.
- Production on Shetland affected by biological challenges throughout the year. At year-end the situation was stable.
- Implemented actions contributing to strong production growth in BC.
- Initiation of smolt capacity expansion in Finnmark and completion of expansion project in Rogaland in 2017.
- The board will recommend to the General Meeting to approve a dividend of NOK 2.00 per share for 2017.

GROUP ACCOUNTS

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

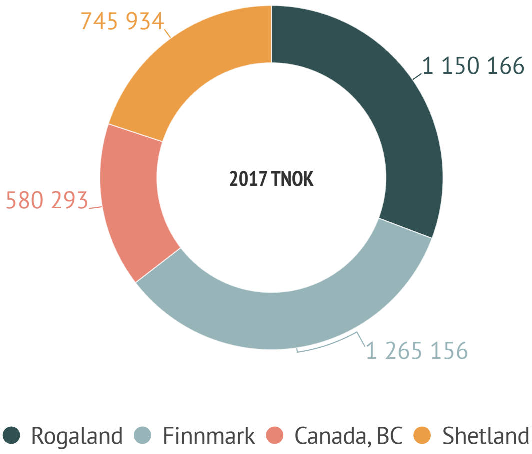
PERFORMANCE

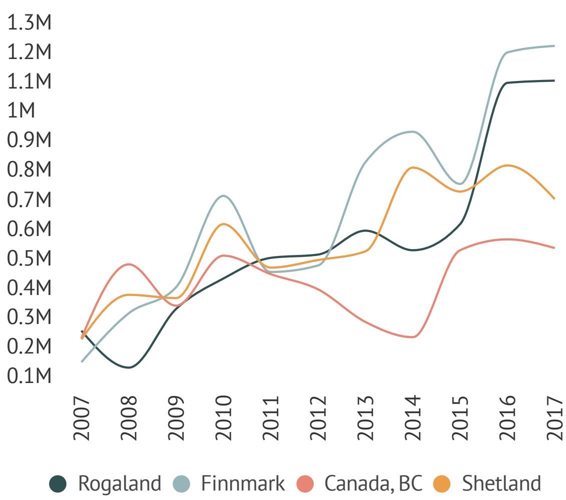
PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The Group's turnover amounted to MNOK 7 017 in 2017, an increase of 7.2% compared to the year before. This is the highest turnover in the history of the Group. In total 62 598 tons gutted weight were harvested – a reduction of 3% (64 726 tons in 2016). EBIT before fair value adjustment to biological assets was MNOK 904 compared to MNOK 1 168 in 2016. EBIT per kg before fair value adjustment to biological assets ended at NOK 14.40 compared to NOK 18.00 in 2016. The reduction in profitability is a result of lower salmon prices in the second half of the year and limited ability to change the harvest plan to take advantage of price fluctuations. Common fallowing and maturation makes it difficult to optimize the harvest plan with regards to harvest weight and price. Supply growth increased substantially in the second half of the year, and in the fourth quarter prices were significantly lower than in the first quarter. Contract prices were in general higher than spot prices during the year, which contributed to a downward price trend throughout the year. The Contract share was 21 % in 2017. Owing to an efficient Ocean Quality sales organization, the Group was able to achieve prices above spot even with a high share of spot sales.

TURNOVER PER SEGMENT (ex Ocean Quality)





Preventive measures and lice treatment costs have increased over the years. Having access to equipment and measures to timely and effectively address biological challenges contributes to increased costs. A proactive approach is therefore required to minimize the consequences.

In the first half of 2017, seawater production in Norway was satisfactory, but in the second half of the year, growth was slower due to low seawater temperatures. Actions taken in 2016 to improve growth in BC have been successful and seawater production was therefore very good throughout the year. On Shetland, seawater growth has been low due to biological challenges related to sea lice and algae. The industry is facing increased biological challenges in general, with sea lice being the most prevalent cause. This has made it difficult to increase production and harvest in recent years.

Smolt production was good in all regions during the year. The Group continues to follow its growth strategy and put 26 million smolt to sea during 2017, an increase of 27% compared to 2016. This is the highest number of smolt stocked in the history of the Group.

Good access to feed raw materials, contributed to declining feed prices in 2017 compared to 2016. Increased use of custom made feed, contribute to increased cost of feed in some cases. Feed prices are sensitive to marine and vegetable raw material prices, seasonal variation, fish catch and production.

EBIT after fair value adjustment to biological assets were MNOK 813 compared to MNOK 1 683 in 2016. Lower price expectations for 2018 in combination with the planned harvest pattern negatively affected the value adjustment of biological assets compared to 2017. Net financial expenses amounted to MNOK 14 compared to MNOK 135 in 2016. Interest expenses were significantly lower in 2017 than in 2016 due to strong liquidity throughout the year and low interest margin. The reduction in net financial expenses were mainly a result of positive currency effects on short term lending in GBP and CAD. The Group had net currency effects of MNOK 21 in 2017 compared to a loss of MNOK 70 in 2016.

Tax expenses for the year were MNOK 198 compared to MNOK 339 in 2016. The effective tax rate was 24.7% in 2017 compared to 21.7% in 2016, due to different tax rates in the operating countries. The Group is in tax position and MNOK 157 was accrued at year-end for taxes payable (MNOK 172 in 2016). The Group's profit after taxes was MNOK 601 compared to MNOK 1 222 in 2016.

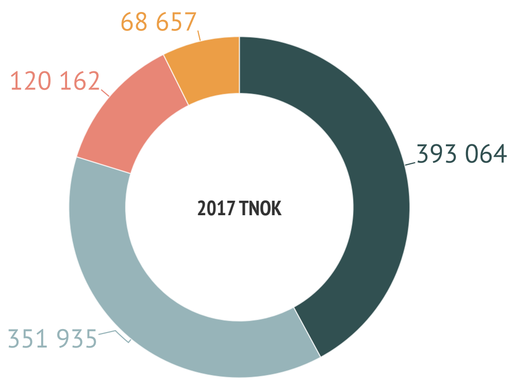
SEGMENTS

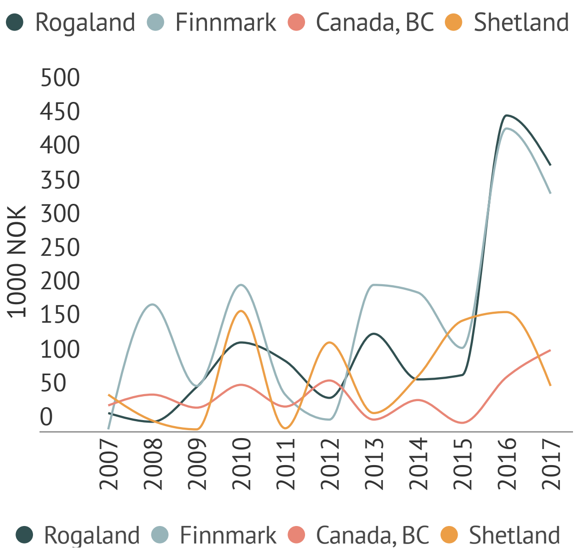
Rogaland

EBIT before fair value adjustment to biological assets was MNOK 393, or NOK 21.70 per kg. Comparable figures for 2016 were MNOK 467 (NOK 25.40 per kg). Total harvest volume in 2017 was 18 111 tons, which was approximately the same as in 2016. The stand still in harvest volume is a result of early harvest to comply with common industry zone fallowing. In addition, 1 000 tons of harvest was transferred from 2017 to 2018. Rogaland harvested the majority of their fish in the first half of the year (67%), which has a positive effect on achieved prices compared to Finnmark. Seawater production was good in the first half of 2017, but increasing biological challenges due to PD (Pancreas disease) and low seawater temperatures contributed to reduced growth in the second half of the year. Escalating treatment costs and preventive measures to mitigate PD, AGD (amoebic gill disease), and other biological challenges contributed to increased harvest cost. Good results from use of cleaner fish to fight sea lice has contributed to reduction in the sea lice number. Heated seawater is also used to mitigate the sealice challenge. Significant effort is required to keep the lice levels low. The need for heated sea water (mechanical delizing) treatment has been reduced. Smolt production has been satisfactory throughout the year. The expansion of the smolt facility has increased production capacity from 500 to 1 300 tons. This expansion of the facility combined with the investment in Tytlandsvik Aqua AS will make Rogaland self-supplied with big smolt going forward.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

EBIT PER SEGMENT





Finnmark

EBIT before fair value adjustment to biological assets was MNOK 352, or NOK 15.40 per kg, compared to MNOK 447 (NOK 20.20 per kg) in 2016. Volume harvested was 22 831 tons, 3% higher than in 2016 despite the decision to move 1 500 tons of harvest from 2017 to 2018. Finnmark harvested the majority of their salmon in the second half of the year (75%). This contributed to lower achieved prices than the weighted average for the year due a price reduction of more than 20% compared to the year's first six months. The main reason for the low harvest volume in the first half of 2017, was a planned harvest stop to grow the fish. The difference in harvest pattern was the main reason for the weaker profitability in Finnmark compared to Rogaland.

Smolt production was good in 2017, and in line with the growth strategy, 10 million smolt were put to sea during the year. Two now locations were approved in 2017, while two sites were ASC certified. This lays this foundation for growth going forward.

Sea lice is a continuous challenge in Finnmark. Both treatment costs and costs related to preventive measures are increasing and contribute to increased cost of harvested fish. Lice treatment contributes to lost feeding days and lost growth. Low seawater temperatures throughout the year have contributed to reduced growth and higher costs. In December 2016, ISA (infectious salmon anemia) was diagnosed at one site in Hammerfest. All fish were taken out in the beginning of January 2017. Related losses were recognized in 2016. No other sites in the area were diagnosed with ISA in 2017.

BC

EBIT before fair value adjustment to biological assets was MNOK 120 (NOK 12.50 per kg), compared to MNOK 81 (NOK 7.50 per kg) in 2016. The 2017 increase is mainly due to reduced cost of harvested fish and improved growth. The quality of harvested fish has improved due to fewer biological challenges, which again has resulted in higher achieved prices. Having production close to the US market is advantageous due to fast deliveries and shorter transport. Harvest volume in 2017 was 9 600 tons compared to 10 716 tons in 2016, a reduction of 10%. The reduction in harvest volume was due to limited volume available for harvest as a result of low smolt stocking in 2015/2016 and lost fish due to an algal bloom in 2016. Owing to positive results from improvement actions initiated in 2016, seawater production in 2017 was very good. Through the use of sensor technology, it is possible to determine the type of alga a site is exposed to and thereby decide the proper feeding response. Investment in plastic rings as opposed to the regular steel pens has also contributed to improved performance. Work to seek approval for use of plastic rings on additional sites is ongoing.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

Smolt production was very good in 2017. Efforts put in place to safeguard inlet water has contributed to improved performance. 3.9 million own produced smolt were put to sea during 2017, which is in line with the strategy for the region. BC has a back-up solution for smolt from third party suppliers to safeguard the smolt stocking. This contributes to increased smolt cost compared to own production.

Shetland

EBIT before fair value adjustment to biological assets on Shetland was MNOK 69 or NOK 5.70 per kg. Comparable figures for 2016 were MNOK 177 (NOK 13.00). The appreciation of the British pound towards the end of 2017 had a negative effect on prices. Poor quality fish, low harvest volume, high cost of harvested fish and high losses due to mortality are the reasons for the weak result.

The 2017 harvest volume was 12 056 tons compared to 13 541 tons in 2016. The 11% reduction in harvest volume is a result of losses due to sea lice and algae. A change in the production cycle from 24 to 18 months in 2015 contributed to low standing biomass entering into 2017.

Lice treatment contributes to periods without feeding and thus reduced growth. Lumpsuckers and heated sea water (mechanical delizing) has had a positive effect. Sea lice skirts have also been put to use. The actions taken during 2017 have had positive effect. At the end of 2017, the lice level was historically low.

Effort to establish common fallowing in the industry is pursued in order to reduce the biological challenges. With advanced technology all algae present is analyzed to get access to information about type of algae and the proper mitigating response. Experience from BC is transferred to Shetland. Smolt production went according to plan in 2017.

Sales – Ocean Quality (OQ)

All the Group's salmon is sold through OQ. OQ Norway also sells the fish from Bremnes Fryseri AS including fresh, processed and frozen salmon with the exception of the branded Salma products. All OQ profit is allocated back to production and is included in the EBIT of each operating segment. OC has during its seven years in operation, established good customer relations and is therefore able to deliver solid profitability back to the salmon producers. Compared to prior years, sales of branded products like Skuna Bay, Kvitsøy and Bømlo has increased, both in volume and margin. OQ takes care of marketing and sales distribution for the salmon producers. Through the establishment of sales companies in UK and Canada, synergies have been achieved from sales of salmon of different origins in the different markets. The salmon market was favorable in 2017, even if prices were lower than in the year before.

Demand for high quality products and ASC certified products is increasing. The Group is currently working to achieve ASC certification at additional sites in Finnmark. OQ sells the fish to Asia, Europe, the USA and Canada. The main markets are Europe with 67% of total sales in 2016 and 2017. Other markets were Asia, the USA and Canada. Volume sold by OQ in 2017 was 105 500 tons compared to 98 323 tons in the year before.

Espen Engevik took over as CEO of OQ in January 2018, replacing Arne Aarhus who has left the company. The Board wish to thank Arne Aarhus for his contribution to build the company from its' establishment in 2010.

RESEARCH AND DEVELOPMENT

PART 3 | P.

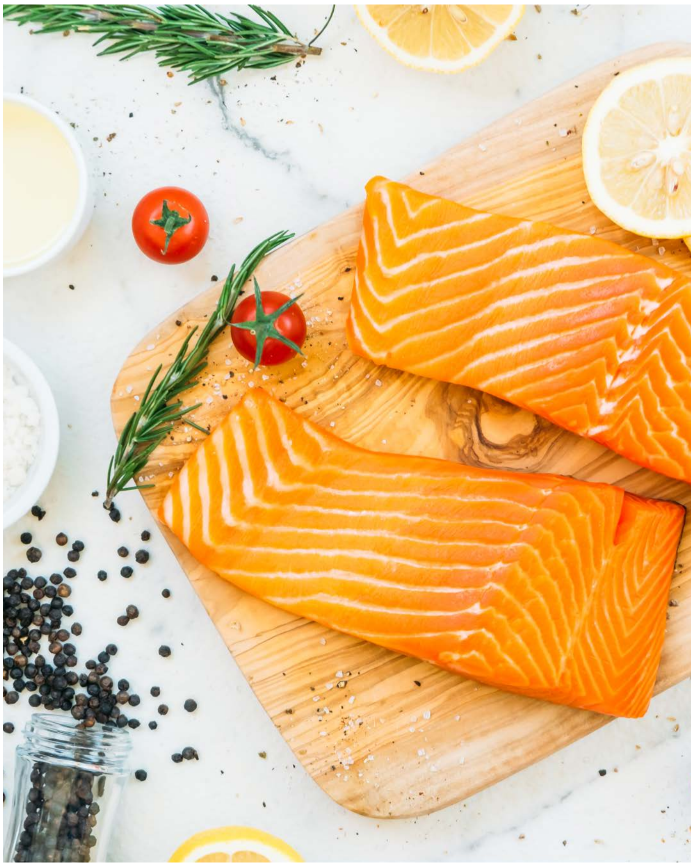
Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The Group believes that innovation and research in biology and technology will be a prerequisite for maintaining healthy oceans and farm profitability going forward, and allocates and use resources for research and development every year. Through active participation in steering committees for national research projects and local test and trial projects in the regions the Group contributes to industry development. Active projects report on progress throughout the year. The project plan is reviewed annually, summarizing completed projects and prioritizing new. The Group's R&D focus is towards operational projects contributing to short and/or long-term solutions to biological and technical challenges. This contributes to improved operational efficiency at the sites. The projects are numerous and broad, covering areas from fish health and fish welfare to effective use of large units, feeding control and optimization of smolt production in large recirculation units. The main project for the Group at present is approval of the R&D licenses. In 2016, the Group applied for R&D licenses in Rogaland, and in December 2017 we were informed that the projects were within the requirements of the arrangement, but that additional information was required prior to final approval. The Group is currently working to collect the missing information and expects a final decision during 2018.

BALANCE SHEET

The Group's recognized asset value as of 31 December 2017, was MNOK 7 153, compared to MNOK 6 768 at the end of 2016. Goodwill amounted to MNOK 109, while the value of licenses were MNOK 1 069. Investment in non-current tangible assets mainly relate to expansion of the smolt capacity in Rogaland. The expansion of smolt capacity in Finnmark was also initiated during the year. In addition, the Group has investments in equipment for prevention of biological challenges and production in order to utilize the "green" licenses in Finnmark. Fair value adjustment of biological assets was positive due to higher expected sales prices than accrued production costs.

The equity of the Group amounted to MNOK 3 348 as of 31 December 2017, compared to MNOK 3 207 in 2016. The equity share at the end of the year was 47%, the same as at the end of 2016.



FINANCING AND FUNDING

The Group's net interest bearing debt was MNOK 1 764 at year end 2017. The amount includes factoring debt of MNOK 501. In 2016 the comparable figure was MNOK 1 400, whereof factoring amounted to MNOK 503, an increase of MNOK 364. Net interest bearing debt according to the bank covenants was MNOK 1 284 (MNOK 906 in 2016). The Bank syndicate consists of Nordea and DNB. Syndicated facilities amount to MNOK 1 685. At the end of the year the MNOK 300 of the revolver facility was in use. MNOK 90 of the term loan was repaid in 2017. The Group lease finances the majority of new feed barges and operational equipment. The loan agreement allows the Group to utilize up to MNOK 350 in leasing. At the end of 2017, leasing debt amounted to MNOK 260. According to the loan covenants, the equity share is calculated excluding Ocean Quality. According to this method, the equity share at year-end was 52%, the same as in 2016. For more information about the 2018 refinancing agreement, please refer to note 27 – Subsequent events.

CASH FLOW

Net cash flow from operations was reduced from MNOK 953 in 2016 to MNOK 709 in 2017, a reduction of MNOK 2 444. The increase in working capital is related to build up of biomass. Net cash flow from investment activities in 2017 amounted to MNOK 556 compared to MNOK 200 in 2016. Investment in non-current assets and intangible assets amounted to MNOK 553 compared to MNOK 255 in 2016. In line with the growth strategy, the Group has invested substantially in smolt production. Net cash flow from financing was MNOK -384 compared to MNOK -645 in 2016. The utilization of the credit facility increased in 2017, as mentioned in the Financing section. The reason for the increased utilization is build up of biomass and investments. Dividend in the amount of MNOK 474 was paid in 2017, whereof MNOK 33 is from OQ to minority interests. This contributes to the negative cash flow from financing. Net change in cash and cash equivalents was MNOK -231. Available cash at 31 December 2017 was MNOK 272.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

RISK AND RISK MANAGEMENT

The group is exposed to risks in numerous areas, such as biological production, change in salmon prices, the risk of political trade barriers, as well as financial risk such as changes in interest rates an exchange rates and liquidity.

The Group's internal control and risk exposure are subject to continuous observation and improvement, and the task to reduce risk in different areas has a high priority.

The management has set parameters for managing and eliminating most of the risks that could prevent the company from achieving its goals. For further information, we refer to the Principles of corporate governance for Grieg Seafood ASA.

Further discussion of important Group risks follows below.

Financial risk

The Group operates within an industry characterized by high volatility, which entails greater financial risk. 2017 provided a good financial market for the aquaculture industry, with good access to liquidity available in the market. Financial and contractual hedging is a matter of constant consideration, in combination with operational measures. The management draws up rolling liquidity forecasts extending over five years. These forecasts are based on conservative assumptions for salmon prices, and these assumptions are the basis for calculating the liquidity requirements. This forecast forms the basis of the financing needs. At the end of 2017, the Group had MNOK 672 in available liquidity. Of this MNOK 400 represent undrawn lines. At year-end the Groups financial position was good. The long-term financing agreement includes a revolving credit facility totaling MNOK 700. The revolving credit is flexible, as it can be drawn on within a month or for a longer period, depending on the Group´s need for liquidity.

Currency risk

In converting the operating income and balance of foreign subsidiaries, the Group's greatest exposure is to CAD and GBP. The main strategy is to reduce the currency risk by funding the business in their local currencies. All long-term loans from the parent company to subsidiaries are in the local currency. Such loans are regarded as a net investment, as they are not repayable to the parent company. The subsidiaries will always require long-term funding. The currency effect of the net investment is included in the consolidated statement of comprehensive income (OCI) for the Group.

Income for the Norwegian operation is denominated in NOK, and the translation risk is transferred to the sales company. The case is similar for Shetland and BC. BC sells in CAD to the sales company, which in turn hedges against currency volatility in relation to CAD/USD. Ocean Quality AS likewise hedges against currency volatility in relation to EUR/NOK, USD/ NOK and other currencies in demand. At year-end, contracts are concluded until the first quarter of 2019. Long-term foreign currency contracts are hedging instruments, where unrealized agio/disagio is recognized through other comprehensive income (OCI) in the statement. The currency situation is continuously assessed against the volatility of the currencies. The remaining net exposure is frequently monitored. For further information, please refer to Note 3.

Interest rate risk

The Group is exposed to interest rate risk through its loan activities and to fluctuating interest rate levels in connection with financing of its activities in all regions. The Group's existing loans are based on floating rates, but separate fixed rate contracts have been entered into in order to reduce the interest rate risk. It is the Group´s policy to have a certain percentage of its interest-bearing debt hedged through interest rate swap agreements. A given proportion shall be at a floating rate, while consideration will be given to entering and exiting hedge contracts for the remainder. The interest rate swap agreement changes with the 3 months NIBOR.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

Liquidity risk

The Group´s equity ratio was 47% at year-end 2017, the same as at year-end 2016. Interest-bearing debt has increased due to reduced earnings and build-up of biomass, as well as dividend payout. The Group has also invested substantial amounts during the year, which has resulted in increased borrowing. Ocean Quality has concluded agreements with factoring companies for Norway and UK, implying transfer of credit insured receivables to the factoring company. This enables early settlement of accounts receivables for the companies. The factoring agreement is a financial arrangement, as the factoring company does not take on credit risk. Management monitors the Group's liquidity reserve, which comprises a loan facility and bank deposits, as well as cash equivalents based on expected cash flows. This is carried out at Group level in collaboration with the operating companies. The management and Board seek to maintain a high equity ratio in order to be well positioned to meet financial and operational challenges. Considering the dynamic nature of the industry, the Group aims to maintain flexibility of funding.

Operational risk

It is critical to manage the operational risk. Book value of live fish in the balance sheet at year-end was MNOK 2 698. In 2017, focus has been on training of employees in good internal procedures to reduce the operational risk related to biological issues. In BC implemented actions have contributed to increased growth and standing biomass. 2017 was however not free from biological incidents with negative effect on recognized values, as PD, sea lice and algae continues to challenge the industry. A digitalization process has been initiated across the Group in an effort to facilitate operational improvements. Through utilization of sensor technology, the ambition is to reduce the algae problems in BC and on Shetland. In BC, installation of pumps to bring cold water from deeper ground to the surface improves water circulation in areas where the sites are located. On Shetland, the transition to 18 months production cycle is one of the measures taken to reduce the sea lice and algae challenge, common industry fallowing is another measure taken.

There is an ongoing shift from medicinal to mechanical treatment of lice. Cleaner fish is another important remedy against lice, which has proven effective in Rogaland and on Shetland.

The Group has adopted a zero tolerance policy for escapes. In 2017, there were no escape incidents.

For further information about financial risks (currency, interest rate, credit and liquidity), refer to note 3 to the consolidated financial statements.

SUSTAINABILITY REPORT

The Group's focus is on sustainable utilization of the nature, and the Group's ambition goes beyond short term profitability. The vision "Rooted in nature – farming the ocean for a better future" describes how it intends to make a difference. The Group aims to contribute to the development of local communities, and works systematically to develop trust in the communities. The Group actively participates in industry led efforts to sustainably develop the salmon farming industry, including the Global Salmon Initiative (GSI) and the Norwegian Center of Expertise's Aqua Cloud project. Grieg Seafood is committed to the UN Global Compact and will do the utmost to run the operations according to the UN principles and thereby contribute to achievement of the UN Sustainable Development Goals. During 2018, the Group will incorporate the development goals in a new sustainability strategy that ties the vision to ambitions and actions.

The Group conducted in 2013 an assessment in order to accentuate priority areas for sustainability, an assessment that has been further followed up in later years. Our priorities will ensure that our efforts respond to our main stakeholders´ expectations of us, as well as being resource efficient in terms of our strategy and long-term value creation. The priorities also take into account our long-term obligations through Global Salmon Initiative (GSI). Starting from 2016 the sustainability report has been audited according to the GSI handbook in compliance with the ISAE 3000 standard. For 2017 the Group will produce climate accounts to map the CO2 emissions of the Group.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

EMPLOYEES

Of the Group's 781 employees at year-end 2017, 445 were in Norway, 186 on Shetland and 150 in BC. The parent company had 21 employees located at the head office in Bergen at year-end. Group management consists of three men and one woman.

The Group has a majority of male employees and managers. In total 619 men and 162 women were employed in the Group. The employment policy facilitates the maintenance and recruitment of qualified employees of both genders.

The fact that Grieg Seafood is an international Group is reflected in the 142 employees with a different nationality than the country they are working in. These employees come from 39 different countries. The Group accepts no form of discrimination related to gender, religion, cultural or ethnic background, disability, or in any other way. Our aim is to conduct our activities on the basis of equality and respect. In terms of human rights and equal treatment, we are not exposed to significant risk. A focused effort is made to secure equal treatment and to avoid discrimination.

In 2017, the short-term sick leave in the Group was 1.51% while the long-term sick leave was 1.71%. For the parent company the short-term sick leave was 0.80% and the long-term sick leave 0.20%.

For further information, please refer to the Sustainability report, in the section about employee health, safety and working environment.

Human resources are managed locally according to local rules and instructions, and in accordance with Group guidelines. The working environment in the Group is considered to be good, and the Group works actively to reduce sick leave and the number of HSE incidents. Work to strengthen global routines and guidelines for HR and HSE is high priority. A project to prepare the organization for GDPR (the General Data Protection Regulation), which will enter into force in May 2018 has been initiated. The Group is in process of developing policies and guidelines for data security and data protection for our employees.

In 2017, the Group celebrated its' 25th anniversary. At the anniversary party the Group launched its' new vision and values. The Group's values are "Open, Ambitious and Caring", and describe the qualities the Group believes are required to deliver results. The values describe what employees expect from each other and what others can expect from Grieg Seafood. Prior to the anniversary party, all regions actively participated in the development of the meaning of the new values. All employees have participated in the journey to define the content of the values through workgroups discussions in all regions. Through this journey the employees have contributed to build a common performance culture.

The Board wish to thank the employees for their effort in 2017.

PART 3 P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

GRIEG SEAFOOD ASA

The parent company's financial statements are prepared according to Norwegian accounting principles (NGAAP). The parent company recorded an operating income of MNOK -45 in 2017 (MNOK -52 in 2016). The improvement in operating income is mainly due to lower cost from exercising options compared to 2016. The company provides loans to subsidiaries in foreign currency. The appreciation of the GBP towards NOK in 2017 has resulted in a net agio of MNOK 22 compared to a disagio of MNOK 67 in 2016. Accrued dividend from OQ in the amount of MNOK 25 (MNOK 8) and Group contributions from subsidiaries in the amount of MNOK 535 (MNOK 725), contributed to a positive financial result. Interest expenses have been reduced compared to 2016, due to good liquidity and compliance with covenants throughout 2017, which had a positive effect on the interest margin.

Dividend in the amount of MNOK 4.00 per share (MNOK 442) has been paid during the year, utilizing the authority from the General Meeting. Dividend was paid on the basis of the 2016 earnings. The equity ratio by year-end was 41% (35% at year-end 2016).

The parent company´s net cash flow from operations in 2017 was MNOK -120, compared to MNOK -175 in 2016. The cash flow from investing activities was MNOK 610 (MNOK 467). The increase is due to increased deposits from subsidiaries in 2017. Net cash flow from financing activities was MNOK -715 (MNOK -124). In 2017, dividends were paid while loans to subsidiaries have been repaid. There was a net change in cash and cash equivalents of MNOK -226. Available cash at 31 December 2017 was MNOK 157.

Accounting results and allocations – Grieg Seafood ASA

The aim of the Group is to offer competitive return on invested capital to the shareholders through a combination of dividend and share price appreciation.

The Group´s dividend strategy is that the dividend over time should average 25%-35% of the Group's net profit after tax, adjusted for the impact of biomass adjustments. The Board of directors will recommend to the General Meeting to approve a dividend of NOK 2.00 per share for 2017 and at the same time seek approval for prolongation of the existing authority from 2017.

The parent company, Grieg Seafood ASA, recorded a profit for 2017 of MNOK 421, which the Board proposes to the General Meeting to allocate as follows:

Provision for dividends	MNOK 221
Transfer to retained equity	MNOK 200
Total allocated	**MNOK 421**

GOING CONCERN ASSUMPTION

Forecasts based on conservative salmon prices indicate a positive and good cash flow going forward. Demand for salmon remains strong and low supply and capacity growth is expected in both Norway and Chile. Accordingly, a strong market is likely in the time ahead. There is a trend towards higher consumption of fish in both Europe, Asia and the USA, which is expected to contribute to positive cash flow.

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The Group has more fish at sea at the end of 2017 than at the end of the prior year, which is a good starting point for increased harvest in 2018. Costs in 2017 were higher than in prior years due to biological challenges, especially on Shetland, as well as higher costs related to preventive measures. It is expected that the cost of harvested biomass will be reduced throughout 2018.

Several activities have been initiated to mitigate current biological challenges including a 3-month common industry fallowing period on Shetland and in Rogaland. The use of new technology for algae surveillance, is important in order to enable more rapid intervention. In BC the use of oxygen equipment contributing to improved water circulation, and surveillance to improve feeding efficiency has contributed to improved performance. Experience for BC is in the process of being transferred to Shetland.

In Rogaland, the expansion of the smolt facility has been completed and the new unit was put into operations in the beginning of 2018. The expansion doubles the capacity of the facility. The expansion of the smolt facility in Finnmark is ongoing. Targeted completion is the fall of 2018.

Strong cash flow both in 2016 and in 2017 provides a good basis for down payment of debt. At the beginning of 2018, the Group completed a refinancing to align the Group's financing with its' growth ambitions.

The Board is of the opinion that the financial statements give a true and fair presentation of the Group's assets and liabilities, financial position and financial results. Based on the above account of the Group's results and financial position, and in accordance with the Norwegian Accounting Act, the Board confirms that the annual financial statements have been prepared on a going concern basis, and that the requirements for so doing are met.

POST BALANCE SHEET DEVELOPMENT

In line with the Group's growth strategy, the syndicated loan has been renegotiated prior to the original due date in 2019. The growth ambitions includes increased smolt stocking and new locations, something that will demand investment in working capital. The refinancing increases the Groups syndicated facilities from MNOK 1 685 to MNOK 1 700 plus MEUR 60. The revolving credit facility has increased from MNOK 700 to MNOK 1 000. In addition, the Group has an overdraft facility of MNOK 100. The agreement matures in 5 years.

When it comes to feed prices, an increase is expected in 2018 due to lack of marine raw materials. In Norway the depreciation of the NOK magnifies the effect. Continued pressure in marine and vegetable raw materials contributes to expectations of further price increases throughout 2018.

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

In the beginning of 2018, salmon prices were decreasing, but entering into the second quarter, prices are back at the record level from 2017. Increased supply of salmon was the main reason for the downward price trend in January.

Cold weather in Europe has contributed to increased mortality during lice treatment. This is applicable both for Norway and Shetland. Low seawater temperatures have resulted in lower than normal growth thus far in 2018.

On Shetland, 21 700 fish escaped in the beginning of 2018. Associated losses are expected to be MNOK 2.

Harvest volume for the first quarter of 2018 will be low in order to allow further growth during the summer months. Low harvest volume will imply higher cost per kg. When harvesting out some sites in Rogaland, the quality has been lower than expected due to PD. This has contributed to lower prices and lower harvest volume than previously anticipated.

In January, Ocean Quality AS received a decision from the Norwegian Food Safety Authority to stop all export of Norwegian Salmon to China. Individuals in the company may, contrary to company guidelines, have re-used prior authority declarations. A complete review of the routines and systems for export has been carried out to find out how this could happen. New controls and strengthened routines have been implemented. The Grieg Seafood Group has zero tolerance for such deviations. For further information please see note 27 to the Group financial statements.

OUTLOOK

Profitability in the salmon farming industry is volatile, and there will always be uncertainty regarding the assessment of future prospects. Sales of Atlantic salmon are expected to increase globally in 2018, as the market activity already is significantly higher than a few months back. The frozen stock was high when entering 2018, but it is expected that the market will be able to absorb the supply increase. Low seawater temperatures in Norway during the winter, as well as an algal bloom in Chile will reduce the short-term supply. At the same time, demand is growing. Prices for 2018 are expected to be lower than in 2017. When entering the second quarter of 2018, prices were at the 2017 level, which is higher than expected in the beginning of the year. Increased harvest volume in the fall will contribute to lower salmon prices in the second half of the year. The American and the Canadian dollars have depreciated compared to the Norwegian krone, but the EUR is still strong compared to the NOK. A growing population and a growing middle class willing to purchase food of high quality drives demand in Asia. This continent constitutes a significant market potential for salmon. The demand is also increasing in the US and in Europe as consumers favor heathy and sustainably produced food.

In Norway, a new system for regulating future industry growth was implemented in 2018. The new system is referred to as "the traffic light system". The country is split into 13 production areas along the coast. Depending on the area's environmental sustainability, a growth of up to 6% is allowed. The effect of sea lice on wild salmonid stocks is defined as an environmental indicator. Growth in each area will be determined based on the indicator. Rogaland is in a yellow area, which means that production increase is not allowed. As a result, having sufficient number of big smolt becomes even more important in order to reduce the number of months and sea. The expansion of the smolt facility and the investment in Tytlandsvik Aqua AS will contribute to fulfill this requirement.

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

For Finnmark, the situation is significantly better as it is considered a green area. Accordingly, the Group was able to acquire additional production capacity at a cost of MNOK 57 in this region in the beginning of January 2018. The increase constitutes 470 tons. In order to secure sufficient number of smolt in Finnmark, an agreement has been entered into with Norway Royal Salmon and Bremnes Seashore AS. The ongoing expansion of the fresh water facility will be operational in the first half of 2019. Being self-supplied with smolt will result in lower cost per kg going forward. Bigger smolt are more robust and resilient, which ultimately will improve the seawater biology.

Our cost target is to be at or below industry average. In this regard, we have initiated an improvement program to identify how different drivers in the operations are connected to profitability. Focus is on activities that affect our key drivers. The digitalization project in combination with artificial intelligence enables utilization of new technology and data capture to take better and more sustainable decisions. Both these projects are expected to contribute to operational improvements and reduced costs.

The Group's strategy is to grow 20% per year between 2018 and 2020. The Group targets a 2018 harvest volume of 80 000 tons based on current production plans. This constitutes an increase of 28% compared to 2017. The Group has been granted new locations, and in combination with increased access to smolt the new locations make it possible to utilize existing licenses better. Several good initiatives with promising preliminary results were initiated in 2017. Simultaneously, work continues to develop a common culture where all employees know how their effort contributes to strategic goal achievement based on the Group values. The Board has high expectations for the development of the Group going forward.

STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We hereby confirm that the financial statements for the period from 1 January to 31 December 2017 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the Group and of the Group’s assets, liabilities, financial position and overall results. We also confirm that the Board of Directors’ Report gives a true and fair view of the development and performance of the business and the position of the Company and the Group, as well as a description of the principal risks and uncertainties facing the Company and the Group.

***

Bergen, 17. april 2018

The Board of Grieg Seafood ASA
(Translated version, not to be signed)

PRINCIPLES OF CORPORATE GOVERNANCE

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

Adopted by the Company's Board of Directors on 20 April 2007 and updated on 22 January 2010, 4 April 2011, 22 March 2012, 22 March 2013, 1 April 2014, 23 March 2015, 6 April 2016, and 17 April 2018.

1. INTRODUCTION

1.1 PRESENTATION OF CORPORATE GOVERNANCE

The responsibility for ensuring that the company has good corporate governance rests with the Board. The board and management review and annually evaluates the company's principles for corporate governance.

The Group's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES) as recommended by the Norwegian Corporate Governance Board on 30 October 2014. The Grieg Seafood Group follows the current recommendation from NUES, and has updated existing rules and defined values in accordance with changes in NUES 2014.

The company complies with these recommendations according to the follow or explain principle. This means that the company should explain all points where the recommendations are not followed.

The Annual Report offers a full report on the company's principles for corporate governance, which is available on www.griegseafood.com

2. OPERATIONS

2.1 GRIEG SEAFOOD ASA

The object of the Company is to engage in the production and sale of seafood and naturally related activities, including investment in companies engaged in the production and sale of seafood and other activities naturally related to similar companies.

The Company is established and registered in Norway and is required to comply with Norwegian law, including laws and regulations pertaining to companies and securities.

2.2 GRIEG SEAFOOD ASA'S VISION AND OVERALL OBJECTIVES

The Group aims to comply with all relevant laws and regulations and with the Norwegian Code of Practice for Corporate Governance. This also to applies to all companies which are controlled by the Group. In as far as it goes, this document of principle therefore applies to all companies of the Group.

The Groups's vision is «Rooted in nature - farming the ocean for a better future».
The Group's core values are to be open, caring and ambitious.

The Group shall be managed applying the following principles:

- We shall be open and honest.
- We shall become better day by day.
- We do what we say.
- We are positive and enthusiastic.
- We care.

The Group is committed to the sustainable use of natural resources and the development of the organisation based on high ethical standards. Targets and detailed plans have been adopted for the implementation of initiatives in these areas.

The fish farmer has overall responsibility for the wellbeing of the fish and for ensuring that at all times the fish can be kept in their natural surroundings under optimal conditions. The Group selects locations where the water is as deep as possible and with good currents, as well as equipment enabling optimized growing conditions for the salmon.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

The Group has drawn up a designated production plans which stipulate how all production operations are to be performed. The fish shall be systematically and regularly examined by a veterinarian. The Group attaches great importance to preventive measures and a rapid reaction in the event of disease or local pollution. This is important not only to protect the environment and fish health, but also to safeguard the quality and profitability of production. The work shall be performed in accordance with the Group's designated health plan. Strict procedures have been implemented to prevent the escape of farmed fish out of the cages. The Group has zero tolerance for escapes. The objective is to conduct the entire operation so that the environment is not subject to any lasting damage.

As a user of natural resources such as clean water and feed from various natural resources, the Group has a responsibility which extends beyond its own operations. For instance, the Group requires its feed suppliers to ensure that the feed is based on sustainable sources of raw materials.

Starting with 2013, a separate sustainability report has been prepared. In GSF's updated sustainability report for 2017, five pillars have been defined as essential for sustainable food production. These five defined pillars for sustainable food production in the ocean will form the basis for GSF's work for concrete implementation of sustainability in the future. The priorities were decided upon after an internal process in the organization and coordinated in compliance with guidelines developed by GSI (Global Salmon Initiative). GSI has developed sector specific measurement indicators which Grieg Seafood utilises. Grieg Seafood is a member of GSI. As from 2015, Grieg Seafood has taken on the responsibility as Co-Chair in GSI.

2.3 MANAGEMENT OF THE GROUP

Control and management of the Company is divided between the shareholders, represented through the General Meeting, the Board of Directors and the Group CEO, and is exercised in accordance with prevailing company legislation.

Divergences from this Code of Practice: None.

3. GROUP EQUITY AND DIVIDEND POLICY

3.1 EQUITY

At any given time the Group shall have a level of equity which is appropriate in relation to the Group's cyclical activities. The Board requires that equity consistently stay in accordance with current loan terms, as a minimum.

3.2 DIVIDEND

The Group's objective is to give the shareholders a competitive return on invested capital through dividend payments and value appreciation of the share, which is at least at the same level as other companies with comparable risk. The future dividend will depend on the Group's future earnings, financial situation and cash flow. The Board believes that the dividend paid should develop in pace with the growth of the Group's profits, while at the same time ensuring that equity is at a healthy and optimal level and that there are adequate financial resources to prepare the way for future growth and investment, and taking into account the wish to minimise capital costs. The Board believes it is natural that the average dividend, over a period of several years, should correspond to 25-35% profit after tax, adjusted for the accounting effect of fair value adjustment of biological assets.

Furthermore, it is reasonable that the company's net interest-bearing debt per harvested kg is between NOK 15 and 20. Based on this, the size of the dividend could be corrected both up and down according to the 25 - 35 % share of profit after tax.

PART 3 | P.
Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

3.3 BOARD AUTHORISATION

The Board will request the AGM to grant a general mandate to pay out dividends in the period until the next AGM. The Board's proposal must be justified. The dividend will be based on the Group's current policy in accordance with clause 3.2. Dividends should be awarded on the basis of the latest financial statements approved within the scope of the Public Companies Act. Upon granted authorisation, the Board determines from which date the shares are traded ex-dividend.

The Board has general authorisation to increase the Company's share capital through share subscription for a total amount not exceeding NOK 44 664 800 divided into not more than 11 162 200 shares of nominal value NOK 4 each.

This authorisation remains in effect until 30 June 2018.

The Board has general authorisation to acquire the Company's own shares in accordance with the provisions of chapter 9 of the Norwegian Public Limited Companies Act for an aggregate nominal amount not exceeding NOK 44 664 800. The Company shall pay not less than NOK 4 per share and not more than NOK 100 per share when acquiring its own shares.

This authorisation remains in effect until the next AGM, but not later than 30 June 2018.

The Company will observe the Code of Practice in respect of new proposals to authorise the Board to implement capital increases and acquire the Company's own shares.

Divergences from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS. TRANSACTIONS WITH RELATED PARTIES

4.1 SHARE CLASS

The Company has only one class of shares, and all shares carry the same rights. At 31 December 2017 the Company had 111 662 000 outstanding shares, including own shares.

4.2 OWN SHARES

If the Company trades in its own shares, the Code of Practice shall be observed.

As at 31 December 2017, the Company owned 1 250 000 of its own shares.

4.3 APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

All transactions of no lesser significance between the Company and a shareholder, Board member or a senior employee (or their related parties) shall be subject to a value assessment by an independent third party. If the consideration exceeds one twentieth of the Company's share capital, transactions of this kind shall be approved by the General Meeting, in so far as this is required under Section 3-8 of the Norwegian Public Limited Companies Act.

Board members and senior employees shall inform the Board if they have any significant interest in a transaction to which the Company is a party. For further information, please refer to Note 22 «Related parties» in the GSF Group annual report for 2017.

Divergences from the Code of Practice: None.

4.4 CAPITAL INCREASES

In the event of a waiver of the shareholders' preferential subscription right, the Code of Practice shall be observed.

5. NEGOTIABILITY OF THE SHARES

The Company's shares shall be freely negotiable.

Divergences from the Code of Practice: None.

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

6. GENERAL MEETING

The shareholders represent the Company's highest decision-making body through the General Meeting.

The Company's AGM shall be held each year before the end of June. The AGM shall consider and, if thought fit, adopt the annual financial statements, the annual report and the dividend, as well as deciding on other matters which under current laws and regulations pertain to the AGM.

The Board may convene an Extraordinary General Meeting (EGM) at whatever time it deems necessary or when such a meeting is required under current laws or regulations. The Company's auditor and any shareholder or group of shareholders representing more than 5% of the Company's share capital may require the Board to convene an EGM.

The Board calls General Meetings at least 21 days before the date of the meeting. During the same period, the notice of meeting and the documents pertaining to matters to be considered at the General Meeting shall be accessible on the Company's homepage. The same applies to the nomination committee's recommendation. When documents are made available in this manner the statutory requirements for distribution to shareholders do not apply. Still, a shareholder may claim to receive documents concerning matters to be considered at the General Meeting.

The deadline to register for the general meeting is set by the Board in the notice. Shareholders who are unable to attend may vote by proxy. An authorisation form containing a vote option for each issue will be enclosed with the notice of meeting, and it will also be possible to give authorisation to the chairman of the Board or the Group CEO.

The Company will publish the Minutes of the General Meetings in accordance with the stock exchange regulations in addition to making them available for inspection at the Company's registered offices.

The chairman of the Board, member of the Nomination Committee and the Group CEO will be represented at the meeting. The chairman of the Board will normally preside at the meeting.

The Board shall not make contact with the Company's shareholders outside the General Meeting in a manner which could be deemed to constitute differential treatment of shareholders or which could be in conflict with current laws or regulations.

The nomination committee proposes Board candidates to the Annual General Meeting.

Divergences from the Code of Practice: None.

7. NOMINATION COMMITTEE

On 13 February 2009 the AGM approved a resolution to establish a nomination committee. This is described in article 8 of the Article of Association. At the same time, the AGM adopted instructions for the nomination committee. According to the instructions, the election committee through its work should take care of the interests currently embodied in the Norwegian Code of Practice for Corporate Governance.

The present nomination committee was elected at the AGM on 7 June 2017 and comprises Marianne Johnsen (chair), Helge Nielsen and Yngve Myhre, of whose Helge Nielsen is candidate for election in 2018. At least 2/3 of the members of the nominating committee shall be independent of the Board and may not be members of the Board. The Group CEO cannot be a member of the nomination committee. The nomination committee shall have meetings with the directors, Group CEO and relevant shareholders.

Details about the nomination committee members are available on the Company´s website.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

The nomination committee´s recommendation to the General Assembly should be submitted in good time and follow the summons to the General Assembly, no later than 21 days before the meeting. The recommendation of the nomination committee must include information about the candidate´s impartiality, competence, age, education and professional experience. Upon proposal for re-election, the recommendation should include additional information about how long the candidate has been a board member, as well as details about participation in the board meetings.

When the recommendation comprises candidates to the nomination committee, it should include relevant information about these candidates.

Divergences from the Code of Practice: None.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION

8.1 NUMBER OF BOARD MEMBERS

The Company has no corporate assembly.
Under the Articles of Association the Board shall have up to seven members.

8.2 ELECTION PERIOD

Board members are elected by the AGM for a period of two years.

8.3 INDEPENDENT BOARD MEMBERS

The Board members are presented in the Annual Report and on the Company's homepage, showing the Board members' competence, relationship to main shareholders. No overview of participation at Board meetings is included in the Annual Report. An overview of the Board members' ownership of shares in the Company appears in the relevant note to the accounts in the Annual Report. The Company has no corporate assembly. The Company does not otherwise diverge from the Code of Practice.

There is compliance with the required number of independent Board members contained in the Code of Practice.

9. BOARD OF DIRECTORS

9.1 DUTIES AND WORK PLAN

The Board has overall responsibility for the management of the Group and for overseeing the daily management and business activities. The Company shall be managed by an effective Board of Directors (the Board) who has shared responsibility for the success of the Company. The Board represents and is accountable to the Company's shareholders.

Each year the Board shall draw up a work plan for its activities.

The Board's duties include drawing up the Group's strategy and ensuring that the adopted strategy is implemented, effective supervision of the Group CEO, control and supervision of the Group's financial situation, internal control, anti-corruption, and the Company's responsibility to and communication with the shareholders.

The Board shall initiate any investigations it considers necessary at any given time to perform its duties. The Board shall also initiate such investigation that is requested by one or more Board members.

Divergences from the Code of Practice: None.

9.2 INSTRUCTIONS

The Board has drawn up instructions for its members and the Management, which contain a more detailed description of the Board's duties, meetings, the Group CEO's duties in relation to the Board, the meeting schedule for the Board, participation, separate entries in the Minutes and duty of confidentiality.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

The respective roles of the Board and the Group CEO are separate, and there is a clear division of responsibility between the two. The Group CEO is responsible for the Company's senior employees. The Board underlines that special care must be exercised in matters relating to financial reporting and remuneration to senior employees.

In matters of importance where the chairman of the Board is or has been actively involved, Board discussions shall be chaired by the vice chairman.

The instructions for the Board and Management were last revised by the Board on 20 September 2017.

9.3 ANNUAL ASSESSMENT

Each year, in connection with the first Board meeting in the calendar year, the Board shall carry out an assessment of its work in the previous year.

9.4 AUDIT COMMITTEE

The Board has set up a sub-committee (audit committee) comprising a minimum of two and a maximum of three members elected from among the Board's members, and has drawn up a mandate for its work.

The committee assists the Board in the work of exercising its supervisory responsibility by monitoring and controlling the financial reporting process, systems for internal control and financial risk management, external audits and procedures for ensuring that the Company complies with laws and statutory provisions, and with the Company's own guidelines.

9.5 REMUNERATION COMMITTEE

The Board has set up a sub-committee (remuneration committee) comprising no less than 3 members. The committee shall hold discussions with the Group CEO concerning his/her financial terms of employment. The committee shall submit a recommendation to the Board concerning all matters relating to the Group CEO's financial terms of employment.

The committee shall also keep itself updated on and propose guidelines for the determination of remuneration to senior employees in the Group. The committee is also the advisory body for the Group CEO in relation to remuneration schemes which cover all employees to a significant extent, including the Group's bonus system and pension scheme. Matters of an unusual nature relating to personnel policy or matters considered to entail an especially great or additional risk, should be put before the committee.

The composition of the committee is subject to assessment each year.

Divergences from the Code of Practice: None.

10. INTERNAL CONTROL AND RISK MANAGEMENT

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The Board has a responsibility to ensure that the company has proper risk management and internal control adaptable to statutory provisions for the company. The Board conducts an annual evaluation of the most important risk areas and internal control.

Internal control means activities carried out by the Group to organise its business activities and procedures in order to safeguard its own values and those of its customers, and to realise adopted goals through appropriate operations. The achievement of these goals also requires systematic strategy work and planning, identification of risk, choice of risk profile, as well as establishing and implementing control measures to ensure that the goals are achieved.

The Group's core values, external guidelines and social corporate responsibility constitute the external outer framework of internal control. The Group is decentralized and considerable responsibility and authority are therefore delegated to the regional operating units. Risk management and internal control are designed to take account of this.

Internal control is an on-going process that is initiated, implemented and monitored by the Company's Board of Directors, management and other employees. Internal control is designed to provide reasonable assurance that the Company's goals will be achieved in the following areas:

- Targeted, efficient and appropriate operations.
- Reliable internal and external reporting.
- Compliance with laws and regulations, including internal guidelines.

The audit committee updates the Board after each meeting.

Each year the auditor carries out a review of internal control which is an element of financial reporting. The auditor's review is submitted to the audit committee.

The Company has established framework procedures to manage and eliminate most of the risk that could prevent a goal from being achieved. This includes a description of the Company's risk management policy as well as all financial control processes. There is an ongoing risk assessment of the main transaction processes. Descriptions of the transaction processes are currently in preparation for each region, with the aim of clarifying key controls and ensuring that these controls are in place. This means assessing all processes to determine the probability of divergences arising, and how serious the economic consequences would be of any such divergence. The establishment of controls in each region is aimed at reducing the likelihood of divergences arising with major economic consequences.

The biological development in course of producing smolt and farming in the sea poses the greatest risk in the Group. The Group therefore continuously and systematically works to develop processes that ensure animal welfare and reduce diseases and mortality, and so that "best practices" are being implemented at all levels. Control routines have been prepared, including conditions for the employees as well as safeguarding against escapes, animal welfare, pollution, water resources and food safety. Referring to the sustainability report prepared annually, objectives, internal controls and measures are described within the Company's main focus areas.

The Group's activities entail various kinds of financial risk: Market risk (including foreign exchange risk, interest rate risk and price risk), contract risk, credit risk and liquidity risk. The Group's overall risk management plan focuses on the unpredictability of the capital markets and seeks to minimise the potential negative effects on the Group's financial results. To some extent, the Group uses financial derivatives to hedge against some risks. Risk management is drawn up at Group level and involves identifying, evaluating and hedging financial risk in close cooperation with the Group's operational units. The Board has established written principles for risk management related to foreign exchange and interest rate risk, price risk, and the use of financial instruments.

PART 3 | P.
Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The Board has established procedures for reporting within the Group:

At the start of each year the Board adopts a budget for the year. Divergences from the budget are reported on a monthly basis.
Forecasts are drawn up for the next five years and they are updated every month.
Every month, each region submits a report containing given Key Performance Indicators (KPIs). The main KPIs are: EBIT/kg, feed factor, production, production cost, harvest volume, harvest cost and level of sea lice. Analyses are made and measured against budget figures and KPIs. Generational accounts for terminated generations will be updated on a monthly basis. The information form of the regions is summarized in a report submitted to the Board.
Each quarter, the Group management holds meetings with the management of each region respectively. The aim of the meeting is to follow up the strategies and goals that have been set.

Each quarter, a risk assessment covering biology, feed, market, finance and Compliance is prepared, including activities related to the GSF 2020 improvement program.
These areas are considered to pose the greatest risks for the Company. This can be changed from the changed situation. The risk assessment is reviewed by the Audit Committee in connection with quarterly reporting.

Divergences from the Code of Practice: None.

11. BOARD REMUNERATION

Proposals concerning Board remuneration are submitted by the nomination committee. Remuneration to Board members is not linked to the Company's results. None of the Board members have special duties in relation to the Company which are additional to those they have as Board members. Board remuneration shall be shown in the financial statements of both the Company and the Group.

Divergences from the Code of Practice: None.

12. REMUNERATION TO SENIOR EMPLOYEES

12.1 SENIOR EMPLOYEES

The group management consists of Group CEO, the director of operations and the financial director, and HR director.

The objective of the guidelines for determination of salary and other remuneration to senior employees within the Group is to attract people with the required competence and at the same time retain key personnel. The guidelines should also motivate the employees to work with a long-term perspective to achieve the Group´s goals.

The determination of salary and other remuneration to the Group's senior employees is therefore based on the following guidelines:

Salary and other remuneration shall be competitive and motivating for each manager and for everyone in the senior management group.

Salary and other remuneration shall be linked to value creation generated by the Company for the shareholders.

The principles used to determine salary and other remuneration shall be simple and understandable to employees, shareholders and the public at large.

The principles used to determine salary and other remuneration shall also be sufficiently flexible to allow adjustments to be made on an individual basis in the light of the results achieved and the contribution made by the individual to the development of the Group.

PART 3 | P.

Board of director's report 45
Corporate Governance 58
GSF Group + notes 68
GSF Parent + notes 135
Auditor's report 167

The salary paid to the members of the senior management group consists of a fixed and a variable element. Under the bonus scheme in force the variable salary under the scheme cannot exceed six times the monthly salary. Each year, information about the provisions of the bonus scheme is included in the Group declaration on the determination of salary to the senior management group, and appears in the financial statements for the Group, note 14.

The Company´s Board approved the allocation of cash options based on the General Assembly´s resolution for the framework of the share and cash options programme. The last approval from the General Assembly was 7 June 2017. The Group CEO, the financial director, the operational director, HR director, and the four regional managers are included in the share options programme. The options agreements have been entered into within the scope of the resolution adopted by the General Assembly. Minutes of this General Assembly can be accessed from the Company's homepage.

Remuneration to the Group CEO is determined at a meeting of the Board of Directors. The salary payable to the other members of the senior management group is determined by the Group CEO. The Group CEO shall discuss the remuneration which he/she proposes with the chairman of the Board before the amount of remuneration is determined.

General schemes for the allocation of variable benefits, including bonus schemes and options programmes, are determined by the Board. Schemes which entail an allotment of shares, subscription rights, options and other forms of remuneration related to shares or the development of the Company's share price, are determined by the General Assembly. The Board´s declaration of management remuneration is a separate agenda paper of the General Assembly. The General Assembly votes separately on guidelines to guide the Board and remuneration comprising the synthetic options programme.

The Company has no divergences from the Code of Practice.

12.2 SEVERANCE PAY

The Group CEO is entitled to 12 months' severance pay after dismissal, and 12 months salary during illness.

A severance pay agreement has also been established for the CFO and COO providing for 12 months' severance pay after dismissal.

Divergences from the Code of Practice: None.

13. INFORMATION AND COMMUNICATION

13.1 FINANCIAL INFORMATION

The Company shall at all times provide its shareholders, the Oslo Stock Exchange and the finance market in general (through the Oslo Stock Exchange information system) with timely and accurate information. The Board shall ensure that the quarterly reports from the Company give a correct and complete picture of the Group's financial and commercial position, and whether the Group's operational and strategic objectives are being reached. Financial reporting shall also contain the Group's realistic expectations of its commercial and performance-related development.

The Company publishes all information on its own homepage and through stock exchange/press announcements. Quarterly reports, annual reports and stock exchange/press releases are presented on an ongoing basis on the Company's homepage in accordance with the Company's financial calendar.

The Company shall have an open and active policy in relation to investor relations and shall hold regular presentations in connection with the annual and interim results.

13.2 SHAREHOLDER INFORMATION

The Board shall ensure that information is provided on matters of importance for the shareholders and for the stock market's assessment of the Company, its activities and results, and that such information is made publicly available without undue delay. Publication shall take place in a reliable and comprehensive manner and by using information channels which ensure that everyone has equal access to the information.

All information shall be provided in both Norwegian and English. The Company has procedures to ensure that this is done. The chairman of the Board shall ensure that the shareholders' views are communicated to the entire Board.

Divergences from the Code of Practice: None.

PART 3	P.
Board of director's report	45
Corporate Governance	58
GSF Group + notes	68
GSF Parent + notes	135
Auditor's report	167

14. COMPANY TAKEOVER

14.1 CHANGE OF CONTROL AND TAKEOVERS

The Company has no established mechanisms which can prevent or avert takeover bids, unless this has been resolved by the General Meeting by a majority of two thirds (of the votes cast and of the share capital represented). The Board will not use its authorisation to prevent a takeover bid without the approval of the General Meeting after the takeover bid has become known. If a takeover bid is received, the management and the Board will ensure that all shareholders are treated equally. The Board will obtain a value assessment from a competent independent party and advise the shareholders whether to accept or reject the bid. The shareholders will be advised of any difference of views among the Board members in the Board's statements on the takeover bid.

The Board has in its Board meeting 13 October 2015 adopted some core principles for how the Board will act in the event of any persuasion offers. These core principles are in accordance with the recommendation of NUES.

Divergences from the Code of Practice: None.

15. AUDITOR

The Board through its audit committee seeks to have a close and open cooperation with the Company's auditor. Each year the audit committee obtains confirmation that the auditor meets the requirements of the Act on auditing and auditors concerning the independence and objectivity of the auditor.

The auditor's schedule of audit work is submitted to the audit committee once a year. In particular, the audit committee considers whether, to a satisfactory extent, the auditor is performing a satisfactory control function.

Both the Company management and the auditor comply with guidelines issued by the Financial Supervisory Authority of Norway concerning the extent to which the auditor can provide advisory services.

The auditor attends Board meetings which deal with the annual financial statements. The audit committee has an additional meeting with the auditor at least once a year to review the auditor's report on the auditor's view of the Group's accounting principles, risk areas and internal control procedures. Moreover, each year the Board has a meeting with auditor when neither the Group CEO nor anyone else from the management is present.

The auditor also attends meetings of the audit committee to consider quarterly reports and other relevant matters. The auditor's fee appears in the relevant note in the annual report showing the division of the fee between audit and other services.

Divergences from the Code of Practice: None.

***

Bergen, 17 April 2018

The Board of Grieg Seafood ASA
(Translated version, not to be signed)

INCOME STATEMENT

Amounts in NOK x 1 000	Note	2017	2016
Sales revenue	6	7 017 456	6 545 187
Other income	6	21 771	41 019
Other gains and losses	6	–1 514	17 386
Share of profit from associates	5	–550	569
Cost of sales	7	–3 724 200	–3 287 159
Salaries and personnel expenses	15/16	–482 827	–483 473
Other operating expenses	11/20/24	–1 724 604	–1 491 867
EBITDA before Fair value adjustments of biological assets		**1 105 533**	**1 341 662**
Depreciation property, plant and equipment	9	–196 237	–175 352
Amortisation licences and other intangible assets	8	–4 895	–5 036
Reversals/impairment losses property, plant and equipment	8/9	0	6 472
EBIT before Fair value adjustments of biological assets		**904 400**	**1 167 745**
Fair value adjustment of biological assets	3/7	–91 463	515 741
EBIT after Fair value adjustments of biological assets		**812 937**	**1 683 486**
Share of profit/loss from associates	5	0	12 083
Financial income	23	42 333	20 479
Financial expenses	23	–56 789	–155 213
Net financial loss		**–14 457**	**–134 733**
Profit before income tax		**798 480**	**1 560 836**
Income tax expense	13	–197 581	–338 505
Net profit for the year		**600 899**	**1 222 331**
Allocated to:			
Controlling interests		570 537	1 186 032
Non-controlling interests		30 362	36 299
Profit available to shareholders in parent company			
Earnings per share (NOK)	18	5,17	10,74
Earnings per share – diluted (NOK)	18	5,17	10,74

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK x 1 000		2017	2016
Net profit for the year		**600 899**	**1 222 331**
Items with no tax effect on realisation subsequently reversed in profit:			
Currency translation differences, subsidiaries		16 729	–10 389
Change in value of available-for-sale assets		–295	19
Total		**16 434**	**–10 370**
Items with tax effect on realisation subsequently reversed in profit:			
Currency effect of net investments	3	22 333	–90 228
Fair value adjustment of cash flow hedging	3	–24 821	6 052
Tax effect		409	20 203
Net effect		**–2 079**	**–63 973**
Comprehensive income after taxes		**14 355**	**–74 343**
Total comprehensive income for the year		**615 254**	**1 147 988**
Allocated to:			
Controlling interests		595 332	1 109 138
Non-controlling interests		19 922	38 850

BALANCE SHEET

Amounts in NOK x 1 000

ASSETS	Note	31.12.2017	31.12.2016
Goodwill	8	109 038	108 595
Deferred tax	13	3 574	0
Licences	8/10	1 068 552	1 060 622
Other intangible assets	8/10	18 384	17 598
Property, plant and equipment	9	1 871 804	1 510 379
Investments in associates	5	9 450	0
Available-for-sale financial assets		1 150	1 445
Other non-current receivables		167	4 167
Total non-current assets		**3 082 121**	**2 702 804**
Inventories	7/10	92 262	89 164
Biological assets	7/10	2 698 352	2 459 625
Trade receivables	3/10/20	761 407	800 591
Other current receivables	21	198 527	163 246
Derivatives and other financial instruments	3/12	48 232	48 994
Cash and cash equivalents	3/19	271 715	503 613
Total current assets		**4 070 494**	**4 065 234**
Total assets		**7 152 615**	**6 768 038**

EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
Share capital	17	446 648	446 648
Treasury shares	17	–5 000	–5 000
Other equity - not recognised		87 892	63 098
Retained earnings		2 774 824	2 645 935
Total controlling interests		**3 304 364**	**3 150 681**
Non-controlling interests		**43 541**	**56 270**
Total equity		**3 347 905**	**3 206 951**
Deferred tax liabilities	13	721 689	674 684
Cash-settled share options	16	8 848	11 360
Loan	10	1 191 688	979 874
Other long-term borrowings	10	15 353	15 963
Finance lease liabilities	10/11	201 899	250 452
Total non-current liabilities		**2 139 476**	**1 932 333**
Current portion of long-term borrowings	10	98 873	98 490
Current portion of finance lease liabilities	10/11	58 353	67 116
Factoring liabilities	3/10	500 976	502 535
Cash-settled share options	16	6 746	0
Trade payables	3	585 378	493 534
Tax payable	13	157 244	172 057
Accrued salary expense and public tax payable		16 486	48 819
Derivatives and other financial instruments	3/12	28 462	23 990
Other current liabilities	25	212 717	222 213
Total current liabilities		**1 665 233**	**1 628 754**
Total liabilities		**3 804 710**	**3 561 087**
Total equity and liabilities		**7 152 615**	**6 768 038**

Bergen, 17 April 2018

Grieg Seafood ASA

Translated version. Not to be signed.

CHANGE IN EQUITY

Amounts in NOK x 1 000	Share capital	Treasury shares	Other equity – not recognised	Retained equity	Non-controlling interests	Total equity
Equity at 01.01.2016	**446 648**	**–5 000**	**139 993**	**1 625 521**	**30 349**	**2 237 511**
RESULT FOR 2016				**1 186 032**	**36 299**	**1 222 331**
Translation effect foreign currency			–10 389			–10 389
Net investment			–68 573			–68 573
Change in value in shares held for sale			19		0	19
Fair value change of cash flow hedging			2 048		2 552	4 600
Comprehensive income	**0**	**0**	**–76 895**	**0**	**2 552**	**–74 343**
Total comprehensive income 2016	**0**	**0**	**–76 895**	**1 186 032**	**38 851**	**1 147 988**
Dividend paid				–165 618		–165 618
Dividend allocated minority from Ocean Quality					–12 929	–12 929
Total equity attributable to shareholders 2016	**0**	**0**	**0**	**–165 618**	**–12 929**	**–178 547**
Total change in equity 2016	**0**	**0**	**–76 895**	**1 020 414**	**25 921**	**969 441**
Equity at 31.12.2016	**446 648**	**–5 000**	**63 098**	**2 645 935**	**56 270**	**3 206 951**
RESULT FOR 2017				**570 537**	**30 362**	**600 899**
Foreign currency translation difference			16 729			16 729
Net investment			16 973			16 973
Change in value in shares held for sale			–295			–295
Fair value change of cash flow hedging			–8 613		–10 439	–19 052
Comprehensive income	**0**	**0**	**24 794**	**0**	**–10 439**	**14 355**
Total comprehensive income for 2017	**0**	**0**	**24 794**	**570 537**	**19 922**	**615 254**
Dividend paid				–441 648		–441 648
Dividend attributable to minority from Ocean Quality					–32 651	–32 651
Total equity attributable to shareholders 2017	**0**	**0**	**0**	**–441 648**	**–32 651**	**–474 299**
Total change in equity in 2017	**0**	**0**	**24 794**	**128 889**	**–12 729**	**140 955**
Equity at 31.12.2017	**446 648**	**–5 000**	**87 892**	**2 774 824**	**43 541**	**3 347 905**

The recognised amount on the line "Treasury shares" equals the nominal value of the parent Company's holding of treasury shares.

SPECIFICATION OF RETAINED EQUITY	Effect of share-based remuneration	Purchase of treasury shares *)	Accumulated income excl. accumulated dividend	Total
Book value at 01.01.2016	1 094	–13 036	1 637 463	1 625 521
Changes in 2016	0	0	1 020 414	1 020 414
Changes in 2017			128 889	128 889
Book value at 31.12.2017	**1 094**	**–13 036**	**2 786 766**	**2 774 824**

SPECIFICATION OF OTHER EQUITY, NOT RECOGNISED	Shares held for sale	Net investment	Currency conversion	Change cash flow hedging	Total
Book value at 01.01.2016	768	115 973	23 252	0	139 993
Changes in 2016	19	–68 573	–10 389	2 048	–76 895
Changes in 2017	–295	16 973	16 729	–8 613	24 794
Book value at 31.12.2017	**492**	**64 373**	**29 592**	**–6 565**	**87 892**

*) The amount classified under "Purchase of treasury shares" equals the cost price in excess of nominal value. See also Note 1

CASH FLOW STATEMENT

Amounts in NOK x 1 000	**Note**	**2017**	**2016**
EBIT after Fair value adjustments of biological assets		812 937	1 683 486
Taxes paid for period	13	–165 464	–41 653
Fair value adjustment of biological assets	7	91 463	–515 741
Depreciation/amortisation	8/9	201 133	180 388
Impairments property, plant and equipment, and intangible assets	9	0	–6 472
(Gain)/loss on sale of property, plant and equipment		669	1 202
Share of results from companies applying equity method of accounting	5	550	–569
Change in inventories and biological assets excl. fair value		–384 223	–16 799
Change in trade and other receivables		3 904	–236 166
Change in trade payables		91 844	–159 549
Change in other accruals		51 831	59 374
Change in net pension and option obligations		4 234	5 612
Net cash flow from operating activities		**708 877**	**953 113**
Receipts from sale of property, plant and equipment	8/9	2 182	17 199
Receipts from sale of shares and other equity instruments	5	0	39 592
Payments on purchase of property, plant and equipment	9	–548 641	–247 783
Payments on purchase of intangible assets	8	–4 180	–7 069
Change in other non-current receivables		–5 705	–1 519
Net cash flow from investing activities		**–556 344**	**–199 580**
Change in long-term interest-bearing debt	10	300 000	-450 000
Lease proceeds	10	9 600	43 131
Repayment of long-term interest-bearing debt and leases	10	–157 144	-137 455
Other financial items		–7 597	–3 988
Dividend incl. allocation to non-controlling interests		–474 299	–178 547
Change in factoring	10	–1 559	169 221
Interest expense		–52 787	–87 196
Net cash flow from financing activities		**–383 787**	**–644 834**
Net change in cash and cash equivalents		**–231 253**	**108 699**
Cash and cash equivalents at 01.01		**503 613**	**392 020**
Currency conversion of cash and cash equivalents		**–645**	**2 894**
Cash and cash equivalents at 31.12		**271 715**	**503 613**

NOTE 1
GENERAL INFORMATION

Grieg Seafood ASA is an integrated Norwegian seafood company engaged in salmon farming and processing. Grieg Seafood ASA is a public limited company registered in Norway. Its head office is located at C. Sundtsgt. 17/19, Bergen, The Company was listed on the Oslo Stock Exchange on 21 June 2007 and has operations in Norway, the UK and Canada. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU, and were approved by the Board of Directors 3 April 2017.

In the following, "Group" describes information relating to the Grieg Seafood Group, while "Company" refers to the parent company.

The Group owns the company Ocean Quality AS together with Bremnes Fryseri AS on a 60%/40% basis. Grieg Seafood does not receive any of the profit from the sale of fish from Bremnes Fryseri AS, as earnings are based on a skewed distribution of profit based on the delivered volume from each shareholder. The share of profit and share of equity in Bremnes Fryseri AS are presented as non-controlling interests.

Grieg Seafood Group comprised the following entities as at 31 December 2017:

Grieg Seafood Hjaltland UK Ltd, including all subsidiaries, and Ocean Quality UK Ltd are domiciled in the UK. Grieg Seafood BC Ltd and Ocean Quality North America Ltd are domiciled in Canada. Ocean Quality USA Inc is domiciled in the USA. The rest of the companies are domiciled in Norway

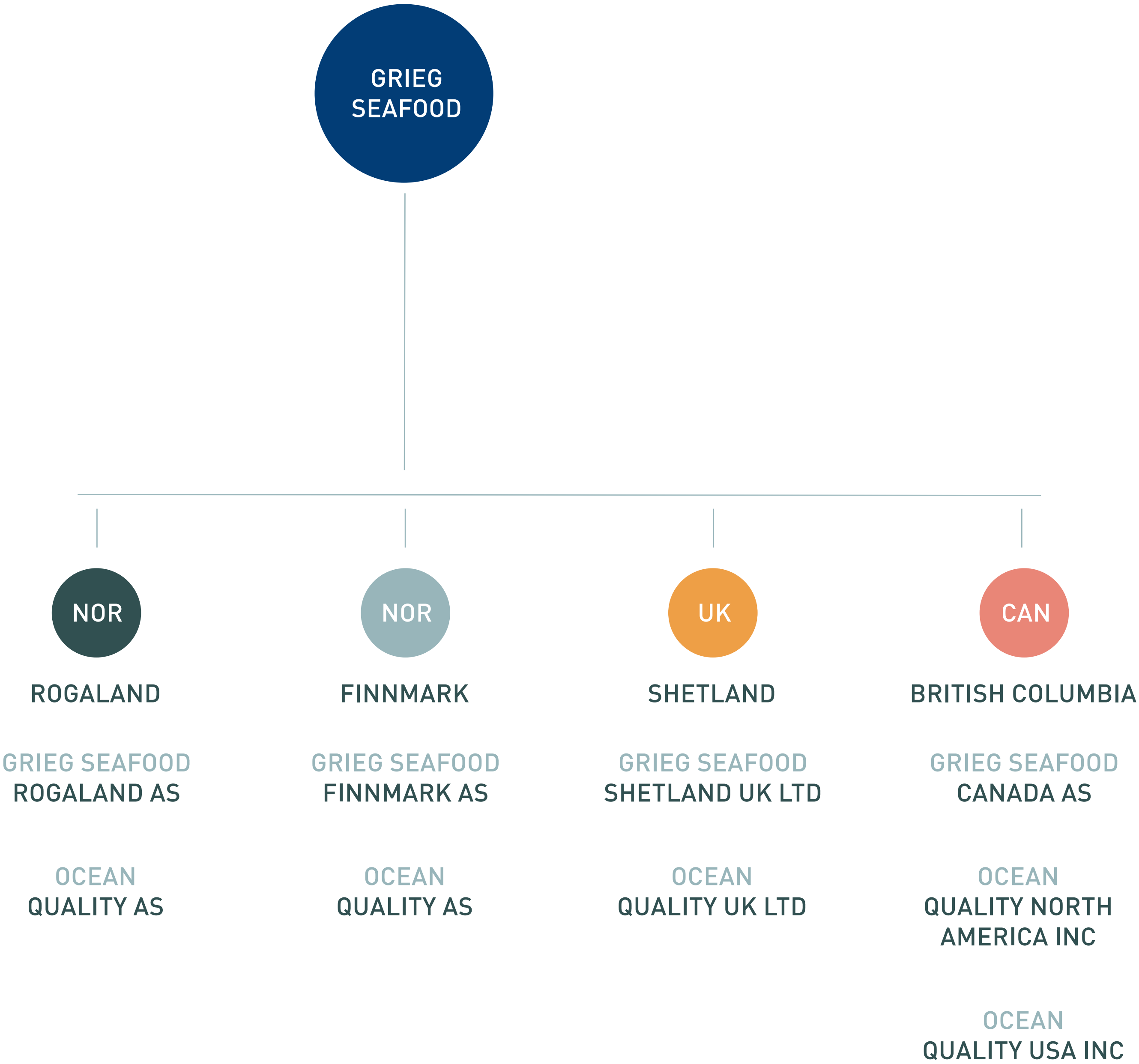
Grieg Seafood Hjaltland UK Ltd. and Grieg Seafood Canada AS are holding companies, which wholly own the production companies Grieg Seafood Shetland Ltd. and Grieg Seafood BC Ltd., respectively. Grieg Seafood ASA has a 60% stake in Ocean Quality AS and the other subsidiaries are wholly owned.
Ocean Quality AS wholly owns Ocean Quality UK Ltd and Ocean Quality North America Inc., while the latter wholly owns Ocean Quality USA Inc.

All amounts are stated in TNOK unless otherwise specified.

GROUP STRUCTURE

- GSF ASA
  - 60% OCEAN QUALITY AS
    - OCEAN QUALITY UK LTD
    - OCEAN QUALITY NORTH AMERICA LTD
      - OCEAN QUALITY USA INC
  - 100% GRIEG SEAFOOD ROGALAND AS
  - 100% GRIEG SEAFOOD FINNMARK AS
  - 100% GRIEG SEAFOOD HJALTLAND UK LTD
    - GRIEG SEAFOOD SHETLAND LTD
      - GRIEG SEAFOOD ISLE OF SKYE LTD
      - COLLARFIRTH SALMON LTD
      - HJALTLAND HATCHERIES LTD
      - FISH HOLM LTD
      - LERWICK FISH TRADERS LTD
      - SHETLAND PRODUCT
      - SKELDA SALMON FARMS LIMITED
      - VIDLIN SEAFARMS LTD
  - 100% GRIEG SEAFOOD CANADA AS
    - GRIEG SEAFOOD BC LTD

SEGMENT STRUCTURE



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 periods presented, unless otherwise indicated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

The preparation of financial statements in conformity with IFRSs requires the use of estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements, are described in Note 4.

CONSOLIDATION PRINCIPLES

(A) SUBSIDIARIES
Subsidiaries are all entities (including special purpose entities) over which the Group has control. A situation where the Group controls another entity arises when the Group is exposed to variability in returns from the entity, and has the ability to influence these returns through its control of the entity. Subsidiaries are consolidated from the date when the Group can exercise control until the date when control of the subsidiary ceases.

If the Company´s ownership exceeds 50% but is below 100% of the subsidiaries, the non-controlling interests' share of profit after tax and share of equity are recognised on separate lines.

The purchase method of accounting is used for acquisitions. The cost of an acquisition is measured as the fair value of the assets and liabilities taken over, and equity instruments issued. The cost also includes the fair value of all assets and liabilities and contingent liabilities taken over by agreement. Identifiable assets, debt and contingent liabilities are recognised at fair value on the date of acquisition. Non-controlling interests in the acquired entity are measured from time to time either at fair value, or at their proportionate share of net assets of the acquired entity.

Costs relating to acquisitions are charged as they arise.

In the case of multi-stage acquisitions, the proportion of ownership from any earlier purchases is re-stated at fair value at the date of control with changes in value recognised through profit or loss.

A contingent acquisition price is measured at fair value at the date of acquisition. Under IAS 39, subsequent changes in the contingent acquisition price are recognised through profit or loss or as a change in the comprehensive income statement, where the contingent price is classified as an asset or a liability. CThere is no new value measurement of a contingent acquisition price classified as equity, and the subsequent settlement is charged against equity.

Intra-group transactions, balances, and unrealised gains and losses between Group companies are eliminated. The financial statements of subsidiaries are re-stated where necessary to ensure consistency with the accounting policies adopted by the Group.

(B) CHANGE IN OWNER INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL
Transactions with non-controlling interests of subsidiaries, which do not entail a loss of control, are regarded as equity transactions. On the purchase of further shares from non-controlling interests, the difference between the consideration paid and the shares' proportionate share of the net assets in the financial statements of the subsidiary is recognised in the equity of the parent company's owners. Similarly, any gain or loss on a sale to non-controlling interests is charged against equity.

C) DIVESTMENT OF SUBSIDARIES
In the event of loss of control, any remaining ownership interest is stated as fair value change through profit or loss. Thereafter, for accounting purposes, fair value is the acquisition cost either as an investment in an associated company or as a financial asset. Amounts previously recognised in comprehensive income statement related to this company, are dealt with as if the Group had disposed of underlying assets and liabilities. This allows for amounts previously recognised in comprehensive income statement, to be reclassified as part of the income statement.

(D) ASSOCIATED COMPANIES
Associated companies are entities over which the Group has significant influence, but not control. Significant influence normally occurs when the Group has between 20 % and 50 % of the voting rights. Investments in associates are recognised using the equity method. Investments in associates are initially recognised at acquisition cost, and the Group´s share of the results in subsequent periods is recognised through profit or loss. The amount recognised in the balance sheet includes any implicit goodwill identified at the date of purchase.

Shares of profit or losses of associates that are closely linked to the Group´s operations and thus are included in the value chain of the Group, are classified on a separate line included in the Group's operating result.

In the event of a reduction in the owner interest in an associated company where the Group retains significant influence, only a proportionate share of amounts previously recognised in the comprehensive income statement is reclassified through profit or loss.

The Group's share of profits or losses of associated companies is recognised in the income statement and is added to the value of the investment in the balance sheet. The Group's share of the comprehensive results of the associated company is recognised in the consolidated statement of comprehensive income plus the amount of the investment in the balance sheet. The Group's share of a loss is not recognised in the income statement if this means that the value of the investment in the balance sheet is negative (including the entity's unsecured receivables), unless the Group has undertaken obligations or made payments on behalf of the associated company. The accounts of associated companies are re-stated when necessary to ensure consistency with the accounting policies adopted by the Group.

At the end of each accounting period, the Group determines if there is a need to write down the investment in the associated company. In such case, the amount of the write-down is calculated as the difference between the recoverable amount of the investment and its book value, and the difference is posted on a separate line along with«Share of results of associated companies».

If a gain or a loss arises on transactions between the Group and its associated companies, only the proportionate amount related to shareholders outside the Group is recognised. Unrealised losses are eliminated unless there is a need to write down the asset that was the subject of the transaction. Accounting policies of associates are changed when necessary to ensure consistency with the accounting policies adopted by the Group. Gains and losses on dilution of assets of associated companies are recognised in the income statement.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting 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 Group management.

FOREIGN CURRENCY TRANSLATION

The financial statements of each of the Group's entities are generally measured using the currency of the economic area in which the entity operates («the functional currency»). The consolidated financial statement is presented in Norwegian Kroner (NOK), which is the parent company's functional and presentation currency.

TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the exchange rates. Foreign exchange gains resulting from the settlement of such transactions that are not denominated in the entity´s functional currency are recognised in income. Translations of monetary items (assets and liabilities) that are not denominated in the entity´s functional currency are recognised.

GROUP COMPANIES

The income statements and balance sheets of 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:

1. The balance sheet is translated into closing rate on the date of the balance sheet.
2. Income and expense items in the income statement are translated at average exchange rates for the period (if the average is not a reasonable estimate of the cumulative effects of using the transaction rate, the transaction rate is used).
3. Translation differences are recognised in comprehensive income and specified separately.

When a foreign operation is sold, the exchange difference, which in previous periods was recognised in consolidated income, is not accrued. The accumulated exchange difference on the sale of the foreign operation is hence reversed in the consolidated income. Gain/loss from the sale is recognised on a basis of zero exchange difference. Gain/loss is recorded in the ordinary net profit.

Goodwill and fair value adjustments of assets and liabilities on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated into closing rate on the date of the balance sheet.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Acquisition may also include gains or losses transferred from equity as a result of hedging the cash flow in foreign currency on the purchase of property, plant and equipment.

Improvements are included in the asset's carrying amount or recognised as a separate asset when it is probable that future economic benefits associated with the improvement will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Buildings/real estate 10 – 50 years
Plants, barges, onshore power supply 5 – 30 years
Nets/cages/moorings 5 – 25 years
Other equipment 3 – 35 years

The assets' useful lives and residual values are estimated at each balance sheet date and if necessary adjusted.

An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are posted net in the income statement and correspond to the difference between the sale price and the carrying amount.

INTANGIBLE ASSETS

Intangible assets that arise internally within the Group are not recognised. Goodwill and licences with an indefinite economic life are subject to annual impairment tests. Impairment tests are performed more frequently if indications of impairment exist. Amortised licences are tested for impairment only if there are indications that future earnings do not justify the asset's balance sheet value.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is classified as an intangible asset. Goodwill on the purchase of a share in an associate is included in "investments in associates". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

LICENCES

Fish-farming licences that have an indefinite useful life are not amortised but reviewed for impairment annually, or more frequently if there are indications that the balance sheet value may have decreased.

The Group considers the following licences to have indefinite useful lives:
Licences granted with an indefinite useful life, where the company has no other contractual restrictions relating to the use of the licence.
Licences granted with a limited useful life, but where the licence holders can renew the licences without incurring considerable expenses.

Licences with a limited useful life are amortised over their useful lifetime. These relate to water licences for hatcheries and some specific seawater licences. The following sections provide a description of concessions relating to the Norway, UK (Shetland) and Canada (BC) segments. Please refer to Note 8 Intangible assets for an overview of the number and types of licences, as well as impairment testing.

NORWAY

The licensing regime for the production of salmon and trout in Norway is enacted by the Norwegian Parliament through the Aquaculture Act. The Ministry of Trade, Industry and Fisheries grants permits for aquaculture (licences). All aquaculture operations are subject to licensing and no body can produce salmon/ trout without permission from the authorities, see Aquaculture Act § 4.

The aquaculture permit allows the production of salmon and trout in limited geographic areas (sites), within the current determined limitations of the permit scope. The Aquaculture Act is administered centrally by the Ministry of Trade, Industry and Fisheries, with the Directorate of Fisheries as the supervisory authority. Regionally, several industry authorities jointly manage full administrative and supervisory responsibility within the regulating range of the Aquaculture Act. The county is the regional administrative body, while the Directorate of Fisheries serves as appellate body in locality and licensing matters.

SEAWATER LICENCES

Each licence for salmon and trout in the sea is subject to a production limit in the form of "maximum allowed biomass" (MTB). MTB does not directly limit the number of tons of fish production within a year, but limits the amount of fish that can be kept in the sea at any time. Normally, a licence has a limit of 780 tons MTB, while in Troms and Finnmark counties, a standard licence has a limit of 900 tons MTB (provided all associated locations are situated in Troms and Finnmark), see the Salmon Allocation Regulation § 15 ("laksetildelingsforskriften"). Such licences are limited in number and only subject to application, following politically decided licensing rounds.

HATCHERY LICENCES

Young salmon/trout are defined as eggs, juveniles, parr or smolts to be released in another locality, see Salmon Allocation Regulation § 4 f. Such licences are not limited and thus subject to continuous application for new licenses or changes to existing licenses***. In essence, it is not permitted to produce smolts over 250 grams; however, the regulations allow for applications to produce a certain percentage of fish up to 1 kg. GSF has authorisation up to 1 kg.

R&D AND BROODSTOCK LICENCES

These licences are not limited in number. Permits are means-tested, meaning that the applicant must demonstrate a need for the production of eggs, specific research projects or for educational purposes. Broodstock licences include both a land and sea phase, i.e. the broodfish and egg production are covered by the same licensing process.

Harvesting cage licences
Licences utilised for cage-setting of live fish for harvesting. These relate to specific locations.

DURATION AND RENEWAL

The Ministry may in individual decisions or regulations specify further provisions on the content of aquaculture licences, including relating to scope, time limitations, etc., see the Aquaculture Act § 5, second paragraph. Nonetheless, the preparatory work for the Aquaculture Act specifies that licences are normally granted without a time limit. GSF's general food fish licences and hatchery licences are not time-limited under current regulations. After the reform in 2009, a number of licences were time-limited, mainly for 15 years. As no government practices have been established relating to the renewal of broodstock licences, the current understanding is that expiration of licences allows for application for renewal based on demand***. A licence for harvesting cages is valid for 10 years and must be renewed on expiration, provided that the licence is still connected to an approved harvesting facility.

DISPOSAL AND WITHDRAWAL

All licences can be transferred and mortgaged in accordance with the Aquaculture Act § 19. Transfers and mortgages must be registered in a separate register (the Aquaculture Register). It is not permitted to rent out licences or licence capacity.

The Aquaculture Act § 9 reviews the basis for withdrawal of an aquaculture licence. This states that there must be significant breaches of the terms of an aquaculture licence before it can be revoked.

UK

Grieg Seafood Shetland Ltd (GSF UK) has farms on both the west and east coasts of Shetland, as well as the west coast of Scotland. In order to operate farms in Scotland, the following five licences must be in place:
1. Water Environment (Controlled activities) "CAR" licence – issued by the Scottish Environment Protection Agency (SEPA)
2. Planning permission – issued by the local authorities (Town and Country Planning Act)
3. (iii) Crown Estate Lease/Permission (The Crown Estate Act 1961)
4. Aquaculture Production Business Licence (APB) – issued by Aqua Animal Health
5. Marine Licence (Navigation) – issued by the Scottish government

For restrictions regarding production quantity, see table in Note 8.

DURATION AND RENEWAL

1. CAR licence – requires periodic inspection and monitoring. If a substantial negative impact on the environment can be proven as a consequence of the operation, the production volume can be reduced or, as in a worst-case scenario, revoked.
2. Planning Permission – indefinite duration; however, if the plant is left unused for three consecutive years, the licence may be withdrawn
3. Crown Estate Lease/Permission – 25 years' duration. The normal procedure is to renew the licences on expiration.
4. APB – indefinite duration subject to compliance with the licence´s conditions.
5. Marine Licence – application for renewal required every six years. This is normally a formality.

BC

Grieg Seafood BC Ltd (GSF BC) has farms on both the west and east coasts of Vancouver Island. In order to operate farms in British Columbia, Canada, the following three licences must be in place:

1. Aquaculture licence – issued by the Department of Fisheries and Oceans
2. Licence of Occupation (Tenures) – issued by the Ministry of Forest, Lands and Natural Resource Operations
3. Navigation Water Permit – issued by Transport Canada (Canadian public authorities)

For restrictions regarding production quantity, see table in Note 8.

DURATION AND RENEWAL

1. Aquaculture licence – duration of one year, renewal each year is a formality.
2. Licence of Occupation – duration of 2-20 years. Renewal is applied for on expiration.
3. Navigation Water Permit – duration of five years, but possible to apply for renewal.

OTHER INTANGIBLE ASSETS

Acquired customer portfolios and computer software licences are capitalised at cost and amortised over their estimated useful lives. Customer portfolios are capitalised at historical cost at the date of purchase. Amortisation is calculated using the straight-line method over the estimated useful life, as follows:
• Customer portfolios 6 years
• Computer software 3-10 years

Impairment of non-financial assets

Assets that have an indefinite useful life are not amortised but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever there are indications that future earnings do not justify the carrying amount.

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 suffered an impairment are reviewed for indicators of possible reversal of the impairment at each reporting date.

FINANCIAL ASSETS/LIABILITIES

The Group classifies its financial assets in the following three categories:

- loans and receivables,
- assets available for sale, and
- at fair value through profit or loss

The classification depends on the purpose for which the assets are held. Management determines the classification of its financial assets on acquisition and re-evaluates this designation only in the event of material changes at each reporting date.

I) 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 classified as 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.
At each balance sheet date, the Group considers whether there is any objective evidence that the loans and receivables are impaired. Such objective evidence comprises, for instance:
- breach of contract, such as a default or delinquency in payments,
- the probability that the borrower will become insolvent or be subject to financial reorganisation.
Loans and receivables are carried at amortised cost using the effective interest method.

II) 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 other category. These are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available for-sale financial assets are stated at fair value. Changes in value are recognised in the statement of total 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 'other financial income/losses from investment in securities '. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on shares classified as available-for-sale are recognised in the income statement when the Group's right to receive dividends is established. 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 recent transactions on market terms, reference to other instruments which are essentially the same and use of discounted cash flows and options models.

The techniques used make maximum use of market and avoid company-specific information as much as possible.

Investments 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.

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. All financial assets that are not stated at fair value through profit or loss are initially recognised at fair value plus transaction costs.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and fair value, less any impairment loss on that financial asset previously recognised through profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on shares and corresponding equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described below.

III) FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE INCLUDED IN INCOME STATEMENT, INCLUDING DERIVATIVES AND HEDGING

Financial equity classified as available-for-sale is recorded at fair value, with changes in value included in income statement.

The Group applies hedge accounting under IAS 39 for long-term foreign currency forward contracts entered into in connection with physical future delivery contracts of fish to customers. Changes in value of foreign currency forward contracts which meet the hedging criteria are recorded in comprehensive income.

Short-term foreign currency forward contracts relating to the spot market for fish are recognised at fair value through profit or loss. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently stated at fair value on an ongoing basis. Changes in the fair value of derivatives entered into for hedging purposes against operating revenues are recognised in revenues. Other currency and interest derivatives are posted net in the income statement under "other financial income/ financial costs".

With regard to financial price contracts relating to sale and purchase agreements on Fish Pool, changes in unrealised gains and losses are recognised as a value adjustment of biological assets, while the book value is reported as a derivative in the balance sheet, carrying gross value for purchase and sales contracts, respectively.

Assets/liabilities in this category are classified as current assets/ short-term debt when they are intended to be disposed of within 12 months, otherwise as non-current assets/liabilities.

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 net realisable value is the estimated selling price, less processing and selling expenses.

BIOLOGICAL ASSETS

The accounting treatment of live fish by companies applying IFRSs is regulated by IAS 41 Agriculture. IAS 41 comprises a hierarchy of methods for accounting measurement of biological assets. The basic principle is that such assets shall be measured at fair value. The model applied by the Group divides the fish into three weight categories and assumes the following:

i) Fish on land (smolt) are recorded at accumulated cost. The best estimate of fair value is considered to be the accumulated cost.
i) For fish in the sea up to 4.76 kg, a proportionate part of the estimated profit is included in the estimated fair value.
ii) For fish in the sea with an average weight over 4.76 kg (fish ready for harvesting), an estimated net sale price is established, assuming harvesting and sale at the balance sheet date.

If the expected sale price is below the estimated cost, this will entail a negative value adjustment of biological assets, which is 100% accrued. The fair value of fish in the sea is estimated for individual localities.

When estimating the actual accumulated cost at the respective seawater facility, direct costs (fish feed and similar) are allocated to the locality. Indirect costs are distributed across localities through a norm of distribution. In the event of an unusual mortality rate, the production cost is subject to write-down. This only applies when the mortality rate exceeds normal expectations. Financial costs are not included in the costs of production.

The sale price for fish in the sea with an average weight exceeding 4.76 kg (fish ready for harvesting) is the forward price in Norway based on harvesting and selling the fish on the balance sheet date. The price of fish up to 4.76 kg is based on forward prices, adjusted for the remaining growth period until expected harvest. With regard to foreign countries, the most relevant price information available for the expected harvesting period is applied. For fish in the sea up to 4.76 kg, the forward price in Norway is adjusted for historical differences in achieved prices between Norway and Canada/the UK.

The price/net sales value is adjusted for quality differences (superior, ordinary and prod.), weight size, and for logistics expenses and sales commissions. Estimated harvesting expenses are deducted. The volume is adjusted for gutting waste, as the price is measured for gutted weight. Own, budgeted harvesting and freight costs are applied***. Foreign currency forward contracts associated with the date of harvesting are applied when translating the price into CAD and GBP.

The change in the fair value of biological assets is recognised in income. The value adjustment is presented on the separate line "Fair value adjustment of biological assets".

For physical delivery contracts for shipment to customers, only losses on contracts are recorded. Values are calculated based on the forward price from Fish Pool, in the same way as the calculation of biological assets. For sales under contracts covering fish weighing more than 4.76 kg, forward prices at the balance sheet date for the first quarter have been applied. For sales under contracts covering fish weighing less than 4.76 kg, a proportionate share is recognised, equal to the principle applied for Fair value calculation of biological assets. Forward prices from Fish Pool for the scheduled harvesting time are applied. Changes arising from physical delivery contracts are recognised as an adjusted to change of value adjustment of biological assets***. The liability in the balance sheet is posted under other current liabilities (see Note 7).

The Group applies an internal principle of impairment in the event of extraordinary mortality. Such impairments are recorded as they arise under costs of goods sold in the income statement. Information on recorded fair value for extraordinary mortality is based on the same principle as estimating value-adjusted biological assets. For specification of annual extraordinary mortality, see Note 7.

INDUSTRY GROUP FOR AQUACULTURE

In autumn 2014, the Financial Supervisory Authority of Norway (Finanstilsynet) initiated an evaluation project on specific areas of financial reporting for aquaculture companies listed on the Oslo Stock Exchange. The purpose of the project was to assess whether the aquaculture industry practises uniform and consistent reporting in accordance with IFRSs. Finanstilsynet published its final report on its website (www.finanstilsynet.no) on 17 November 2015. As a result of this review, the fish farming companies covered by the project established an industry group for financial reporting, as a venue for discussions and joint reporting improvements.

The Group has held several meetings, including in 2017, focusing in particular on:
i) identifying possible disclosure improvements and accounting policy applications to promote comparability, and
ii) developing a shared model for Fair value measurement of biomass.

In connection with the first item, the Group has identified some areas for improvement, and some adjustments of notes disclosures and presentation effective from fiscal year 2015. With regard to the second item, the industry group has agreed on the main policies for measuring fair value of biomass according to IAS 41, based on a present value model.

The industry group intends to continue discussions in 2018, with the aim of reaching additional agreements on various aspects of the estimation method. The Group has implemented the decisions previously made by the industry group.

The following companies participate in the industry group: Lerøy Seafood Group ASA, Grieg Seafood ASA, Salmar ASA, P/F Bakkafrost, NTS ASA, Cermaq Group AS, and Marine Harvest ASA.

TRADE RECEIVABLES

Trade payables are generated from trading of goods or services within the ordinary operating cycle, and under normal terms of payment are initially recognised at nominal value. Longer terms of payment imply a subsequent measurement of net present value/discounting of the trade payables. A provision for impairment of trade receivables is established when there is objective indication that the Group will not be able to collect all amounts due according to the original terms of trade. Significant financial difficulties affecting the debtor, the probability that the debtor will become insolvent or be subject to financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The provision is the difference between nominal and recoverable amount, which is the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement under 'other operating expenses'.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, long-term credit facility is included in short-term borrowings.

SHARE CAPITAL

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

BORROWINGS

Borrowings are recognised initially at fair value when the funds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost applying the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. 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.

DEFERRED TAX

Deferred tax is provided for in full at nominal values, using the liability method, on temporary differences arising between the value of assets and liabilities for tax and accounting purposes. Deferred 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 tax asset is realised or the deferred income liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available, from which the temporary differences can be deducted. Deferred tax is calculated on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The Company has paid premium to local, defined contribution based schemes for all employees. The Company's pension scheme is in accordance with rules and regulations for mandatory occupational pensions. The pension premium is charged through operations as it arises in the profit and loss account. Employer's social security contributions are charged on the basis of the pension premium paid.

The Group companies Grieg Seafood Rogaland AS and Grieg Seafood Finnmark AS have a contractual early retirement pension scheme (AFP). The financial commitments associated with this scheme are included in the Group's pension expenses. The AFP early retirement scheme follows the rules for public sector AFP, and both companies are members of the LO/NHO scheme. The pension payment calculations are based on standard assumptions relating to the development of mortality and disability as well as other factors such as age, years of service and remuneration. The premium is charged through operations as it arises in the profit and lossaccount.

SHARE-BASED REMUNERATION

The Group operates a share-based management remuneration plan with settlement in cash, where the individual employee is obliged to buy shares proportionate to annual salary. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be charged over the vesting period is calculated on the basis of the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision relative to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The Black and Scholes option pricing model is used for valuation. The company´s obligations are posted under long-term commitments if the latest possible redemption date exceeds one year into the future.

TRANSACTIONS UNDER JOINT CONTROL

On the purchase of entities under joint control the Group has chosen to apply IFRS 3 as its accounting standard. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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 the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

PROFIT SHARING AND BONUS PLANS

The Group recognises a provision where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

PROVISIONS

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

- the Group 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;
- the amount of the obligation can be reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there is 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects the current market situation and the risks specific to the obligation. The increase in the provision due to the change in value because of passage of time is posted as a financial expense.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intra-group sales. Revenue is recognised when it is reliably measured and it is reasonably assured that the economical assets will be transferred to the company, that is when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables and when the risks and rewards have been transferred to the customer.

INTEREST INCOME

Interest income is recorded proportionately over time using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate. Interest income on impaired loans is recognised on the basis of the amortised cost and the original effective interest rate.

DIVIDEND INCOME

Dividend income from investments under the cost method or available-for-sale is recognised when the right to receive payment is established. Dividend income from entities under the equity method are not being recognised but recorded as a reduction in the carrying value of the investment.

LEASES

FINANCE LEASINGS

Leases, or other arrangements as described in IFRIC 4, relating to property, plant and equipment where the Group has substantially all the risks and control, are classified as finance leasings. Finance leasings are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the aggregate minimum lease payments.

Each lease payment is allocated between an instalment element and an interest element so as to achieve a constant interest rate in the different periods on the outstanding lease obligation in the balance sheet. The lease obligation, less interest costs, is classified as other long-term debt. The interest expense is posted in the income statement as a financial expense over the lease period so as to achieve a constant interest expense on the outstanding obligation in each period. The property, plant and equipment acquired under finance leasings is depreciated over the shorter of the expected useful life of the asset or the lease period.

OPERATING LEASES

Leases, or other arrangements as described in IFRIC 4, 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 financial incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDENDS

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements when the dividends are approved by the AGM.

BORROWING COSTS

Borrowing costs incurred during the construction of operating assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are charged in the income statement.

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 entailing financial benefits out of the company
(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 through 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 it is likely that a benefit will accrue to the Group.

CASH FLOW STATEMENT

The Group's cash flow statement shows the overall cash flow broken down into operating, investing and financing activities by using 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.

According to IAS 7, the Disclosure Initiative, an overview of changes in the Group's liabilities has been prepared. This includes changes due to cash flow (eg. utilisation and repayments of loans) and changes without cash flow effect such as acquisitions, sales, calculated interest rate and unrealised currency translation differences.
Changes in financial assets are included in the disclosure information if cash flows were, or will be, included in cash flow from financing activities. This may be the case for instance for assets pledged as security for finance liabilities. Changes in financial assets shall be included in the disclosure information if cash flows were, or will be, included in cash flow from financing activities. This may, for example, be the case for assets pledged as security for finance liabilities. Implementation has been completed starting with the income statement for 2017.

EARNINGS PER SHARES

Earnings per share are calculated by dividing the profit for the year allocated to the company's shareholders by a weighted average of the number of issued ordinary shares during the year. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

NOTE 3
FINANSIELL RISIKOSTYRING

CAPITAL MANAGEMENT

The Group aims to ensure sufficient access to capital to enable the business to develop in accordance with adopted strategies and thus continue to be one of the leading players in the sector. Historically, the industry has always been vulnerable to price fluctuations in the market. For this reason, accounting results may fluctuate considerably from year to year. Consequently, the Group also strives to ensure that the business maintains an appropriate level of free liquidity.

The Group aims to provide a competitive return on invested capital to shareholders, by distributing dividends and increasing the share price. The Board aims to achieve an average long-term dividend corresponding to 25–30% of the Company's profit after tax, allowing for the effects of Fair value adjustments of biomass on profits. However, all dividends must be assessed in the light of what is deemed to be a healthy and optimal level of equity.

At 31. December 2017, the Group had interest-bearing debt including finance leases and factoring of MNOK 2 055, see Note 10. Funding mainly takes the form of bank loans. The level of debt and alternative forms of funding are subject to constant evaluation.

FINANCIAL RISK FACTORS

The Group is exposed to a number of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial derivatives to reduce certain risks.

The Group identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board has established written principles for the management of foreign exchange risk, interest rate risk and use of the Group´s financial instruments.

MARKET RISK

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk from various currency exposures, primarily CAD, USD, GBP and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets, and liabilities and net investments in foreign operations. The Group enters into foreign currency forward contracts to manage this risk.

Amounts in NOK x 1 000

Currency in NOK x 1 000	2017	NOK	USD	EUR	GBP	CAD	JPY	Annen valuta	Total
Trade receivables		115 394	145 851	313 002	155 651	6 524	18 989	5 995	761 407
Trade payables		427 251	1 327	10 297	77 026	66 421	-	3 055	585 378

Currency in NOK x 1 000	2016	NOK	USD	EUR	GBP	CAD	JPY	Other currency	Total
Trade receivables		86 289	171 796	353 776	136 028	6 259	37 330	9 113	800 591
Trade payables		378 525	2 648	9 444	51 300	48 847	-	2 770	493 534

Currency statement net interest-bearing debt	2017	NOK	USD	EUR	GBP	CAD	JPY	Other currency	Total
Cash and cash equivalents		-259 213	-70 775	-6 325	401 404	201 645	1 451	3 528	271 715
Long-term interest-bearing debt*		1 599 795	54 555	238 431	143 019	-	14 391	4 909	2 055 100
Net interest-bearing debt		**1 859 008**	**125 329**	**244 756**	**-258 384**	**-201 645**	**12 940**	**1 381**	**1 783 386**

*Overview of interest-bearing debt, see Note 10

Currency statement net interest-bearing debt	2016	NOK	USD	EUR	GBP	CAD	JPY	Other currency	Total
Cash and cash equivalents		3 459	-53 390	-2 140	352 771	203 226	-409	95	503 613
Long-term interest-bearing debt*		1 408 282	58 222	273 907	133 493	-	22 188	7 501	1 903 594
Net interest-bearing debt		**1 404 823**	**111 613**	**276 047**	**-219 277**	**-203 226**	**22 597**	**7 406**	**1 399 981**

* Overview of interest-bearing debt, see Note 10

The Group has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations was previously primarily managed through borrowings denominated in the relevant foreign currencies.

The Group´s bank loans are denominated in NOK in order to protect financial frameworks from the effects of currency fluctuations due to the fact that all of the syndicated bank loans are measured in NOK.

The parent company extends short and long-term loans to the subsidiaries denominated in these companies' functional currency. All long-term loans are considered to be equity in these companies, as they will not be repaid. The currency effect of loans is recognised under "currency effect of net investments" in consolidated comprehensive income. The numerical effects for 2017 and 2016 are presented below.

Amounts in NOK x 1 000

The currency effect of the net investments of subsidiaries is as follows:	2017	2016
Currency effect	22 333	–90 228
Tax effect (24%)	–5 360	21 655
Net effect recognised in equity	**16 973**	**–68 573**

SENSITIVITY ANALYSIS

A 10% appreciation of NOK against USD, CAD, GBP and EUR at the balance sheet date would be expected to have the following effects on net interest-bearing debt (in NOK x 1 000).

10% appreciation against	USD	EUR	GBP	CAD
Net effect on net interest-bearing debt	–12 533	–24 476	25 838	20 165
A 10% depreciation in NOK would have the reverse effect.				

10% appreciation against	USD	EUR	GBP	CAD
Monetary items - net effect on profit after tax (24%)	5 383	481	–30 507	–15 325
A 10% depreciation in NOK would have the reverse effect				

FORWARD CURRENCY CONTRACTS

Hedge accounting has been applied to foreign currency forward contracts relating to long-term physical supply contracts. The effect on profit is recorded in comprehensive income. Short-term forward currency contracts are not subject to hedge accounting. Value changes in short-term forward contracts therefore affect profit or loss, as these contracts are recognised at fair value through profit or loss, see accounting policies (Note 2).

Forward currency contracts at fair value through profit or loss as at 31.12.2017:

Sold	Amount	Bought	Amount	Weighted hedging rate	Market rate	Maturity interval *)	Market value in NOK x 1 000 at 31.12.2017
USD	4 625	CAD	5 912	1.2782	1.2543	05.01.2018 - 02.02.2018	741
USD	5 613	NOK	46 558	8.2942	8.2050	02.01.2018 - 01.02.2018	518
EUR	13 084	NOK	128 039	9.7856	9.8403	02.01.2018 - 02.02.2018	-758
GBP	1 905	NOK	20 429	10.7251	11.0910	03.01.2018 - 12.01.2018	-697
JPY	157 323	NOK	11 712	0.0744	0.0729	04.01.2018 - 02.02.2018	241
CHF	13	NOK	113	8.4105	8.4091	01.16.2018	-0
NOK	61 580	DKK	50 440	1.2209	1.3218	31.01.2018 - 31.07.2018	4 578
NOK	9 496	GBP	852	11.1410	11.0910	03.01.2018 - 12.01.2018	-46
Total							**4 577**

*) Maturity specified as an interval for multiple contracts

Hedging contracts through comprehensive income at fair value as at 31.12.2017

Sold	Amount	Bought	Amount	Weighted hedging rate	Market rate	Maturity interval *)	Market value in NOK x 1 000 at 31.12.2017
USD	1 794	NOK	14 705	8.1978	8.2050	23.01.2018 - 09.02.2018	-0
EUR	4 317	NOK	41 949	9.7172	9.8403	03.01.2018 - 09.02.2018	-376
GBP	40 281	NOK	428 146	10.6290	11.0910	17.01.2018 - 09.01.2019	-18 813
JPY	107 829	NOK	8 143	0.0755	0.0729	19.01.2018 - 13.04.2018	275
SEK	250	NOK	249	0.9978	0.9996	01.03.2018	-0
CHF	13	NOK	113	8.4016	8.4091	01.03.2018	-0
NOK	1 324	DKK	1 000	1.3240	1.3218	01.03.2018	-2
NOK	4 703	GBP	437	10.7599	11.0910	17.01.2018 - 27.09.2018	148
Total							**–18 769**

*) Maturity specified as an interval for multiple contracts.

Forward currency contracts at fair value through profit or loss as at 31.12.2016:

Sold	Amount	Bought	Amount	Weighted hedging rate	Market rate	Maturity interval *)	Market value in NOK x 1 000 at 31.12.2016
USD	3 920	CAD	5 224	1.3300	1.3400	04.01.17 - 27.01.17	-288
USD	7 582	NOK	65 132	8.5908	8.6200	03.01.17 - 27.01.17	-236
EUR	12 348	NOK	113 333	9.1782	9.0863	02.01.17 - 30.01.17	1 059
GBP	993	NOK	11 026	11.1078	10.6126	04.01.17 - 20.01.17	501
JPY	262 435	NOK	19 658	0.0749	0.0736	04.01.17 - 27.01.17	309
SEK	564	NOK	523	0.9272	0.9512	05.01.17 - 09.01.17	-14
CHF	11	NOK	96	8.4857	8.4610	06.01.17	0
Total							**1 332**

Hedging contracts through comprehensive income at fair value as at 31.12.2016

Sold	Amount	Bought	Amount	Weighted hedging rate	Market rate	Maturity interval *)	Market value in NOK x 1 000 at 31.12.2016
USD	3 164	NOK	27 192	8.5937	8.6200	03.01.17-10.01.18	-64
EUR	74 147	NOK	687 093	9.2666	9.0863	17.01.17-06.02.17	5 873
GBP	55 415	NOK	588 232	10.6150	10.6126	11.01.17-12.01.18	-1 736
JPY	459 896	NOK	36 094	0.0785	0.0736	18.01.17-03.02.17	1 980
CHF	4	NOK	36	8.4644	8.4610	11.01.2017	-0
Total							**6 052**

*) Maturity specified as interval for multiple contracts.

(ii) Interest rate risk

Since the Group has no significant interest-bearing assets apart from bank deposits, its income and operating cash flows are largely independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Fixed-interest contracts are used to reduce this risk. The Group continuously monitors its interest rate exposure. The Group calculates the impact on profit and loss of a defined interest rate change. The same change in the interest rate is used for all currencies in each simulation. The scenarios are only run for liabilities that represent major interest-bearing positions.

Sensitivity calculations show the following expected values: If the interest rate had been 1% higher (lower) throughout the year, all other factors remaining unchanged, the pre-tax profit would have decreased (increased) by MNOK 15.9 in 2017 and MNOK 17.1 in 2016 due to the floating rate of interest on loans and deposits. The sensitivity analysis is based on average net interest-bearing debt during 2017 and 2016, irrespective of concluded interest rate swap agreements.

Amounts in NOK x 1 000	Increase/reduction in interest rate points	2017	2016
Effect on profit before income tax	-/+ 1%	-/+ 15 934	-/+ 17 126

INTEREST RATE SWAP AGREEMENTS

The purpose of the Group's risk management activities is to establish an overview of the financial risk that exists at any given time and to provide more time to adapt to relevant developments. To this end, the Group has chosen to employ interest rate swap agreements to establish greater stability for the Group's variable-rate loan interest expenses. The Group has decided that at any given time a certain percentage of its variable-rate interest-bearing debt should be hedged using interest rate swap agreements. A given proportion will always be at a floating rate, while the remainder will be subject to potential hedging. This situation is constantly reviewed in light of the market situation. The interest rate swap agreements have a horizon of four years. The Company constantly evaluates whether these periods should be rolled over.

2017

Agreement	Principal	Fixed rate (%)	Basis of floating rate	Maturity	Market value (NOK x 1 000)
Fixed rate paid - floating rate received	400 000	1.69	Nibor 3 months	03.27.2019	–3 965
Fixed rate paid - floating rate received	260 000	1.28	Nibor 3 months	10.20.2021	–106
Total					**-4 071**

Interest rate swap contracts assessed at market value excl. accrued interest.

2016

Agreement	Principal	Fixed rate (%)	Basis of floating rate	Maturity	Market value (NOK x 1 000)
Fixed rate paid - floating rate received	400 000	1.69	Nibor 3 months	03.27.2019	–5 268
Total					**–5 268**

Interest rate swap contracts are assessed at market value excl. accrued interest.

Hedge accounting under IAS 39 is not applied to interest rate swap agreements. Changes in value of interest rate swap agreements are recognised as fair value changes through profit or loss, see description in accounting policies (Note 2).

III) PRICE RISK

Financial salmon price contracts allow the buyer and seller to agree prices and volumes for future delivery. As of 2018, 21% of the estimated harvesting weight in Rogaland and Finnmark was hedged under fixed-price contracts. The corresponding proportion for 2017 was 22.4%. In the UK, 19% of the estimated harvesting volume was hedged under fixed-price contracts, compared with 7.9% in 2017. The financial contracts are presented gross in the balance sheet with changes in value recognised through profit/loss as part of the Fair value adjustment of biological assets. As biological assets are recognised at fair value, the expected costs to meet contract terms will be included in the Fair value adjustment. The Group entered into financial pricing contracts for 2017 totalling TNOK 42 914, of which sales contracts amounted to TNOK 42,683 and purchase contracts to TNOK 231.

In 2017, the Group had no financial price contracts or physical delivery contracts that would give a loss at year end.

FAIR VALUE, FINANCIAL ASSETS:

The carrying value of derivatives and other financial instruments as at 31. December is displayed below (NOK x 1 000). The carrying value equals fair value. Positive values are classified as an asset, while negative values are classified as a liability in the balance sheet.

	2017		2016	
	Assets	Short-term liabilities	Assets	Short-term liabilities
Forward currency contracts at fair value through profit or loss	5 319	–742	1 332	0
Forward currency hedging contracts at fair value through comprehensive income	0	–18 769	6 052	0
Interest rate swap agreements	0	–4 071	0	–5 268
Financial salmon contracts - purchase contracts	231	0	41 610	0
Financial salmon contracts - sales contracts	42 683	0	0	–18 723
Sum financial instruments at fair value	**48 232**	**–23 581**	**48 994**	**–23 990**

CREDIT RISK

Credit risk is managed at Group level. Credit risk arises from transactions involving derivatives and deposits in banks and financial institutions, as well as from transactions with customers, including trade receivables and fixed contracts. The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness. The Company normally sells to new customers solely against presentation of a letter of credit or against advance payment. Credit insurance is used when deemed necessary. For customers who have a reliable track record with the Group, sales up to certain previously agreed levels are permitted without any security. Factoring agreements have been concluded with Ocean Quality AS and Ocean Quality UK Ltd. regarding trade receivables. See further information in Note 10.

All fish produced in the Group is sold to Ocean Quality Group, which in turn sells to external customers. The Ocean Quality Group secures the bulk of its sales through credit insurance and bank guarantees.

The book value of financial assets represents the maximum credit exposure. The maximum credit risk exposure as at 31.12. was as follows:

Amounts in NOK x 1 000	**Note**	**2017**	**2016**
Trade receivables	20	761 407	800 591
Other receivables	21	198 527	163 246
Cash and cash equivalents	19	271 715	503 612
Total		**1 231 648**	**1 467 448**

Ageing profile of trade receivables	**2017**	**2016**
Not due	506 843	508 688
Due	254 564	291 902
- 0-3 months	234 190	288 529
- more than 3 months	16 743	1 645
- more than 1 year	3 631	1 729
Total nominal value of trade receivables	**761 407**	**800 591**

Change in provision for bad debts	**2017**	**2016**
01.01.	8 378	4 979
Change in provision	2 990	3 399
31.12.	**11 368**	**8 378**

LIQUIDITY RISK

The Group adopts a prudent approach to liquidity risk management, which includes maintaining sufficient cash and marketable securities, securing funding through sufficient credit facilities and maintaining the ability to close market positions when considered appropriate.

Due to the dynamic underlying nature of the business, the Group aims to secure flexibility through available credit lines. The Group maintains a financing agreement through a 50/50 syndicate with DNB and Nordea, which consists of a total credit framework of MNOK 1 685, including a long-term credit facility of MNOK 700. For further information about non-current liabilities, see Note 10, and Note 27 on renegotiation of the new credit framework.

Management monitors the Group's liquidity reserve, which comprises credit facilities (see Note 10) and cash and cash equivalents (Note 19), based on expected cash flows. This is generally carried out at Group level in cooperation with the operating companies.

The following table shows a breakdown of the Group's non-derivative financial liabilities, classified by maturity structure. The amounts in the table are undiscounted contractual cash flows. Note 10 shows the payment profile for the Group's non-current liabilities.

31.12.2017	< 3 months	3 months - 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	6-7 years	7-8 years	8-9 years	9-10 years	More than 10 years	Total
Long-term loan instalments	22 500	67 500	895 000	-	-	-	-	-	-	-	-	-	985 000
Loan interest - floating	5 348	15 432	8 277	-	-	-	-	-	-	-	-	-	29 056
Long-term credit facility	-	-	300 000	-	-	-	-	-	-	-	-	-	300 000
Interest long-term credit facility	1 403	4 287	2 853	-	-	-	-	-	-	-	-	-	8 543
Finance leases	15 730	42 622	48 685	34 867	28 208	22 215	19 276	13 904	10 378	8 389	6 107	9 871	260 251
Interest finance leases	1 927	5 087	5 317	4 024	2 993	2 220	1 560	1 118	792	529	321	169	26 057
Trade payables	585 378	-	-	-	-	-	-	-	-	-	-	-	585 378
Export credits	-	8 873	-	-	-	-	-	-	-	-	-	-	8 873
Factoring commitments	500 976	-	-	-	-	-	-	-	-	-	-	-	500 976
Total commitments	**1 133 262**	**143 800**	**1 260 132**	**38 891**	**31 200**	**24 435**	**20 836**	**15 022**	**11 169**	**8 918**	**6 428**	**10 041**	**2 704 135**

31.12.2016	< 3 months	3 months - 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	6-7 years	7-8 years	8-9 years	9-10 years	More than 10 years	Total
Long-term loan instalments	22 500	67 500	90 000	895 000	-	-	-	-	-	-	-	-	1 075 000
Loan interest - floating	6 593	19 357	23 869	8 447	-	-	-	-	-	-	-	-	58 267
Long-term credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan interest - floating	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance leases	17 471	50 230	57 071	47 427	33 929	27 264	21 267	18 305	12 908	9 355	7 344	14 996	317 568
Interest finance leases	2 489	6 603	7 060	5 375	4 086	3 050	2 266	1 606	1 165	848	610	752	35 911
Trade payables	493 440	55	6	33	-	-	-	-	-	-	-	-	493 534
Export credits	-	8 490	-	-	-	-	-	-	-	-	-	-	8 490
Factoring commitments	502 536	-	-	-	-	-	-	-	-	-	-	-	502 536
Total commitments	**1 045 029**	**152 235**	**178 007**	**956 282**	**38 015**	**30 314**	**23 533**	**19 911**	**14 074**	**10 203**	**7 954**	**15 748**	**2 491 305**

Available liquidity, available drawdowns on the credit facility, as well as positive cash flows from operations, are deemed to be sufficient to cover current and long-term liabilities.

FAIR VALUE ESTIMATION

(I) FINANCIAL INSTRUMENTS
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques (see Note 12). The Group uses different methods and makes assumptions based on market conditions at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of financial salmon contracts is determined using forward prices from Fish Pool.

(II) TRADE RECEIVABLE AND TRADE PAYABLES
The nominal value less write-downs for realised losses on trade receivables and trade payables is assumed to correspond to the fair value of these items. The fair value of financial liabilities is assumed to approximate to the book value, as virtually all these items are exposed to floating interest rates.

(III) BIOLOGICAL INVENTORIES
Fish in the sea are measured at estimated fair value. Consequently, the value of biological inventories is likely to vary more than the value of inventories based on cost. Fair value varies due to a number of reasons, including volatility in pricing of Atlantic salmon and factors relating to production, unpredictability of biological production, changes in harvesting schedules, and changes in the composition of inventories.

A sensitivity analysis of the impact of prices of salmon on the Group's profit after tax as at 31 December 2017 and 31 December 2016 is shown below (NOK x 1 000).

31.12.2017		
Price reduction per kg	NOK 1	NOK 2
Reduced profit after tax	–34 808	–69 598
Price increase per kg	NOK 1	NOK 2
Increased profit after tax	34 808	69 598

31.12.2016		
Price reduction per kg	NOK 1	NOK 2
Reduced profit after tax	–21 838	–43 694
Price increase per kg	NOK 1	NOK 2
Increased profit after tax	21 838	43 694

A sensitivity analysis of the full volume of Atlantic salmon as at 31. December 2016 shows the following impact on profit after tax (NOK x 1000):

31.12.2017	
INCREASED VOLUME IN KGS BIOMASS	+ 10 %
Increased profit after tax	139 532
REDUCED VOLUME IN KGS BIOMASS	- 10 %
Reduced profit after tax	-93 899

31.12.2016	
INCREASED VOLUME IN KGS BIOMASS	+ 10 %
Increased profit after tax	151 681
REDUCED VOLUME IN KGS BIOMASS	- 10 %
Reduced profit after tax	–158 679

.

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management is required to make estimates and assumptions concerning the future, which affect which accounting policies are to be used and reported amounts for assets, liabilities and contingent liabilities in the balance sheet, as well as income and expenses for the accounting year. Estimates and underlying assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be probable under the present circumstances. The final outcomes may deviate from these estimates. Changes in accounting estimates are recognised in the period in which the estimates are changed.

The Group is involved in claims and complaints related to the sale of goods on a continuous basis. As of year-end there were no material ongoing issues.

ESTIMATED IMPAIRMENT OF GOODWILL, LICENCES AND PROPERTY, PLANT AND EQUIPMENT

The Group tests whether goodwill and licences have suffered any impairment on an annual basis, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows from the cash-generating unit, and the application of a discount rate in order to calculate the present value of future cash flows. Expectations of future cash flows will vary over time. Changes in market conditions and expected cash flows can result in losses due to future value decreases. The value of long-term growth in demand, changes in the competitive situation, the strength of the production stage in the value chain and thus also expectations of the long-term profit margin are also of significance. The different parameters could variously affect the value of the licences over time. Any change in these critical assumptions will entail related write-downs, or the reversal of write-downs of the value of licences in accordance with the accounting policies described in Note 2. Please also refer to Note 8 for further comments on tests relating to value impairment.

BIOLOGICAL ASSETS

Estimation of the fair value of biological assets is exposed to several uncertainties, including relating to future prices, harvesting periods, gutted weight and remaining production costs. Salmon sale prices are extremely volatile. All these factors can impact the calculation of fair values. The sales price is based on forward prices and/or the most relevant pricing information available for the period in which the fish is expected to be harvested. Changes in price assumptions have the greatest impact on the estimate of fair value. Please refer to Note 3 for a a sensitivity analysis of the applied price assumptions. The planned point of harvesting is assumed to be 4.76 kgs; however, significant estimation uncertainty attaches to the estimated growth rate. Budgeted production costs include provisions for estimated feed prices, costs of treatment of lice and other emergency costs to prevent biological accidents. Here, estimations are affected by uncertainty regarding the number of lice treatments to be carried out, the sea temperature and other conditions affecting growth and costs. Please refer to Note 2 Accounting policies and Note 7 for further information on estimation and calculation of fish values.

NOTE 5
INVESTMENTS IN ASSOCIATES

Associates that are closely related to the Group's operations and included in the Group´s value chain are classified on a separate line in the EBIT when the relevant associates operate in the same position in the value chain as the Group.

In 2017, the Group invested MNOK 10 in Tytlandsvik Aqua AS to acquire 16.67% of the company's shares. The remaining shareholdings are held by Bremnes Seashore AS (16.67%) and Vest Havbruk AS (66.67%). Tytlandsvik Aqua AS has a mandate to secure increased and improved access to post smolt for the Group. As at 31 December 2017, the facility had not been completed. During 2018, the Group and Bremnes Seashore AS plan to increase their shareholdings through a share issue to procure similar shareholdings for the three owners of Tytlandsvik Aqua AS. The parties have agreed to grant Grieg Seafood and Bremnes Seashore organisational rights similar to rights for holding one-third of the shares from the time of the first instalment of MNOK 10 in 2017, including the right to appoint board members as well as the right to vote at the AGM. As a result of this arrangement, the Group has included a proportion of profit in the statement of comprehensive income, even though the shareholding at 31 December 2017 was still 16.67%. According to the agreement, the Group has a right and obligation to buy the remaining shares in 2018, split into three transactions of MNOK 10, totalling MNOK 30. The recognised share of profits corresponds to the nominal shareholding (16.67%) during the shareholding period of 2017. The investment in Tytlandsvik Aqua AS is classified on a separate line in the balance sheet, and the share of profit is included in EBIT.

In Q1 2016, all the Group's shares in Salten Stamfisk AS were sold. The profit on the sale is recognised on a separate line after EBIT. In December 2016, the share capital of Finnmark Brønnbåtrederi AS was written down by the Group´s share and fully repaid. The share of profit/loss in 2016 covers the period January to May, when the agreement to leave Finnmark Brønnbåtrederi AS was implemented.

2017	Equity interest at 31.12.2017	Book value at 01.01.2017	Share of the result for the year	Changes in period, repaid capital	Book value at 31.12.2017
ASSOCIATES CLASSIFIED AS OPERATIONS					
Tytlandsvik Aqua AS	16.67%	-	-550	10 000	9 450
Total associates classified as operations		**-**	**-550**	**10 000**	**9 450**

The share issue and shareholder agreement were signed on 1 June 2017. Value added relating to the investment has been allocated to hatcheries under construction, based on provisional accounting figures from Tytlandsvik Aqua as at 31 December 2017.

	Time of investment	Equity interest	Value added to project hatchery
Tytlandsvik Aqua AS	01.06.2017	16.67 %	7 050

Value added will be written down when the facility is completed and commissioned.

ASSOCIATES CLASSIFIED ON A SEPARATE LINE AFTER EBIT					
Total associates classified on a separate line after EBIT		**-**	**-**	**-**	**-**
Total investments in associates		**-**	**-550**	**10 000**	**9 450**

Tytlandsvik Aqua AS has the same financial year as the Group. The following table displays abridged, provisional financial information as at 31 December 2017 (100%).

Per 31.12.2017	Total assets	Total liabilities	Total equity	Operating income	Pre-tax profit/loss
Tytlandsvik Aqua AS	20 730	4 893	15 837	90	-5 154

2016	Equity interest at 01.01.2016	Book value at 01.01.2016	Share of the result for the year	Changes in period, repaid capital and sale	Book value at 31.12.2016
ASSOCIATES CLASSIFIED AS OPERATIONS					
Finnmark Brønnbåtrederi AS	49.9 %	15 024	569	-15 593	-
Total associates classified as operations		**15 024**	**569**	**-15 593**	**-**
ASSOCIATES CLASSIFIED ON A SEPARATE LINE AFTER EBIT					
Salten Stamfisk AS	34.0 %	10 922	1 161	-12 083	-
Total associates classified on a separate line after EBIT		**10 922**	**1 161**	**-12 083**	**-**
Total investments in associates		**25 947**	**1 730**	**-27 676**	**-**

Sale of shares/repaid share capital in associates	Total 2017	Finnmark Brønnbåtrederi AS	Salten Stamfisk AS	total 2016
Repaid share capital	0	15 593	0	15 593
Proceeds net of expenses	0	0	24 000	24 000
Book value on sales date	0	–15 593	–11 917	–27 510
Book profit	**0**	**0**	**12 083**	**12 083**

In 2016, the book profit for Salten Stamfisk was recognised under the item share of profit from associates.

NOTE 6
SEGMENT INFORMATION

The operating segments are identified on the basis of the reports which Group management (the chief decision-maker) uses to assess performance and profitability at a strategic level. Group management assesses business activities from a geographical perspective, based on the location of assets.

The Group has only one production segment: Production of farmed salmon. Geographically, management assesses the results of production in Rogaland - Norway, Finnmark - Norway, BC - Canada and Shetland - UK.

Group management evaluates the results from the segments based on EBIT before value adjustments of biological assets. The method of measurement excludes the effect of non-recurring costs, such as restructuring costs, legal costs on acquisition and amortisation of goodwill and intangible assets when amortisation is attributable to an isolated event which is not expected to recur. The measurement method also excludes the effect of cash-settled share options, as well as unrealised gains and losses on financial instruments.

The Group's customers are divided into different geographical markets. All sales from Norway, the UK and Canada go through the sales company Ocean Quality AS, which is also partly owned by Bremnes Fryseri AS. Grieg Seafood ASA owns 60% of Ocean Quality AS (see Note 1 for further information). Norway therefore shows the aggregate figures for the Norwegian market. Ocean Quality is fully consolidated and is part of the associated segment.

Geographical market	UK	Norway	BC	Sales revenue 2017		Sales revenue 2016	
EU	159 250	3 392 639	0	3 551 889	51%	3 550 115	54%
UK	618 748	505 358	0	1 124 107	16%	761 076	12%
USA	61 880	2 583	546 586	611 049	9%	768 902	12%
Canada	0	132 227	76 795	209 022	3%	86 364	1%
Russia	0	0	0	0	0%	1	0%
Asia	21 789	1 191 298	43 234	1 256 321	18%	1 163 850	18%
Other markets	7 743	257 064	263	265 069	4%	214 881	3%
Total	**869 410**	**5 481 169**	**666 878**	**7 017 456**	**100%**	**6 545 187**	**100%**

Segment information reported to Group management for the reporting segments:

Geographical segments	Norway Rogaland		Norway Finmark		Canada BC		UK Shetland		Others/ eliminations *)		Grieg Seafood Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales revenue	1 150 166	1 140 398	1 265 156	1 244 255	580 293	611 223	745 934	859 815	3 275 907	2 689 496	7 017 456	6 545 187
Other income **)	11 643	5 923	6 718	22 797	0	4 215	3 431	8 571	–21	–487	21 771	41 019
Other gains/losses **)	586	0	262	1 477	–24	–356	2 308	2 685	–4 646	13 580	–1 514	17 386
Share of results from associates	–550	21 791	0	14 636	0	0	0	0	0	–35 858	–550	569
Operating costs before depreciation and amortisation	–731 218	–668 302	–845 442	–771 718	–425 686	–511 319	–634 209	–646 899	–3 295 075	–2 664 261	–5 931 630	–5 262 499
EBITDA before Fair value adjustment biological assets	**430 627**	**499 810**	**426 694**	**511 447**	**154 583**	**103 763**	**117 464**	**224 172**	**–23 835**	**2 470**	**1 105 533**	**1 341 662**
Depreciation, amortisation, and reversals	–37 563	–33 054	–74 758	–64 316	–34 421	–23 237	–48 808	–47 614	–5 583	–5 695	–201 133	–173 916
EBIT before Fair value adjustment of biological assets	**393 064**	**466 756**	**351 935**	**447 131**	**120 162**	**80 526**	**68 657**	**176 558**	**–29 418**	**–3 225**	**904 400**	**1 167 745**
Harvesting volume (ton GWT)	18 111	18 367	22 831	22 104	9 600	10 715	12 056	13 541			62 598	64 726
EBIT/kg (NOK)	21,7	25,4	15,4	20,2	12,5	7,5	5,7	13,0			14,4	18,0
Assets	1 616 948	1 792 509	2 068 196	2 073 036	1 283 521	889 655	1 253 714	1 307 903	930 236	704 935	7 152 615	6 768 038
Total assets	**1 616 948**	**1 792 509**	**2 068 196**	**2 073 036**	**1 283 521**	**889 655**	**1 253 714**	**1 307 903**	**930 236**	**704 935**	**7 152 615**	**6 768 038**
Liabilities	511 473	586 661	767 531	779 462	797 428	569 423	931 516	931 334	796 762	694 207	3 804 710	3 561 087
Total liabilities	**511 473**	**586 661**	**767 531**	**779 462**	**797 428**	**569 423**	**931 516**	**931 334**	**796 762**	**694 207**	**3 804 710**	**3 561 087**

EBIT FOR THE GROUP	2017	2016
EBIT before Fair value adjustment of biological assets	904 400	1 167 745
Fair value adjustment of biological assets (Note 7)	–91 463	515 741
EBIT after Fair value adjustment of biological assets	**812 937**	**1 683 486**
Share of result from associates (Note 5)	0	12 083
Net financial items (note 23)	–14 457	–134 734
Profit before tax	**798 480**	**1 560 836**
Estimated taxes	–197 581	–338 505
Profit of the year	**600 899**	**1 222 332**

*) Others/ eliminations
A proportion of non-controlling interests (Bremnes Fryseri AS) is reported with ownership expenses and other posts as an elimination. A proportion of sales revenue and other operational expenses from non-controlling interests is eliminated on subordinated account lines in the column "Others/eliminations". Sales revenue from sales for Bremnes Fryseri AS amount to appr. MNOK 2 421, while other operational expenses including cost of goods sold amounts to appr MNOK 2 391.

Other items comprise the profit/loss from activities conducted by the parent company or other Group companies not geared for production. Internal transactions between the subsidiary and the parent company, as well as other posts relating to the parent company, are eliminated.

**) Other income/gains/losses
Other gains/losses include sales of shares and operating equipment, as well as foreign currency forward contracts recognised at fair value through profit or loss. Please refer to Note 5 for information on gains on sales of shares.

Other income mainly relates to the settlement of insurance and other services not directly related to production.

NOTE 7
BIOLOGICAL ASSETS AND OTHER INVENTORIES

	Tons		NOK x 1 000	
	2017	**2016**	**2017**	**2016**
Biological assets at 01.01.	45 626	48 089	2 459 625	1 929 117
Currency translation differences	N/A	N/A	24 095	–76 011
Increase due to production	83 605	75 839	2 773 680	2 437 747
Decrease due to extraordinary mortality/loss	–4 348	–5 787	–132 425	–217 252
Decrease due to sales	–70 206	–72 515	–2 284 225	–2 125 984
Fair value adjustment at 01.01	N/A	N/A	–824 487	–312 479
Fair value adjustment in connection with business acquisition	N/A	N/A	N/A	N/A
Fair value adjustment at 31.12	N/A	N/A	682 089	824 487
Book value of biological assets at 31.12.	**54 677**	**45 626**	**2 698 352**	**2 459 625**

Recognised Fair value adjustment:		
Change in Fair value adjustment of biological assets (1)	-142 398	512 008
Foreign-currency adjustment of Fair value adjustment of biological assets	-6 169	17 923
Change in physical supply contracts relating to Fair value adjustment of biological assets (2) (see Note 25)	37 078	-37 078
Change in fair value of financial derivatives from salmon (Fish Pool contracts) (3)	20 026	22 888
Total recognised Fair value adjustment of biological assets	**-91 463**	**515 741**

Recognised value adjustments of biological assets include:
1. Fair value adjustments of biological assets
2. Fair value (liability) change in loss contracts
3. Change in unrealised gains/losses from financial purchases/sales contracts (derivatives) from fish at Fish Pool

Provisions allocated to future physical supply contracts that require Fair value adjustment are recorded as other current liabilities in the balance sheet.The contracts are calculated based on the same forward prices that apply to Fair value calculation of biological assets. Provisions allocated to physical contracts covering fish under 4.76 kgs (immature) are recognised as a proportionate share in accordance with the principle of Fair value calculation of biological assets. Value changes in financial derivatives from salmon are recorded in the balance sheet as derivatives and other financial instruments. Financial derivatives are calculated at market value, please refer to Note 3 for further information.

For further information on accounting principles for biological assets, please refer to Note 2.

STATUS OF BIOLOGICAL ASSETS AT 31.12.17	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Book value (NOK x 1000)
Biological assets onshore *)	17 132	465	118 789	0	118 789
Immature fish in sea, round weight < 4.76 kgs	31 753	53 654	1 878 465	677 721	2 556 186
Mature fish in sea, round weight > 4.76 kgs	112	559	19 005	4 372	23 377
Total	**48 996**	**54 678**	**2 016 259**	**682 093**	**2 698 352**

*) Smolt production

STATUS OF BIOLOGICAL ASSETS AT 31.12.16	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Book value (NOK x 1000)
Biological assets onshore *)	20 089	544	115 448	0	115 448
Biological assets with round weight < 1 kg	10 540	4 289	266 703	0	266 703
Biological assets with round weight 1 - 4 kgs	12 536	31 973	1 006 667	566 269	1 572 936
Biological assets with round weight > 4 kgs	1 921	8 820	246 320	258 217	504 538
Total	**45 086**	**45 626**	**1 635 138**	**824 488**	**2 459 625**

*) Smolt production

BASIS FOR VALUES 31.12.17:	BC	Shetland	Norway
Weighted price per kg GWT	CAD 8.82	GBP 5.22	NOK 52.05
Source	Fish Pool	Fish Pool	Fish Pool

Forward prices from Fish Pool as stated above are adjusted for expected quality reductions and stated before logistics expenses. The standard deduction for quality reduction is considered. Forward prices are weighted in relation to the intended harvesting period. The price for BC is based on the forward price in Norway adjusted for historical differences in price levels between Norway and Canada. The same principle applies to Shetland. Self-budgeted harvesting and logistics expenses are assumed. Forward exchange rates are used to translate prices into CAD and GBP in relation to the harvesting period.

OTHER INVENTORIES	2017	2016
Raw materials (feed) at cost price	62 122	73 989
Roe	8 682	10 336
Other (frozen fish, supplementary products	21 458	4 839
Total inventories	**92 262**	**89 164**
Impairment of inventories recognised at year-end	5 743	1 571

PURCHASE COST OF THE YEAR	2017	2016
Inventories at 01.01 (inverted number)	–89 164	–90 867
Purchases for the year (incl. change in accrued cost of production)	–3 727 298	–3 285 456
Inventories at 31.12.	92 262	89 164
Purchase cost of the year	**–3 724 200**	**–3 287 159**

The purchase cost for the year mainly comprises feed, roe, recognition of extraordinary mortality, and external purchase of fish in the sales company Ocean Quality.

The Group applies an internal rule of impairment in cases of extraordinary loss/mortality. Such impairments are recognised on a straight-line basis as part of cost of goods sold in the income statement. Information about the recognised fair value of extraordinary loss/mortality is based on the same rules for calculating Fair value adjustments of biological assets.

Below is an overview of impairments relating to extraordinary loss/mortality (production cost), as well as the associated fair value of the fish written down to NOK 0.

Amounts in NOK x 1 000	2017		2016	
Extraordinary loss/mortality	**Production cost**	**Fair value**	**Production cost**	**Fair value**
Rogaland	35 988	62 087	18 039	22 622
Finnmark	16 965	31 262	71 770	93 919
Shetland	53 099	76 632	52 233	97 414
British Columbia	17 395	28 217	46 372	56 930
Total	**123 446**	**198 198**	**188 414**	**270 885**

2017	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Fair value (NOK x 1 000)
Smolt/broodstock/biological assets round weight < 1 kg	205	113	6 854	–1 012	5 842
Biological assets round weight 1 - 4 kgs	1 617	3 157	93 630	61 233	154 863
Biological assets round weight > 4 kgs	242	1 078	22 963	14 530	37 493
Total	**2 064**	**4 348**	**123 446**	**74 751**	**198 198**

2016	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Fair value (NOK x 1 000)
Smolt/broodstock/biological assets round weight < 1 kg	1 121	629	28 228	0	28 228
Biological assets round weight 1 - 4 kgs	2 048	4 183	132 188	66 827	199 015
Biological assets round weight > 4 kgs	208	975	27 997	15 644	43 642
Total	**3 377**	**5 787**	**188 414**	**82 471**	**270 885**

In Rogaland the main cause of extraordinary loss/mortality was PD (Pancreas Disease), in addition to one incident of lice treatment. In the first half of 2016, mortality due to heart failure (CMS) was also registered.

In Finnmark, the main causes of mortality/loss were IPN (Infectious Pancreatic Necrosis), Yersiniosis, Parvicapsula and heart failure. At year-end 2016, ISA (Infectious Salmon Anaemia) was detected at one location, which required the location to be fallowed.

In Shetland, sea lice, gill problems, planktonic algae, AGD (Amoebic Gill Disease) and seals caused mortality in both years. In 2017, lice treatment also caused some mortality/loss. A number of measures have been implemented to mitigate the biological challenges causing mortality. One of these measures involves changing the production cycle in the sea from 24 to 18 months. Technology has been applied to analyse algae and improve monitoring of the sea in order to retrieve data about risk of algal growth. This will be a key measure. At the end of 2017, the lice level was very low compared to historical levels.

In BC, mortality has been caused by low levels of oxygen in the sea, as well as planktonic algae. In addition, accidents have occured during transport between sites. In 2016, Furunculosis caused mortality at the hatchery, necessitating the recognition of impairments.

There were zero occurrences of escapes in 2017. However, in 2016 there were three escapes, one in Finnmark and two in Shetland. All three occurrences were caused by routine failures at commissioned well-boats. Related expenses in Shetland were covered by the well-boat company. In Finnmark, the number of fish lost was low and connected costs were insignificant. For more information, refer to the sustainability report.

NOTE 8
INTANGIBLE ASSETS

2017	Goodwill	Fish farming licences indefinite lives	Fish farming licences definite lives	Other intangible assets	Total
Book value at 01.01.	108 595	1 035 881	24 742	17 598	1 186 815
Currency translation differences	443	8 905	386	–1	9 733
Additions	0	0	0	4 180	4 180
Disposals	0	0	0	–36	–36
Amortisation	0	0	–1 362	–3 533	–4 895
Reclassification	0	0	0	175	175
Book value at 31.12.	**109 038**	**1 044 786**	**23 766**	**18 384**	**1 195 975**
As at 31.12.					
Acquisition cost	198 641	1 044 799	52 414	40 042	1 335 895
Accumulated amortisation	0	–13	–28 648	–21 658	–50 317
Accumulated impairments	–89 603	0	0	0	–89 603
Book value at 31.12.	**109 038**	**1 044 786**	**23 766**	**18 384**	**1 195 975**

Other intangible assets mainly comprise software.

2016	Goodwill	Fish farming licences indefinite lives	Fish farming licences definite lives	Other intangible assets	Total
Book value at 01.01.	110 647	1 067 433	25 905	16 993	1 220 977
Currency translation differences	–2 052	–34 338	190	4	–36 193
Additions	0	2 786	0	4 283	7 069
Disposals	0	0	0	0	0
Amortisation	0	0	–1 352	–3 683	–5 036
Book value at 31.12.	**108 595**	**1 035 881**	**24 742**	**17 598**	**1 186 815**
As at 31.12.					
Acquisition cost	198 198	1 035 894	52 027	35 723	1 321 842
Accumulated amortisation	0	–13	–27 285	–18 126	–45 424
Accumulated impairments	–89 603	0	0	0	–89 603
Book value at 31.12.	**108 595**	**1 035 881**	**24 742**	**17 598**	**1 186 815**

LICENCES

The tables below provide an overview of the Group's various licences. See Note 2 for further information on licences.

UK Farm/area	Capacity (tons)
Bight of Foraness	2 100
Boatsroom Voe	216
Cole Deep	2 178
Coleness	752
Collafirth Delting Site 3	1 500
Corlarach	1 602
East of Langa	1 643
East of Papa Little	1 750
Easter Score Holm	2 500
Fish Holm	1 910
Geo of Valladale (Urafirth)	809
Gob na Hoe	2 021
Hamar Sound	738
Hamnavoe, Lunnaness	1 910
Laxfirth Voe East (Site 2)	942
Leinish Bay	1 700
Linga (South of Linga)	2 299
Muckle Roe East (Heights)	350
North Havra	1 496
North of Papa	1 776
North Voe	1 920
Olnafirth North (Site 2)	300
Olnafirth South (Site 1)	1 000
Papa, East Head of Scalloway	1 500
Punds Voe	960
Roe Sound	350
Setter Voe	987
Setterness North	2 500
Setterness South	2 358
Snizort	2 125
South Voe of Gletness	750
Spoose Holm (Oxna)	1 500
Swining Voe Site 3 (Collafirth Ness)	1 920
Taing of Railsborough	1 043
Wadbister Inshore	800
West of Burwick	1 923
Total	**52 128**

NORWAY Licence category	Total number	Total volume
Matfiskkonsesjoner	41 stk	36 270 tn
FoU-tillatelse	1 stk	780 tn
Stamfisk	3 stk	2 340 tn
Settefisk	3 stk	27,5 mill stk
Slaktemerd	2 stk	1 106 tn

CANADA Farm/area	Capacity (tons)
Ahlstrom	1 100
Atrevida	3 300
Barnes bay	3 000
Bennet Point	4 400
Conception	4 100
Culloden	1 500
Esperanza	3 600
Gore	4 100
Hecate	4 000
Kunechin	1 500
Muchalat N.	4 100
Muchalat S.	3 900
Newcomb	1 000
Salten	1 500
Site 13	900
Site 9	1 500
Streamer Point	3 600
Tsa-ya	3 000
Vantage	1 500
Williamson	3 900
Wa-kwa	2 500
Total	**58 000**

IMPAIRMENT TESTING OF GOODWILL AND LICENCES

No impairments were recognised for goodwill or licences in 2016 or 2015. Goodwill and licences with indefinite economic lives are subject to an annual impairment test. Tests are performed more frequently where indications of impairment exist. Licences with definite useful lives are tested for impairment only if there are indications of a decline in value. The estimated value in use is used as a basis for calculating the recoverable amount. Impairment exists when the carrying value is higher than the recoverable amount.

Amounts in NOK x 1 000

Cash-generating unit	Location	Book value of related goodwill	Book value of licences	Total
BC - Canada	Canada	10 218	163 099	173 317
Finnmark	Norge	0	299 814	299 814
Shetland - UK	UK	78 358	470 666	549 024
Rogaland	Norge	20 463	134 973	155 436
Total value		**109 038**	**1 068 552**	**1 177 591**

Goodwill relates to the acquisition of the subsidiaries and is allocated to the Group's cash-generating units (CGUs), which are identified according to the operating segment. An annual impairment test is carried out for goodwill and licences. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets from the respective cash-generating units over a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The estimated growth rate corresponds to expected inflation.

THE ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS ARE AS FOLLOWS:

Unit	BC - Canada	Finnmark	Shetland - UK	Rogaland
Budget period	3 years	3 years	3 years	3 years
Increase in revenues in budget period	121%	43%	18%	5%
EBITDA margin 1)	24% -27%	29% - 32%	9% -19%	26% - 29%
EBITDA margin in terminal period	27%	30%	19%	28%
Harvest growth - tons 2)	138%	62%	34%	34%
Required rate of return 3)	7.9 %	7.9 %	7.9 %	7.9 %
Growth rate 4)	1.0 %	1.0 %	1.0 %	1.0 %

As stated above, the budget period/explicit period is three years. Impairment tests are initially based on the Group´s rolling four-year projections, which are also used in connection with the Group's liquidity planning. Consequently, it is important to apply conservative assumptions. The estimated increase in revenue for the budget period thus comprises the estimated revenue increase for 2020 compared to revenue for 2017. The estimated future price level is calculated using Fish Pool projections for future prices, taking into account quality reductions and shipping. The prices for 2018 and 2019 are assumed to be lower than Fish Pool projections.

Other comments/explanations on assumptions applied in impairment testing are presented below.

1. Budgeted EBITDA margin. The margin increases during the budget period for BC - Canada and Shetland - UK and decreases slightly for Rogaland and Finnmark. Higher output is assumed in all regions in the budget period.
2. The growth rate in the harvested volume in the budget period (nominal growth rate) is measured against the 2017 volume. A corresponding increase in output is assumed over time.
3. Weighted required return on capital employed before tax. Cash flow forecasts are thus estimated before tax.
4. Weighted average growth rate used to extrapolate cash flows beyond the budget period. In the years after 2012, the annual reinvestment is assumed to be equal to annual depreciation.

EBITDA MARGIN IN THE BUDGET AND TERMINAL PERIOD

The budgeted EBITDA margin is based on past performance, expected cost of production and expected market developments. An increase in gutted weight output is assumed throughout the budget period. The increased harvest volume assumes an increase in utilisation of existing production capacity and licences, reflecting the Group's smolt strategy. The Group expanded its smolt hatchery in Rogaland in 2017 and has initiated measures in Finnmark to secure access to smolt. A higher number and larger average size of smolt will contribute to higher growth and higher harvesting volumes. Larger smolt will also reduce the production time in the sea, which in turn will reduce the biological risk level, including mortality. An increase in smolt numbers will also improve overall utilisation of locations and licences. Finnmark was granted two new locations in 2017, which will be important for growth. In BC - Canada, an increase in harvesting volumes is based on improved production of smolt, more efficient monitoring of algae, and recirculation of fresh water from the deeper sea. The significant increase in volume is also due to extremely low harvesting volumes over the past two years, and outbreaks of Furunculosis, which resulted in a total loss of production and subsequent losses of stocking fish. There were no outbreaks of Furunculosis in 2017. Measures to secure the intake water have been successful. The Company is constantly striving to increase utilisation of its favourable locations in Shetland in order to secure improved production. Measures being taken include delivering larger smolt with a lower number of days in the sea. Monitoring of algae, as well as recirculation of fresh water from the deeper sea, represent further important measures for Shetland. Overall, this will help to reduce the Company's cost per kilogram. Along with prolonged fallowing and utilisation of the best locations, modification of the production cycle in the sea from 24 to 18 months will reduce biological risk. Together, the combined measures will help to reduce the Company's cost as measured per kilogram.

The assumptions in the terminal year are based on the budget for 2020, but with some adjustments to reflect EBIT/kg in the benchmark and the Group's own historical results. The applied discount rates are pre-tax and reflect specific risks relating to the relevant operating segments.

SENSITIVITY ANALYSIS

Value-in-use is sensitive to changes in the assumptions made, the most important of which are return and EBIT/kg requirements.

A sensitivity analysis has been carried out based on these assumptions for all CGUs. An isolated requirement to increase the return rate by 1 percentage point and reduce EBIT/kg by NOK 1 would result in a need to recognise impairments for the Shetland CGU of MNOK 60 and MNOK 55, respectively. Correspondingly, an isolated requirement to increase the return rate by 2 percentage points and to reduce EBIT/kg by NOK 2 would result in a need to recognised impairments of MNOK 251 and MNOK 319, respectively. The other CGUs are not sensitive to equivalent changes in the same assumptions. For the Finnmark CGU, an isolated change in the sales price of NOK 7.50 would result in a need to recognise an impairment of MNOK 73. Similarly, an isolated increase in the WACC of 13% would result in a need to recognise an impairment of MNOK 31 in the BC CGU.

NOTE 9
PROPERTY, PLANT AND EQUIPMENT

2017	Buildings/ property	Prod.plants and barges	Nets, cages and moorings	Other equipment	Total
Book value at 01.01.	386 340	581 945	367 195	174 899	1 510 379
Currency translation differences	4 570	8 217	4 497	1 450	18 733
Reclassification of non-current assets	0	0	0	–253	–253
Additions *)	89 833	252 895	166 954	38 958	548 640
Disposals	0	–5 848	–628	–2 981	–9 457
Reversal of impairments	0	0	0	0	0
Depreciation	–21 125	–69 288	–78 879	–26 946	–196 237
Book value at 31.12.	**459 618**	**767 920**	**459 139**	**185 127**	**1 871 804**
As at 31.12.					
Acquisition cost	682 758	1 587 184	1 078 678	356 630	3 705 251
Accumulated depreciation	–223 140	–779 373	–619 539	–171 672	–1 793 723
Accumulated impairments	0	–39 891	0	168	–39 723
Book value at 31.12.	**459 618**	**767 920**	**459 139**	**185 127**	**1 871 804**
Book value of finance leases included above	**1 414**	**128 113**	**68 720**	**108 462**	**306 709**
Depreciation of finance leases included above	**–40**	**–14 447**	**–12 733**	**–10 137**	**–37 357**
Of which book value of non-depreciable property	**40 395**				

*) Investments in 2017 related to expansion of the hatcheries in Rogaland and Finnmark, new equipment such as optilicer systems, nets and cages, plus general maintenance.

2016	Buildings/ property	Prod.plants and barges	Nets, cages and moorings	Other equipment	Total
Book value at 01.01.	418 318	634 414	350 242	131 795	1 534 770
Currency translation differences	–30 860	–53 537	–18 680	3 983	–99 094
Reclassification of non-current assets	–15 574	–18 805	5 119	29 260	0
Additions *)	38 332	76 275	96 244	36 932	247 783
Disposals	–1 353	–1 738	–14	–1 096	–4 200
Reversal of impairments **)	0	6 304	0	168	6 472
Depreciation	–22 524	–60 969	–65 716	–26 143	–175 352
Book value at 31.12.	**386 340**	**581 945**	**367 195**	**174 899**	**1 510 379**
As at 31.12.					
Acquisition cost	588 355	1 331 920	907 856	319 457	3 147 587
Accumulated depreciation	–202 015	–710 084	–540 661	–144 726	–1 597 486
Accumulated impairments	0	–39 891	0	168	–39 723
Book value at 31.12.	**386 340**	**581 945**	**367 195**	**174 899**	**1 510 379**
Book value of finance leases included above	**1 436**	**156 601**	**135 760**	**102 540**	**396 337**
Depreciation of finance leases included above	**–50**	**–12 219**	**–22 085**	**–12 001**	**–46 356**
Of which book value of non-depreciable property	**24 873**				

*) Investments mainly relate to maintenance, and measures to initiate production of green licences in Finnmark.

**) Previously impaired equipment in Shetland was sold in 2016. The related impairments have been reversed through profit/loss.

NOTE 10
BORROWINGS AND FINANCE LEASES

The Group has a syndicated loan provided 50/50 by DNB and Nordea. The financing agreement comprises a total framework of MNOK 1 685 and includes a long-term credit facility of MNOK 700. At the year-end, the credit line was utilised in the amount of MNOK 300.

The financing agreement includes covenants stipulating consolidated equity of 35% (excluding Ocean Quality), a revolving NIBD/EBITDA ratio of 5.0 if the book equity ratio is higher than 40% and 4.5 if the book equity ratio is between 35% and 40%. As at 31 December 2017, the NIBD/ EBITDA for the Group, excluding Ocean Quality, was 1.2 and the equity ratio was 52%. Consequently, the Group fully complied with all covenants at the year-end.

Since the end of year, the Company has renegotiated the Group´s credit frameworks to cater for growth targets and subsequent investment needs. See Note 27 – Post-balance sheet events for more detailed information.

A factoring agreement has been concluded with Ocean Quality AS in Norway and UK. Credit-insured receivables are transferred to the factoring companies. This ensures early settlement of receivables. The Group retains the risk relating to trade receivables. Funding received from the factoring company before the counterparty has paid is recognised as factoring debt, which is interest-bearing. The factoring agreement includes covenants stipulating minimum book equity in Ocean Quality AS of 12% of the appropriated financing limit. In 2018, Ocean Quality AS was granted a waiver regarding the covenants as at 31 December 2017, which implies that Ocean Quality AS' equity after the proposed dividend of MNOK 45 is acceptable to the factoring company.

NON-CURRENT LIABILITIES AND FINANCE LEASE OBLIGATIONS (INTEREST-BEARING DEBT)	2017	2016
Liabilities to credit institutions before amortisation effect	895 000	985 000
Long-term credit facility	300 000	0
Finance lease liabilities	201 899	250 452
Total	**1 396 899**	**1 235 452**
NON-CURRENT LIABILITIES, NON-INTEREST BEARING		
Subordinated loans	15 353	15 963
Total	**15 353**	**15 963**
Amortisation effect of loans	–3 312	–5 126
Total non-current loans and finance lease liabilities	**1 408 939**	**1 246 289**

CURRENT INTEREST-BEARING LIABILITIES	2017	2016
Current portion of long-term borrowings	90 000	90 000
Current portion of finance lease liabilities	58 353	67 116
Factoring debt	500 976	502 535
Export loans	8 873	8 490
Total current interest-bearing liabilities	**658 202**	**668 141**

NET INTEREST-BEARING DEBT	2017	2016
Total non-current interest-bearing liabilities (see above)	1 396 899	1 235 452
Total current interest-bearing liabilities (see above)	658 202	668 141
Gross interest-bearing debt	**2 055 100**	**1 903 593**
Cash and cash equivalents	271 715	503 612
Loans to associates	19 600	0
Net interest-bearing debt	**1 763 786**	**1 399 981**
Quote of factoring debt	500 976	502 535
Quote of Bremnes´ share of bank OQ AS (40%)	–20 797	–8 873
Net interest-bearing debt, according to covenants	**1 283 606**	**906 319**

PAYMENT PROFILE NON-CURRENT LIABILITIES	2018	2019	2020	2021	2022	Deretter	Sum
Long-term syndicated loan	90 000	895 000					985 000
Long-term credit facility	0	300 000					300 000
Subordinated loan	0	0	0	0	0	15 353	15 353
Finance leases	58 352	48 685	34 867	28 208	22 215	67 925	260 251
Total	**148 352**	**1 243 685**	**34 867**	**28 208**	**22 215**	**83 278**	**1 560 604**

LIABILITIES SECURED BY MORTGAGE/CHARGES ON ASSETS:	2017	2016
Liabilities to credit institutions incl. finance leases	**2 055 100**	**1 903 593**

Assets pledged as security	**2017**	**2016**
Licences	1 068 552	1 060 622
Property, plant and equipment	1 871 804	1 510 379
Trade receivables	761 407	800 591
Inventories and biological assets	2 790 614	2 548 789
Total assets pledged as security	**6 492 377**	**5 920 381**

Pledges include shares in subsidiaries. The book value of these shares in the consolidated financial statements is NOK 0.

Description of debt Grieg Seafood ASA	Currency	Fixed or floating interest rate	Effective interest rate	Final maturity (mth/year)	Current portion	Non-current portion	Current portion	Non-current portion
					2017		2016	
Long-term syndicated loan	NOK	Floating	Price grid	06/2019	90 000	891 688	90 000	979 874
Syndicated loan - credit facility*)	NOK	Floating	Price grid	06/2019	0	300 000	0	0
Ocean Quality								
Export loans	GBP		5,50%		8 873	0	8 490	0
Factoring debt	Flervaluta	Floating			500 976	0	502 535	0
Liabilities finance leases					58 353	201 899	67 116	250 452
Subordinated loan					0	15 353	0	15 963
Total					**658 202**	**1 408 939**	**668 141**	**1 246 289**

BOOK VALUE OF GROUP LOANS BY CURRENCY (NOK x 1 000)	31.12.2017	NOK	GBP	Others
Long-term syndicated loan	981 688	981 688		
Syndicated loan - credit facility	300 000	300 000		
Export loans	8 873		8 873	
Factoring *)	500 976	73 151	115 536	312 289
Finance leases	260 251	241 641	18 610	
Subordinated loan	15 353		15 353	
Total borrowings and finance leases	**2 067 141**	**1 596 480**	**158 372**	**312 289**

*) Other currency effects mainly comprise EUR, JYP and USD

	2017	2016
Average interest rate on loans and credit facility	**2,21%**	**3,53%**

The effect of interest-rate swaps is not taken into account in calculating the average interest-rate on loans and credit facilities.

BOOK VALUE AND FAIR VALUE OF BORROWINGS	Book value		Fair value	
	2017	2016	2017	2016
Loan (non-current and credit facility)	1 191 688	979 874	1 191 688	979 874
Total	**1 191 688**	**979 874**	**1 191 688**	**979 874**

The book value of other loans closely approximates to the fair value.

Amounts in NOK x 1 000	Liabilities arising from financing activities				
Change in liabilities arising from financing activities	Finance leases <1 y	Finance leases maturity >1 y	Loans with maturity <1 y	Loans with maturity >1 y	Total
At 31.12.2016	67 116	250 452	601 025	1 000 963	1 919 556
Cash flow	–10 116	–57 294	–1 559	0	–68 969
Repayment long-term syndicated loan	0	0	0	–90 000	–90 000
Utilisation long-term credit facility	0	0	0	300 000	300 000
Utilisation finance leases	930	8670	0	0	9 600
Foreign currency adjustments	423	70	383	–610	266
At 31.12.2017	**58 353**	**201 899**	**599 849**	**1 210 353**	**2 070 453**

NOTE 11
LEASES

OPERATING LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group leases offices, docks, berths, etc. with terms of 5–10 years. In 2017, the Group entered into several leases for various well-boat services, as well as contracts for delousing and cleaning of nets. The term of the contracts is 2–5 years, with a prolongation option. The Group also leases plant and machinery under cancellable finance leases. The Group must give written notification if it wishes to terminate these agreements.

The future aggregate minimum lease payments under operating leases are as follows:

OVERVIEW OF FUTURE MINIMUM OPERATING LEASES	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Within 6 years	Within 7 years	Within 8 years	Within 9 years	Within 10 years	Later than 10 years	Total
Minimum lease amount	171 008	131 680	112 639	52 592	42 591	33 546	30 744	1 883	1 883	1 883	24 842	605 291
Present value of future minimum lease amount (5% discount rate)	**162 864**	**119 438**	**97 301**	**43 267**	**33 371**	**25 033**	**21 849**	**1 274**	**1 214**	**1 156**	**15 251**	**522 019**

	2017	2016
Lease amount charged in the year (see Note 26)	**169 061**	**52 660**

FINANCE LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group has signed finance leases for barges, well-boats, cage installations and other equipment. The lease term for equipment of this kind is normally 7–8 years.

The future aggregate minimum lease payments relating to finance leases are as follows:

OVERVIEW OF FUTURE MINIMUM OPERATING LEASES	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Within 6 years	Within 7 years	Within 8 years	Within 9 years	Within 10 years	Later than 10 years	Total
Future minimum lease amount	65 366	54 002	38 891	31 200	24 435	20 836	15 022	11 169	8 918	6 428	10 041	286 308
Future financial expenses relating to finance leases	7 014	5 317	4 024	2 993	2 220	1 560	1 118	792	529	321	169	26 057
Present value of finance leases	**58 352**	**48 685**	**34 867**	**28 208**	**22 215**	**19 276**	**13 904**	**10 378**	**8 389**	**6 107**	**9 871**	**260 251**

LEASED ASSETS RECOGNISED AS FINANCE LEASES	2017	2016
Book value of leased assets (equipment, vessels)	306 077	396 337
Book value of lease commitment	260 251	317 568

NOTE 12
FINANCIAL INSTRUMENTS BY CATEGORY

Available-for-sale financial assets	Level	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available-for-sale financial assets	Total
Available-for-sale financial assets	2/ 3				1 150	1 150
Trade receivables		761 407				761 407
Other receivables		198 527				198 527
Derivatives	2			48 232		48 232
Cash and cash equivalents		271 715				271 715
Total		**1 231 648**	**0**	**48 232**	**1 150**	**1 281 030**

As at 31 December 2017	Level	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities	Total
Borrowings				1 297 041	1 297 041
Finance lease liabilities				260 251	260 251
Factoring debt				500 976	500 976
Export loan				8 873	8 873
Cash-settled options				15 594	15 594
Derivatives	2	28 462			28 462
Trade payables		585 378			585 378
Total		**613 840**	**0**	**2 082 735**	**2 696 575**

As at 31 December 2016	Level	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Available-for-sale financial assets	Total
Available-for-sale financial assets	2/ 3				1 445	1 445
Trade receivables		800 591				800 591
Other receivables		167 413				167 413
Derivatives	2			48 994		48 994
Cash and cash equivalents		503 613				503 613
Total		**1 471 618**	**0**	**48 994**	**1 445**	**1 522 057**

As at 31 December 2016	Level	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Other financial liabilities	Total
Borrowings				1 085 837	1 085 837
Finance lease liabilities				317 568	317 568
Factoring debt				502 535	502 535
Export loan				8 490	8 490
Cash-settled options				11 360	11 360
Derivatives	2	23 990			23 990
Trade payables		493 534			493 534
Total		**517 524**	**0**	**1 925 790**	**2 443 314**

The purpose of the derivatives is to reduce the Group´s exposure to changes in floating interest rates and exchange rates. See notes 2-3 for further details.

FAIR VALUE ASSESSMENT

The table above shows the fair value of financial instruments according to the valuation method used. The different levels are defined as follows:

Level 1 - Fair value based on the quoted price in an active market for an identical asset or liability.
Level 2 - Fair value based on other observable factors than the quoted price (used in level 1) and entered directly (price) or indirectly (derived from prices) for the asset or the liability.
Level 3 - Fair value based on factors not taken from observable markets (non-observable assumptions).

CREDITWORTHINESS OF FINANCIAL ASSETS

Credit risk attaching to financial instruments that have not matured or have not been written down is shown in accordance with the internal classification of historical information on breaches of credit covenants. Further information about credit risk is provided in Note 3.

TRADE RECEIVABLES

Counterparties with no external credit rating	2017	2016
Group 1	39 689	225 579
Group 2	641 737	538 002
Group 3	79 981	37 010
Total trade receivables not written down	**761 407**	**800 591**
Bank deposits		
AAA	0	0
AA	271 715	503 613
A	0	0
Total bank deposits	**271 715**	**503 613**

Group 1 - new customers/related parties (less than 6 months).
Group 2 - existing customers/related parties (more than 6 months) with no history of credit covenant breaches.
Group 3 - existing customers/related parties (more than 6 months) with a history of one or more credit covenant breaches. All amounts due have been paid in full following the breaches.

NOTE 13
TAX

(Amounts in NOK x 1 000)

SPECIFICATION OF TAX EXPENSE	2017	2016
Tax payable Norway	152 146	171 085
Tax payable abroad	2 918	972
Tax payable not provided for last year	8 817	3 816
Change in deferred tax Norway	-18 308	91 398
Change in deferred tax abroad	52 008	71 235
Taxes	**197 581**	**338 506**
TAX RECONCILIATION		
Profit before tax	798 480	1 560 835
Tax calculated at nominal tax rates	200 019	366 200
Withholding tax	1 226	2 954
Changes in deferred tax liabilities due to change in tax rate	-18 842	-18 401
Use of carryforwards, not previously recognised	560	-502
Tax loss carried forward, not recognised	6 597	-9 976
Other permanent differences	8 021	-1 769
Taxes	**197 581**	**338 506**
CHANGE IN BOOK VALUE OF DEFERRED TAX		
Book value at 01.01.	674 684	528 723
Currency conversion	7 877	-165
Tax effect of deferred tax liabilities	32 311	7 741
Tax effect of currency effect of net investments recognised in comprehensive income (see Note 3)	-4 317	-20 142
Other effects	6 135	-4 107
Change in deferred tax recognised in income in period	4 999	162 633
Deferred tax liability at balance sheet date	**721 689**	**674 684**
Weighted average tax rate	**24,74%**	**21,69%**

The nominal tax rate in Norway is 24%. The nominal tax rate for 2017 in Canada was 26% and on Shetland 19%.

The considerable tax effect is attributable to a change in the tax rate and other permanent differences.

The following tables provide a breakdown of deferred tax. The tax effects of taxable and deductible temporary differences are shown separately. The Norwegian, Canadian and UK parts of the Group each have a net deferred tax position. Deferred tax liabilities and deferred tax assets within Norway, Canada and UK can be set off.

Deferred tax liabilities	Licences	Non-current assets	Biological assets	Receivables	Inventory	Deferred capital gain	Current liabilities	Total
2016								
Opening balance at 01.01	179 658	41 244	308 177	50 428	2 548	675	0	582 730
Recognised in income in period	-5 779	5	138 911	-30 408	1 382	-150	-	103 961
Currency translation differences	-4 034	-1 353	-1 531	0	14	-	-	-6 904
Other effects	-	1 623	2 635	-	96	-	-	4 354
As at 31.12.	**169 845**	**41 519**	**448 192**	**20 020**	**4 041**	**525**	**0**	**684 143**
2017								
Recognised in income in period	-3 781	11 670	38 170	10 727	-160	-178	-	56 448
Currency translation differences	1 181	530	3 265		40	-	-	5 016
Other effects	-	-	-2 200	1 043	-	-	-	-1 157
As at 31.12.	-	-	-	-	-	-	-	-
31.12.2017	**167 245**	**53 719**	**487 427**	**31 790**	**3 921**	**347**	**0**	**744 450**

Deferred tax assets	Loss carried forward	Non-current assets	Pensions	Receivables	Lease obligations	Tax credits	Other liabilities	Total
2016								
Opening balance at 01.01	-47 694	-	-	-446	-	-	-5 866	-54 006
Recognised in income in period	53 947	-	-	-1 116	-	-	5 842	58 672
Currency translation differences	6 755	-	0	-	-0	0	-16	6 739
Other effects	-29 286	-	-	-	-	-	-94	-29 380
Effect of business combination	8 516	-	-	-	-	-	-	8 516
As at 31.12.	**-7 761**	**-**	**0**	**-1 562**	**-0**	**0**	**-135**	**-9 458**
2017								
Recognised in income in period	-18 975	-	-	-563	-	-1 338	-1 873	-22 749
Currency translation differences	-644	-	-	-	-0	-36	-33	-713
Other effects	2 974	-	-	-	-	-	-	2 974
Effect of business combination	3 610	-	-	-	-	-	-	3 610
As at 31.12.	**-20 796**	**-**	**-**	**-2 125**	**-0**	**-1 374**	**-2 041**	**-26 336**

	2017	2016
Net deferred tax	**718 114**	**674 684**
Deferred tax classified as non-current assets	3 574	-
Deferred tax classified as non-current debt	721 689	674 684
Tax payable classified as current debt	157 244	172 057

NET CHANGE IN DEFERRED TAX RECOGNISED IN INCOME:

	2017	2016
Changes in deferred tax, Norway	-18 308	91 398
Changes in deferred tax, other countries	52 008	71 235
Net deferred tax recognised in income	**33 700**	**162 633**
Recognised in period for positions giving rise to deferred tax liabilities	56 448	103 962
Recognised in period for positions giving rise to deferred tax assets	-22 749	58 672
Net deferred tax recognised in income	**33 700**	**162 633**

LOSS CARRIED FORWARD

Deferred tax assets related to an allowable deficit are recognised in the balance sheet in so far as it is likely that these can be set against future taxable profits.

Deferred tax assets relating to a tax loss carried forward are divided among the following jurisdictions:	2017	2016
Norway	-5 266	-
UK	-15 530	-7 761
Sum	**-20 796**	**-7 761**

There is no time limit on the utilisation of tax losses carried forward in Norway or the UK.

NOTE 14
DECLARATION ON THE DETERMINATION OF SALARY AND OTHER REMUNERATION PAID TO SENIOR EMPLOYEES

THE BOARD'S DECLARATION

The Board of Grieg Seafood ASA has appointed a dedicated Remuneration committee, whose remit is to advise the Board on all matters pertaining the Company's compensation to the CEO and other incentive schemes for managers.

The Board determines the salary and other remuneration paid to the CEO and approves remuneration schemes involving the granting of options to managers. The Board adopts guidelines and principles used to determine salaries and other remuneration paid to key personnel.

MAIN PRINCIPLES OF THE GROUP´S REMUNERATION POLICY

Grieg Seafood ASA's performance is contingent on the Group´s ability to recruit and retain the highest qualified and most motivated employees. Grieg Seafood ASA´s remuneration policy is based on the principle that the Group shall offer its employees competitive compensation terms in accordance with local industry standards. Where appropriate, this may include incentive elements, where the basic salary shall reflect individual performance.

The Group runs performance-related bonus schemes for its employees. The Remuneration committee determines the bonus basis each year.

PRINCIPLES FOR REMUNERATION

FIXED BASIC SALARY

Remuneration for the management team must be competitive. The basic salary, which is determined by reference to job descriptions, competence levels, qualifications and seniority, comprises the main portion of management remuneration and consists of a fixed basic element and other fixed remuneration elements such as a fixed car allowance and similar benefits.

ADDITIONAL BENEFITS

Bonus scheme

The Group has an annual bonus scheme based on a combination of earnings and personal performance targets. The bonus scheme incentivises employees to make continuous improvements in operations and the Group's profitability. The CEO has an annual maximum bonus of six times the monthly salary, while other Group managers can earn a bonus up to a maximum of five times salary.

The CEO received a special start-up cash bonus for 2015 and 2016 which assumed that the CEO was in position at the payment dates. The start-up bonus for 2015 was paid in 2016, and the bonus for 2016 was paid in 2017.

Pension schemes

All the Norwegian Group subsidiaries comply with the Act relating to mandatory occupational pensions. The Group only operates defined contribution pension schemes. Foreign subsidiaries comply with their respective jurisdictions pertaining to employee pension schemes. The Group managers are members of the Group´s collective defined contribution pension scheme. As well as participating in the Company's ordinary defined contribution pension scheme, the CEO has a separate salary compensation agreement for pension benefits exceeding 12G.

Options

A synthetic option scheme (hereafter referred to as a "cash option") for the Company's management group was established in 2009. The cash options scheme requires participants to directly own shares throughout the entire programme period. Employees who are entitled to the options are required to use 50% of the net gain under the scheme to purchase shares until the ownership corresponds to 100% of their fixed annual salary. The gain under the cash option scheme cannot exceed 12 times the monthly salary per participant per year. The exercise price is increased by 0.5% each month. An option must be exercised no later than 24 months after the initial exercise date. At the year-end, the cash option scheme corresponded to a total of 2 951 547 shares, after the awarding of 1 800 000 options in 2017. The final exercise date for options awarded in 2017 is 31 May 2021.

Severance pay

The Group limits the payment of severance pay, though has paid such remuneration in specific cases. The CEO is entitled to a separate severance pay agreement in case of termination of employment comprising 12 months' rolling severance pay calculated from the termination date. The termination date is deemed to be end of the notice period. The CEO has a period of notice of six months. The CFO and COO are entitled to 12 months´ severance pay from the termination date or date of change of position/employment. For other employees, individual contracts of employment apply, essentially based on conditions in the Norwegian Working Environment Act.

Benefits in kind

Managers are normally granted benefits in kind typical for similar positions, such as a free newspaper, telephone and internet connection.

GUIDELINES FOR DETERMINATION OF REMUNERATION PAID TO THE GROUP MANAGEMENT

INTRODUCTION

For details about remuneration paid to individual employees, please refer to the notes to the financial statements.
For information about remuneration paid to Group management, see Note 15.
For more information about options, see Note 16.

DETERMINATION OF SALARY PAID TO THE CEO

Remuneration paid to the CEO is determined each year by the Remuneration committee on the mandate of the Board.

DETERMINATION OF SALARY PAID TO GROUP MANAGEMENT AND REGIONAL MANAGERS

Remuneration paid to other Group managers and regional managers are determined by the CEO in consultation with the Remuneration committee. The Board should be informed about the decision afterwards.

DETERMINATION OF INCENTIVE SCHEMES

The Remuneration committee evaluates the options scheme and the exercise allocation within the framework of the AGM.
Other incentive schemes, including bonus schemes, are determined by the Board. The Remuneration committee determines the minimum performance level for the bonus each year and informs the Board accordingly. The CEO awards incentive schemes and other benefits to Group management and regional managers within the framework of programs adopted by the Board.

DETERMINATION OF REMUNERATION PAID TO MANAGERS IN OTHER GROUP COMPANIES

Subsidiaries of the Group must comply with the main principle of the Group´s management remuneration policy, as described under the main principles.

BOARD REMUNERATION

Compensation paid to Board members is not performance-related. The Board members have not been granted options. Compensation paid to the Board is determined by the Annual General Meeting.

Bergen, 17 April 2018
The Board of Grieg Seafood ASA

NOTE 15
PAYROLL, FEES, NUMBER OF EMPLOYEES ETC.

	Note	2017	2016
Salaries		371 518	374 760
Social security costs		30 698	27 735
Share options granted to directors and key employees (incl. social security costs)	16	13 247	21 712
Pension costs		11 858	10 781
Other personnel costs		55 507	48 484
Total		**482 827**	**483 473**
Average number of employees		707	654

The Board´s guidelines and principles for determination of remuneration and other benefits paid to key personnel are described in Note 14.

As at 31 December 2017, no loans were extended to Group employees.

Accumulated costs for salaries, pension costs and other remuneration paid to the CEO, other senior officers and Board members in 2017 were as follows:

Remuneration paid to senior officers in 2017 (NOK x 1 000)	Salary	Bonus	Retained, not yet paid	Options exercised during year	Other remuneration	Total
Andreas Kvame (CEO)	2 498	1 133	630	2 475	137	6 873
Atle Harald Sandtorv (CFO)	1 596	505	335	1 578	132	4 145
Knut Utheim (COO)	1 596	276	195	1 578	133	3 778
Kathleen O. Mathisen (CHRO)	1 272	281	347	0	125	2 025
Total remuneration paid to senior officials	**6 962**	**2 195**	**1 508**	**5 630**	**527**	**16 821**

Recognition of synthetic options not declared throughout the year are not included in the above list.

Remuneration paid to Board members, 2017	
Per Grieg jr. 1)	434
Wenche Kjølås 2)	280
Karin Bing Orgland 2)	280
Asbjørn Reinkind 1)	302
Ola Braanaas 1)	245
Total remuneration including social security costs	**1 540**

Recognised synthetic options not declared throughout the year are not included in the above list.

1) Remuneration for work performed on the Remuneration Committee of NOK 17 115 is included in payments to Per Grieg jr., Asbjørn Reinkind and Ola Braanaas.

2) Remuneration for work performed on the Audit Committee of NOK 51 345 is included in payments to Wenche Kjølås and Karin Bing Orgland. The amounts include social security costs.

Accumulated costs relating to salaries, pension costs and other remuneration paid to the CEO, other senior officers and Board members in 2016 were as follows:

Remuneration paid to senior officers in 2016 (NOK x 1 000)	Salary	Bonus	Retained, not yet paid *)	Options exercised during year	Other remuneration	Total
Andreas Kvame (CEO)	2 348	0	732	2 400	24	5 504
Atle Harald Sandtorv (CFO)	1 683	0	505	2 387	45	4 621
Knut Utheim (COO)	1 659	0	276	2 288	39	4 261
Kathleen O. Mathisen (CHRO fra 1. mai 2016)	810	0	286	0	15	1 111
Total remuneration paid to senior officers	**6 501**	**0**	**1 799**	**7 075**	**123**	**15 498**

Recognised synthetic options not declared throughout the year are not included in the above list.

Remuneration paid to Board members in 2016	
Per Grieg jr. 1)	419
Wenche Kjølås 2)	262
Karin Bing Orgland	262
Asbjørn Reinkind 1)	288
Ola Braanaas 1)	234
Total remuneration including social security costs	**1 466**

Recognised synthetic options not declared throughout the year are not included in the above list.

1) Remuneration for work performed on the Remuneration Committee of NOK 14 267 is included in payments to Per Grieg jr., Asbjørn Reinkind and Ola Braanaas.

2) Remuneration for work performed on the Audit Committee of NOK 42 788 is included in payments to Wenche Kjølås and Karin Bing Orgland.

These amounts include social security costs.

NOTE 16
CASH-BASED REMUNERATION (OPTIONS)

The Company has issued options to the management group and regional directors. The options' strike price is the stock market price on the date of issue, rising by 0.5% per month until the exercise date. As at 31 December 2017, no equity options were available for vestment. Since 2009, an option scheme with settlement in cash has been established for the management and regional directors. The most recent allocation was in 2017, totalling 1,800,000 options. The final exercise date is 31 May 2021. The options have a term of two years, where 50% is vested each year.

Employees taken on after the initial allocation of options are allocated options on taking up employment.

The Black & Scholes option pricing model is used to calculate the market value. A brokerage firm is used to carry out the calculations.
The table below shows the movement in outstanding options during 2016 and 2017.

Overview 2017	Option category	Outstanding options at 31.12.2016	Granted options	Exercised options	Cancelled options	Expired options	Outstanding options at 31.12.2017	Of which cash-settled
Andreas Kvame (CEO)	Cash settlement	314 009	400 000	55 737	-	-	658 272	658 272
Atle Harald Sandtorv (CFO)	Cash settlement	146 801	200 000	35 527	-	-	311 274	311 274
Knut Utheim (COO)	Cash settlement	187 893	200 000	35 527	-	-	352 366	352 366
Kathleen O. Mathisen (CHRO)	Cash settlement	100 000	200 000	-	-	-	300 000	300 000
Others	Cash settlement	592 379	800 000	62 745	-	-	1 329 634	1 329 634
Total		**1 341 082**	**1 800 000**	**189 535**	**-**	**-**	**2 951 547**	**2 951 547**

Overview 2016	Option category	Outstanding options at 31.12.2015	Granted options	Exercised options	Cancelled options	Expired options	Outstanding options at 31.12.2016	Of which cash-settled
Andreas Kvame (CEO)	Cash settlement	400 000	-	85 991	-	-	314 009	314 009
Atle Harald Sandtorv (CFO)	Cash settlement	300 000	-	153 199	-	-	146 801	146 801
Knut Utheim (COO)	Cash settlement	300 000	-	112 107	-	-	187 893	187 893
Kathleen O. Mathisen (CHRO)	Cash settlement	-	100 000	-	-	-	100 000	100 000
Others	Cash settlement	1 150 000	200 000	402 492	355 129	-	592 379	592 379
Total		**2 150 000**	**300 000**	**753 789**	**355 129**	**-**	**1 341 082**	**1 341 082**

Allocation: Year - month	Expiry date: Year-month	Strike price NOK per share at 31.12.2017	Strike price NOK per share at 31.12.2016	Options 2017	Options 2016
2015 - 06	2018 - 06	29.76	27.90	251 547	441 082
2015 - 06	2019 - 06	29.76	27.90	600 000	600 000
2016 - 12	2019 - 06	84.12	79.22	300 000	300 000
2017 - 11	2020 - 05	83.62	-	900 000	-
2017 - 11	2021 - 05	83.62	-	900 000	-
Total				**2 951 547**	**1 341 082**

	2017	2016
Cash-based options available for settlement	1 151 547	441 082
Weighted average outstanding contract period	43.94	28.05

2017	Option category	Listed price on allocation	Calculated value per option on allocation	Calculated total value on allocation*)	Total value of all options at 01.01.2017	Change in provision CB - OB *)	Exercised options 2017	Acc. cost charged against equity at 31.12.2017	Book liability cash settlement at 31.12.2017
Former employees with expired options	Equity option							6 887	
Andreas Kvame (CEO)	Cash	25,50	3,36	1 342	2 935	1 320	2 475	-	4 255
Atle Harald Sandtorv (CFO)	Cash	25,50	3,97	793	1 699	157	1 578	-	1 857
Knut Utheim (COO)	Cash	25,50	3,97	793	2 298	570	1 578	-	2 868
Kathleen O. Mathisen (CHRO)	Cash	79,00	3,63	363	41	197	-	-	237
Andreas Kvame (CEO)	Cash	83,00	2,26	906	-	147	-	-	147
Atle Harald Sandtorv (CFO)	Cash	83,00	2,79	557	-	90	-	-	90
Knut Utheim (COO)	Cash	83,00	2,79	557	-	90	-	-	90
Kathleen O. Mathisen (CHRO)	Cash	83,00	2,38	475	-	77	-	-	77
Other options allocated in 2015	Cash	25,50	3,60	2 876	4 312	916	2 786	-	5 227
Other options allocated in 2016	Cash	79,00	3,34	669	75	366	-	-	441
Other options allocated in 2017	Cash	83,00	2,35	1 880	-	305	-	-	305
Total				**11 212**	**11 360**	**4 234**	**8 416**	**6 887**	**15 594**

*) Amounts exclude social security costs

2016	Option category	Listed price on allocation	Calculated value per option on allocation	Calculated total value on allocation*)	Total value of all options at 01.01.2016	Change in provision CB - OB *)	Exercised options 2016	Acc. cost charged against equity at 31.12.2016	Book liability cash settlement at 31.12.2016
Former employees with expired options	Equity option							6 887	
Andreas Kvame (CEO)	Cash	25,50	3,36	1 342	579	2 356	2 400		2 935
Atle Harald Sandtorv (CFO)	Cash	22,22	3,94	394	639	–639	903		0
Atle Harald Sandtorv (CFO)	Cash	25,50	3,97	793	353	1 346	1 485		1 699
Knut Utheim (COO)	Cash	22,56	4,78	478	662	–662	1 950		0
Knut Utheim (COO)	Cash	25,50	3,97	793	353	1 945	338		2 298
Kathleen O. Mathisen (CHRO)	Cash	79,00	3,63	363	0	41	0		41
Other options allocated in 2013	Cash	22,22	3,94	1 181	1 250	–1 250	3 823		0
Other options allocated in 2014	Cash	22,56	4,24	424	315	–315	546		0
Other options allocated in 2014	Cash	28,90	4,20	420	206	–206	2 143		0
Other options allocated in 2015	Cash	25,50	3,60	2 876	1 282	3 030	1 465		4 312
Other options allocated in 2016	Cash	79,00	3,34	669	0	75	0		75
Total				**9 734**	**5 639**	**5 721**	**15 052**	**6 887**	**11 360**

*) Amounts exclude social security costs

Accrued costs break down as follows:	2017	2016	Classification in accounts
Change in provisions	4 234	5 721	Other provisions for liabilities
Exercised options during year	8 416	15 052	Payroll & social security costs/ bank
Total cost excl. social security costs	**12 650**	**20 772**	
Social security costs	597	939	Public taxes payable
Total cost incl. social security costs	**13 247**	**21 712**	Payroll and social security costs

Costs relating to cash-based remuneration in 2017 totalled TNOK 13 247. This is recognised in the income statement as a personnel cost. Social security contributions are provided for on an ongoing basis based on the fair value of the options.

As at 31 December 2017, outstanding options with the right to cash settlement were stated at TNOK 15 594, of which TNOK 8 848 were classified as non-current liabilities. Issued options are cancelled on termination of employment.

Estimates used to calculate allocation of options	
Anticipated volatility (%)	36.62%
Risk-free rate of interest (%)	0.67%
Estimated qualification period (years)	2.25

The estimated qualification period for the options is based on historical data, and does not necessarily represent future developments.

In order to estimate volatility, management has applied historical volatility for comparable listed companies.

NOTE 17
SHARE CAPITAL AND SHAREHOLDER INFORMATION

Share capital:

As at 31 December 2017, the Company had 111 662 000 shares with a nominal value of NOK 4 per share.
All shares issued by the company are fully paid-up. There is one class of shares and all shares confer the same rights.
In June 2011 the company purchased 1 250 000 treasury shares for NOK 14.40 per share.

	Change in share capital (NOK x 1 000)	Nominal value (NOK)	Total share capital (NOK x 1 000)	No. of ordinary shares
		4.00	446 648	111 662 000
Holdings of treasury shares		4.00	–5 000	-1 250 000
31.12.2017			**441 648**	**110 412 000**

THE LARGEST SHAREHOLDERS IN GRIEG SEAFOOD ASA	No. of shares	Shareholding	No. of shares	Shareholding
	31.12.2017	**31.12.2017**	**31.12.2016**	**31.12.2016**
GRIEG HOLDINGS AS	55 801 409	49.97%	55 801 409	49.97%
OM HOLDING AS	5 164 379	4.63%	3 105 000	2.78%
FOLKETRYGDFONDET	2 949 137	2.64%	3 390 000	3.04%
NYE YSTHOLMEN AS	2 928 197	2.62%	2 928 197	2.62%
STATE STREET BANK AND TRUST CO.	2 602 761	2.33%	1 814 836	1.63%
VERDIPAPIRFONDET PARETO INVESTMENT	1 915 000	1.71%	1 711 000	1.53%
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 700 796	1.52%	986 273	0.88%
JPMORGAN CHASE BANK. N.A.. LONDON	1 477 767	1.32%	448 816	0.40%
CLEARSTREAM BANKING S.A.	1 286 414	1.15%	1 017 577	0.91%
GRIEG SEAFOOD ASA	1 250 000	1.12%	1 250 000	1.12%
ARTIC FUNDS PLC	926 000	0.83%	1 397 000	1.25%
MORGAN STANLEY AND CO INTL PLC	598 815	0.54%	2 067 749	1.85%
THE BANK OF NEW YORK MELLON SA/NV	518 635	0.46%	1 241 277	1.11%
Total - largest shareholders	**79 119 310**	**70.86%**	**77 159 134**	**69.10%**
Other shareholders with a shareholding of less than 1%	32 542 690	29.14%	34 502 866	30.90%
Total shares	**111 662 000**	**100.00%**	**111 662 000**	**100.00%**

SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT:	No. of shares 31.12.2017	Shareholding 31.12.2017	No. of shares 31.12.2016	Shareholding 31.12.2016
Board of Directors:				
Per Grieg jr. *)	58 961 996	52.80%	58 961 996	52.80%
Wenche Kjølås (Jawendel AS)	7 000	0.01%	7 000	0.01%
Asbjørn Reinkind (Reinkind AS)	120 000	0.11%	120 000	0.11%
Karin Bing Orgland	-	0.00%	-	0.00%
Ola Braanaas	-	0.00%	-	0.00%
Group management:				
Andreas Kvame (CEO)	35 000	0.03%	29 000	0.03%
Atle Harald Sandtorv (CFO)	21 793	0.02%	30 661	0.03%
Knut Utheim (COO)	18 200	0.02%	12 400	0.01%
Kathleen O. Mathisen (CHRO)	-	0.00%	-	0.00%
*** The shares owned by the following companies are controlled by Per Grieg jr. and family.**				
Grieg Holdings AS	55 801 409	49.97%	55 801 409	49.97%
Grieg Shipping II AS	-	0.00%	-	0.00%
Nye Ystholmen AS	2 928 197	2.62%	2 928 197	2.62%
Grieg Ltd AS	217 390	0.19%	217 390	0.19%
Kvasshøgdi AS	-	0.00%	-	0.00%
Per Grieg jr. privately	15 000	0.01%	15 000	0.01%
Total shares	**58 961 996**	**52.80%**	**58 961 996**	**52.80%**

NOTE 18
EARNINGS PER SHARE AND DIVIDEND PER SHARE

BASIS FOR CALCULATION, EARNINGS PER SHARE	2017	2016
Profit for the year (majority share) (NOK x 1 000)	570 537	1 186 032
Number of shares at 1 January	111 662 000	111 662 000
Effect of treasury shares (see Note 17) (NOK x 1 000)	–1 250 000	–1 250 000
Average number of outstanding shares during the year	**110 412 000**	**110 412 000**
Adjustment for effect of share options	0	0
Diluted average number of outstanding shares during the year	**110 412 000**	**110 412 000**
Earnings per share (NOK)	5.17	10.74
Diluted earnings per share (NOK)	5.17	10.74
Proposed dividend per share (NOK)	**2.00**	**3.00**

NOTE 19
CASH AND CASH EQUIVALENTS

Amounts in NOK x 1 000	2017	2016
Restricted deposits relating to employee tax deductions	13 493	10 017
Restricted bank deposits relating to fixed-interest deposits with short maturities	0	160 000
Other cash and bank deposits	258 221	333 597
Total	**271 715**	**503 613**

The Group's currency and interest rate exposure is described in Note 3.

NOTE 20
TRADE RECEIVABLES

Amounts in NOK x 1 000	2017	2016
Trade receivables at nominal value	772 774	808 969
Provision for bad debts	–11 368	–8 378
Trade receivables at 31.12.	**761 407**	**800 591**

For information on the ageing of trade receivables and the Group's exposure to credit risk on outstanding receivables, see Note 3.

Recognised bad debts	2017	2016
Change in provision for bad debts	2 990	3 399
Confirmed bad debts in year	1 610	2 880
Amounts received for previously written off bad debts	–272	0
Recognised losses on receivables	**4 328**	**6 279**

Losses on receivables are classified as other operating expenses in the financial statements

NOTE 21
OTHER CURRENT RECEIVABLES

Amounts in NOK x 1 000	2017	2016
VAT receivable etc.	72 895	97 789
Prepaid expenses	51 014	24 031
Insurance claims	10 664	35 909
Loan extended to Nordnorsk Smolt AS	19 600	1 000
Charges on volume deviations, fixed-price contracts	17 837	0
Short-term loans extended to non-controlling interests	13 995	0
Other current receivables	12 522	4 517
Other current receivables at 31.12.	**198 527**	**163 246**

NOTE 22
RELATED PARTIES

2017	Operating income	Operating expenses	Financial income	Financial expenses	Long-term balances	Short-term balances
Total - related parties as shareholders	0	348 564	0	0	0	–74 989
Total - related parties as associates	0	580	0	0	0	0
Total	0	349 144	0	0	0	–74 989

2016	Operating income	Operating expenses	Financial income	Financial expenses	Long-term balances	Short-term balances
Total - related parties as shareholders	0	349 638	0	0	0	–68 876
Total - related parties as associates	0	20 844	0	0	0	0
Total	0	370 482	0	0	0	–68 876

The Group purchases services from companies in the same group as its majority shareholder, Grieg Holdings AS.

These services include:
- ICT-related services and other functions such as catering, reception etc. are provided by Grieg Group Resources AS on an arm's length basis.
- Grieg Seafood ASA rents its offices from Grieg Gaarden AS on an arm's length basis.
- The regions purchased cleansing fish from Ryfylke Rensefisk AS, a company owned by Grieg Holdings AS.
- Purchase of roe and other operating services from SalmoBreed AS, which is a related party of a board member.
- Purchase of feed relating to operations from Biomar Group, which is a related party of a board member.

The Group also purchases services relating to operations from other related parties in associates.
The board and management are related parties. See Note 16 on share-based options and Note 17 on shares controlled by board members and management.

NOTE 23
FINANCIAL INCOME AND FINANCIAL EXPENSES

Amounts in NOK x 1 000	2017	2016
Other interest income *)	16 563	11 129
Net change in fair value of derivatives	4 578	9 287
Net currency gains	20 554	0
Other financial income	639	63
Total financial income	**42 333**	**20 479**
Interest expense on bank borrowings and leases **)	44 661	74 873
Other interest expenses ***)	9 940	8 976
Net currency losses	0	69 926
Other financial expenses	2 188	1 438
Total financial expenses	**56 789**	**155 213**

*) The majority of other interest income comprises cash discounts from non-controlling interests, based on settlement of trade payables with shorter-than-normal credit terms.
**) Interest expenses on bank borrowings and leases includes recognised gains/losses from realised interest rate swaps.
***) Interest expenses relating to the factoring agreement at Ocean Quality are included in other interest expenses.

NOTE 24
OTHER OPERATING EXPENSES

Amounts in NOK x 1 000	**2017**	**2016**
Transportation costs	497 734	445 372
Maintenance costs	232 597	215 931
Electricity and fuel	71 369	60 637
Lease expenses	108 303	59 395
Outsourced services ***)	51 857	47 825
Insurance	41 119	34 786
IT expenses	20 408	18 673
Marketing costs	8 613	7 669
Other operating expenses *)	127 070	97 103
Other production-related costs **)	565 535	504 475
Total other operating expenses	**1 724 604**	**1 491 867**

*) Includes equipment, telephony/postage, office supplies, fees, travel costs etc.

**) Production-related costs comprise harvesting costs including expenses for well-boat services, packaging material, diving services, vaccination, de-lousing, oxygen, and analyses etc.

***) Outsourced services include auditor´s fees. See more detailed information below.

SPECIFICATION OF AUDITOR'S FEE	**2017**	**2016**
Auditor's fees		
Group auditor	2 785	2 399
Other auditors	469	513
Other certification services		
Group auditor	85	157
Other auditors	290	0
Tax advice		
Group auditor	523	373
Other auditors	117	148
Other services		
Group auditor	362	264
Other auditors	0	0
Total Group auditor	**3 754**	**3 193**
Total other auditors	**877**	**661**
Total auditor's fees	**4 631**	**3 854**

NOTE 25
OTHER CURRENT LIABILITIES

Specification of other current liabilities	**2017**	**2016**
Accrued expenses *)	201 788	175 042
Other current liabilities **)	10 929	47 170
Other current liabilities	**212 717**	**222 213**

*) Accrued expenses relate to other operating expenses, including accrued purchases, transportation costs, bonuses/discounts for buyers, accrued salaries, and insurance.

**) In 2016, provisions of MNOK 37 were recognised for bad debts relating to physical delivery contracts, see Note 7.

NOTE 26
NEW ACCOUNTING STANDARDS

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE OF NEW STANDARDS

A) NEW AND AMENDED STANDARDS ADOPTED IN 2017

In 2017, no new standards have been adopted, neither amendments of standards or interpretations, that substantially affect the consolidated financial statements.

B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments of standards and interpretations of existing standards are mandatory for future financial statements. Additionally, the application of some amendments is permitted prior to mandatory application. Among those amendments the Group has decided to implement in the future, and which are not mandatory for 2017, the essential are disclosed below.

IFRS 9 FINANCIAL INSTRUMENTS INCLUDING RELATED AMENDMENTS TO VARIOUS OTHER STANDARDS

IFRS 9 replaces the classification and measurement models of IAS 39 with a single model, with essentially only two categories: amortised cost and fair value.

The classification of lending depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of each instrument. A debt instrument is measured at amortised cost if; a) the business model is to hold the financial asset in order to receive the contractual cash flows, and b) the contractual cash flows solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex instruments, should be measured at fair value through profit/loss. There is an exception made for equity instruments not held for sale. Value changes in such positions should be recognised in comprehensive income, without subsequent reclassification to profit/loss. For financial liabilities that the entity has chosen to measure at fair value, the proportion of the change in value attributable to changes in inherent credit risk is recognised through other comprehensive income and not through profit/loss.

The new rules for hedge accounting means that hedge accounting better reflects normal practice for the risk management of enterprises. As a general rule, it will be easier to apply hedge accounting to come. The new standard also introduces expanded disclosure requirements and changes in the rules for the presentation of hedge accounting.

The standard is subject to mandatory application as from the fiscal year 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IASB has issued a new standard for revenue recognition. The standard replaces IAS 18, regarding a.o. sale of goods and services, and IAS 11, regarding construction contracts.
The new standard is based on the principle that revenue is recognised when control over a good or service is transferred to a customer, so that the principle of control substitutes the existing principle of transfer of risk and returns.

A new five-step model framework must be applied before revenue can be recognised:

- Identify the contract(s) with a customer
- Identify all separate performance obligations in the contract
- Determine the transaction price of the contract
- Allocate the transaction price to the separate performance obligations in the contract, and
- Recognise revenue when each performance obligation is satisfied.

Major changes from current practices include:

- Goods and/or services that are sold together, but which can be sold separately, must be recognised separately. Any discounts should normally be allocated to each individual element.
- Revenues can be recognised earlier than permitted under current standards if the compensation varies (i.e. due to incentives, rebates, performance fees, royalties, the success of an outcome, etc.). The minimum amount should be recognised unless there is a significant risk of cancellation of the agreement.
- The point of revenue recognition may shift: Some revenues that currently are recognised retrospectively, may need to be recognised over the contract term, and vice versa.
- There are new specific rules on licences, warranties, nonrefundable advance payments, and commission sales, to mention a few.
- As with any new standard, it implies increased disclosure requirements.

These changes in accounting policies may affect the Group´s business practices regarding systems, processes and controls, compensation and bonus schemes, contracts, tax planning and communication with the investors. The Group will be able to choose between full retrospective application, or prospective application with additional disclosures.

The standard is effective as from the annual reporting period beginning in 2018, but early adoption is permitted.

The Group has carried out an evaluation of the new standard, based on current revenue flows, and concluded that it will have no material impact on the financial statement. In the following, a brief summary of the Group's review of the five-step model, as discussed above, is disclosed:

Step 1: The Group is covered by the standard, as the main sale each week is settled with the customer. Fixed delivery contracts is entered into with customers, specifying per-week volume. The cash flow is the sale of gutted salmon packed in boxes and dispatched to customers. The major part is fresh fish, while a proportion is filleted or frozen. The Group also sells roe, smolt and ensilage, together making up about 1 % of the total sales. The Group furthermore offers harvesting services for other aquaculture companies in the case of surplus capacity. This is filed as other operating expenses, similar to insurance bills related to biomass. All categories of the Group´s revenue streams are recognised at the time of delivery. That also applies to the fulfillment of physical delivery contracts.

Step 2: Furthermore, the standard requires identification of all separate performance obligations. The Group assesses that the contracts entered into with customers, essentially do not contain separate performance obligations, as they mainly are related to the delivery of fish, ref. Step 1. However, it may be agreed to deliver volumes at different points of time, but this has already been accounted for through the Group's accounting policies.

Step 3: Transaction prices are spot prices based on the Nasdaq prices including transport and margin. The price is per kilogram. The price varies according to the quality of the fish and size. The fish is sold Delivered Duty Paid (DDP) to customer.

Step 4: This step does not apply, as the Group has concluded that separate performance obligations as mentioned in Step 2, essentially do not exist.

Step 5: This step does not imply any substantial amendments to the current accounting treatment of revenue recognition, ref. Step 1.

The Group will utilise a modified retrospective application upon transition to IFRS 15 from 01.01.2018.

IFRS 16 – LEASES

IFRS 16 was issued January 2016 and specifies accounting principles for leases. This will replace IAS 17 Leases, incl. related interpretations. IAS 17 has essentially designated two models for the recognition of leasing agreements – one for operating lease and one for finance leasing. The lessee has only been required to recognise leased assets classified as finance leasings in the balance sheet. IFRS 16 no longer specifies this as a main rule. There is primarily one model for recognition, which implies that the lessee shall recognise most leased assets, with certain exceptions.

This will materially impact the Group, which at 31 December 2017 has several active operating lease contracts. The Group has initiated preparations for implementation of the new standard. This includes obtaining and systematising of all leases in the Group, as well as evaluating them in accordance with the new recognition rules. Surveying of the financial consequences is under way at 31 December 2017. At year-end, the Group maintains obligations relating to operating leases at a total present value of MNOK 522. Preliminary calculations based on the operating leases of the Group at 31 December 2017 indicates that the Group will recognise assets and related leasing obligations of at least MNOK 240 at 31 December 2019. This is subject to change due to any renewal options that may have to be included, discount rates and any other factors.

The standard will apply for accounting periods starting 1 Jan 2019 or later, but early adoption is permitted upon application of IFRS 15. The Group will carry out a modified retrospective application upon the implementation of IFRS 16 for the fiscal year 2019.

SUMMARY 2017

There are no other standards or interpretations that still have not taken effect that are expected to materially impact the consolidated financial statements.

NOTE 27
POST-BALANCE SHEET EVENTS

REFINANCING

To cater for major investment requirements relating to the growth strategy for 2020, the Group has renegotiated the syndicated bank loan prior to its original maturity in 2019. The Group has set a number of growth targets, including increased smolt capacity and new locations, which have resulted in a need for increased working capital. The Group's total banking framework has expanded from MNOK 1 685 to MNOK 1 700 and MEUR 60, while the current revolving credit facility has expanded from MNOK 700 to MNOK 1 000, alongside granted overdraft facilities of MNOK 100. Repayments of MNOK 50 and MEUR 5 will be made for term loans of respectively MNOK 600 and MEUR 60 , split into half-yearly installments. The agreement has a validity period of five years and expires on 28 February 2023.

OCEAN QUALITY AS – HALT IN EXPORT OF NORWEGIAN SALMON TO CHINA

On 31 January 2018, Ocean Quality AS was instructed by the Norwegian Food Safety Authority to stop all exports of Norwegian salmon to China because the Authority had received incorrect documentation from the Company regarding the export of salmon shipments to China. From what Ocean Quality AS has learnt, individuals in the Company may have reused previous self-declarations, in violation of internal guidelines. Neither individual employees nor the Company gained anything from these alleged actions. Following the inspection by the Norwegian Food Safety Authority, Ocean Quality AS made a complete review of its procedures and systems for export, in order to establish how the incident could have taken place. New control actions and reinforced procedures have been implemented. The company has zero tolerance for such non-conformances.

ESCAPE ON SHETLAND

In February 2018, a hole was discovered in one of our cages on Shetland. An inventory count of the fish in the cage revealed a discrepancy of 21 700 fish. The impairments following the escape amounted to GBP 200 101 (equivalent to NOK 2 176 138 at the exchange rate as of 28 February 2018 from Norges Bank of 10.8752 NOK/GPB)

Grieg Seafood®

ROOTED IN NATURE

GSF PARENT COMPANY

INCOME STATEMENT

Amounts in NOK x 1 000	Note	2017	2016
Other operating income	2,17	62 756	55 995
Total operating income		**62 756**	**55 995**
Salaries and personnel expenses	3, 4	-49 799	-55 791
Depreciation	12, 13	-5 162	-5 370
Other operating expenses	6, 17	-52 564	-46 990
Total operating expenses		**-107 524**	**-108 151**
Operating loss		**-44 768**	**-52 156**
Financial income	5,17	635 125	789 106
Financial expenses	5,17	-42 608	-219 272
Net financial items		**592 517**	**569 834**
Profit before tax		**547 749**	**517 678**
Income tax expense	15	-126 460	-129 509
Net profit for the year		**421 289**	**388 169**
Appropriation of profit for the year			
Proposed dividend		220 824	331 236
Transferred to other equity		200 465	56 933
Total appropriations		**421 289**	**388 169**

BALANCE SHEET

Amounts in NOK x 1 000	Note	31.12.2017	31.12.2016
ASSETS			
Software	12	18 196	17 419
Property, plant and equipment	13,18	5 478	5 972
Investments in subsidiaries	10,18	1 226 980	1 226 980
Loan to Group companies	17,18	623 365	601 032
Loan to associated companies		167	167
Investment in shares or units	11	666	656
Total non-current assets		**1 874 851**	**1 852 225**
Trade receivables	6,17	156	19
Trade receivables from Group companies	17	41 450	37 520
Other receivables from Group companies	17,18	1 151 052	1 240 578
Other current receivables	7	19 655	4 025
Bank deposits	8	157 460	383 281
Total current assets		**1 369 773**	**1 665 424**
Total assets		**3 244 624**	**3 517 650**

EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
Share capital	14	446 648	446 648
Treasury shares	14	-5 000	-5 000
Other reserves		13 652	13 652
Other retained earnings		880 823	790 759
Total equity		**1 336 123**	**1 246 059**
Deferred tax	15	16 632	14 201
Cash-settled share options	4	8 848	11 360
Total provisions		**25 480**	**25 561**
Long-term loan	18	1 191 688	979 874
Total non-current liabilities		**1 191 688**	**979 874**
Current portion of long-term loan	18	90 000	90 000
Cash-settled share options	4	6 746	0
Proposed dividends		220 824	331 236
Trade payables		6 986	6 668
Trade payables to subsidiaries	17	35 881	34 201
Current liabilities to Group companies	17	178 801	633 576
Public tax payable	15	122 802	146 024
Accrued public expense		2 246	2 031
Other current liabilities	7, 9	27 047	22 420
Total current liabilities		**691 333**	**1 266 155**
Total liabilities		**1 908 501**	**2 271 591**
Total equity and liabilities		**3 244 624**	**3 517 650**

Bergen, 17 April 2018

Grieg Seafood ASA

Translated, not to be signed

CHANGE OF EQUITY

Amounts in NOK x 1 000	Share capital	Other paid-in equity	Other equity	Total equity
Equity at 01.01.2016	**441 648**	**13 652**	**899 424**	**1 354 725**
PROFIT FOR THE YEAR 2016			388 169	388 169
Other gains recorded in equity			19	19
Proposed dividend, paid in 2017			-331 236	-331 236
Proposed additional dividend in 2016			-165 618	-165 618
Equity at 31.12.2016	**441 648**	**13 652**	**790 759**	**1 246 059**
PROFIT FOR THE YEAR 2017			421 289	421 289
Other gains/losses recorded in equity			10	10
Proposed dividend			-220 824	-220 824
Proposed additional dividend in 2017			-110 412	-110 412
Equity at 31.12.2017	**441 648**	**13 652**	**880 823**	**1 336 123**

CASH FLOW STATEMENT

Amounts in NOK x 1 000	Note	2017	2016
Profit before income taxes		547 749	517 678
Tax paid	15	-146 025	-3 278
Depreciation and amortisation	12,13	5 162	5 370
Profit/loss on sale of assets	13	0	-2
Impairment/reversal, non-current assets	13	0	-66
Interest paid		29 038	52 355
Change in trade receivables		-137	-19
Change in trade payables		319	388
Change in other accruals		3 507	-25 568
Recognised, not paid Group contributions		-534 523	-713 301
Dividend income		-25 376	-8 071
Net cash flow from operating activities		**-120 285**	**-174 516**
Proceeds from sale of tangible assets	13	0	74
Dividend income	5	25 376	8 071
Purchase of tangible assets	13	-2 074	-3 018
Purchase of intangible assets	12	-4 144	-4 284
Payments/proceeds on loans to/from subsidiaries		603 867	466 295
Payments on loans to associates		-13 100	0
Net cash flow from investing activities		**609 925**	**467 138**
Drawdown/Payments on long-term interest bearing debt	18	300 000	-450 000
Proceeds/payment on loans to/from Group companies		-454 775	633 576
Proceeds on long-term debt		-90 000	-90 000
Interest paid		-29 038	-52 355
Dividend paid		-441 648	-165 618
Net cash flow from financing activities		**-715 461**	**-124 397**
Net change in cash and cash equivalents		**-225 822**	**168 224**
Cash and cash equivalents at 01.01.		**383 281**	**215 057**
Cash and cash equivalents at 31.12		**157 460**	**383 281**

NOTE 1
ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

All amounts are in TNOK, unless stated otherwise.

REVENUE RECOGNITION

Revenue from sales of goods is recognised at the time of delivery. Revenue from the sales of services is recognised when the services are executed. The share of sales revenue associated with future service is recorded in the balance sheet as accrued sales revenue and is recognised as revenue at the time of execution.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Assets intended for long-term ownership or use are classified as fixed assets. Assets related to the normal operating cycle, are classified as current assets. Receivables are classified as current assets if they are expected to be repaid within 12 months after the transaction date. Similar criteria apply to liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised in the balance sheet at nominal value.

Fixed assets are carried at historical cost. Fixed assets whose value will deteriorate are depreciated on a straight line basis over the asset's estimated useful life. Fixed assets are written down to fair value where this is required by accounting rules. Nominal amounts are discounted if the interest rate element is significant.

INTANGIBLE ASSETS

Expenditure on intangible assets is recognised to the extent that future economic benefits from the development of identifiable intangible assets and costs can be measured reliably. Otherwise, the costs are expensed as they arise. Capitalised development is amortised over the useful life.

FIXED ASSETS

Fixed assets are recognised in the balance sheet and depreciated on a straight line basis over the estimated useful life, providing the asset has an expected useful life of more than 3 years and a cost price which exceeds TNOK 15. Maintenance costs are charged as they arise as operating expenses, while improvements and additions are added to the acquisition cost and depreciated along with the asset. The distinction between maintenance and improvements is made with regard to the asset's relative condition at the original purchase date.

SUBSIDIARIES

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued at the cost of acquiring the shares, providing a write-down has not been necessary.
Group contributions to subsidiaries, with tax deducted, are recognised as increases purchase cost of the shares.
Dividends and group contributions are recognised in the same year as they are recognised in the subsidiary accounts.
If dividends/ group contributions materially exceed retained earnings after acquisition, the exceeding amount is regarded as reimbursement of invested capital and is deducted from the recorded acquisition value in the balance sheet. Group contributions received are recognised as other financial income.

IMPAIRMENT OF FIXED ASSETS

Impairment tests are performed upon indication that the carrying amount of a non-current asset exceeds the estimated fair value. The test is performed on the lowest level of fixed assets at which independent cash flows can be indentified. If the carrying amount is higher than both the fair value less selling costs and the recoverable amount (net present value of future use/ownership), the asset is written down to the higher of fair value less selling costs and the recoverable amount. Previous impairment charges are reversed at a later period if the prerequisites for impairment are no longer present (with the exception of impairment of goodwill).

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised in the balance sheet at nominal value after deduction of provision for bad debts. The provision for bad debts is estimated on the basis of an individual assessment of each major receivable. An additional general provision is made for minor receivables based on estimated expected losses.

SHORT-TERM INVESTMENTS

Short-term investments (shares and investments which are considered current assets) are carried at the lower of average purchase cost and net realisable value on the balance sheet date. Dividends and other distributions received are recognised as other financial income.

PENSIONS

The company's pension schemes meet the requirements of the mandatory Occupational Pensions Act. Selskapet har innskuddsbasert pensjonsordning for sine ansatte. The company has a defined contribution pensions scheme for the employees. The premium is paid through operations and is charged as it arises. Social security costs are charged on the basis of the pension premium paid.

GROUP BANK ACCOUNTS SYSTEM – DEPOSIT AND LOAN

Grieg Seafod ASA operates as an internal bank for the subsidiaries. Grieg Seafood ASA borrows funds under the agreement from the financial institutions and lends these funds onwards to the subsidiaries. The Company has set up a group account system (multi-accounts) in which Grieg Seafood ASA is the legal account holder towards the financial institution. Deposits and loans are recognised as intercompany transactions. All subsidiaries are jointly and severally responsible to the financial institutions for the whole amount of the commitment under the scheme.

FOREIGN CURRENCY

Functional and presentational currency is NOK. All foreign currency transaction are translated into NOK at the date of the transaction. Exchange rate and translational differences are posted under other financial income or expenses. All monetary items in foreign currency are translated at the balance sheet date. Derivatives are recognized at fair value and changes of value are accounted for in the income statement.

CASH-BASED REMUNERATION

The Company has a share-based remuneration scheme with settlement in cash, where each employee is obliged to purchase shares relative to annual salary. The Company's estimated liability is posted under current or non-current liabilities based on estimated settlement date. The cost for the year is charged in the income statement.

DERIVATIVES

FORWARD CURRENCY CONTRACTS

Realised gains are recorded in the income statement as financial income. The fair value of the contracts is stated on the basis of the exchange rate at balance sheet date for 2016.

INTEREST RATE SWAPS

Interest rate swap contracts are stated at the lowest value principle.

TAXES

The tax expense in the income statement consists of both taxes payable for the accounting period and changes in deferred tax. Deferred tax is calculated as a relevant rate of the temporary differences between the value of assets and liabilities for tax purposes and any allowable loss to be carried forward at year-end in the financial statements. Temporary differences, both positive and negative, are offset within the same period. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised. Deferred tax assets and deferred tax liabilities are presented net in the balance sheet.

Tax on paid group contributions booked as an increase in the purchase price of shares in other companies, and tax on received group contribution booked directly against equity, have been booked directly against tax items in the balance sheet (offset against tax payable if group contribution affects tax payable, and offset against deferred taxes if the group contribution affects deferred taxes).

CASH FLOW STATEMENT

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments which entail no appreciable exchange rate risk and with maturities of 3 months or less from the purchase date.

NOTE 2
OPERATING INCOME

Amounts in NOK x 1 000

OPERATING INCOME CONSISTS OF:	2017	2016
Administrative services - Group companies, see Note 17	62 756	55 997
Other operating income	0	-2
Total other operating income, see Note 17	**62 756**	**55 995**

NOTE 3
PAYROLL, FEES, NO. OF EMPLOYEES ETC.

Amounts in NOK x 1 000	Note	2017	2016
Wages and salaries		23 436	24 639
Social security costs		5 047	4 503
Shares options for directors and key personnel	4	13 247	21 712
Pension costs - defined contribution scheme		1 304	1 308
Other personnel costs		6 765	3 629
Total		**49 799**	**55 791**
Average number of FTEs (full-time equivalents)		21	19

The Company has a pension scheme covering all employees at 31. December 2017. The pension scheme is funded and managed through an insurance company.

The board's guidelines and principles for the determination of salaries and other remuneration paid to the management group are included in the consolidated financial statements.

The accumulated cost of salaries, pensions and other benefits paid to senior employees and board members in 2017 were as follows:

BENEFITS PAID TO SENIOR EMPLOYEES IN 2017 (NOK X 1 000)	Salary	Bonus	Accumu-lated, not yet paid	Options exercised during year	Other benefits	Total
Andreas Kvame (CEO)	2 498	1 133	630	2 475	137	6 873
Atle Harald Sandtorv (CFO)	1 596	505	335	1 578	132	4 145
Knut Utheim (COO)	1 596	276	195	1 578	133	3 778
Kathleen O. Mathisen (CHRO)	1 272	281	347	0	125	2 025
Total remuneration incl. social security costs	**6 962**	**2 195**	**1 508**	**5 630**	**527**	**16 821**

Recognition of expenses arising from synthetic options not declared throughout the year are not included in the above statement.

REMUNERATION PAID TO BOARD MEMBERS IN 2017 (NOK X 1000)	
Per Grieg jr. 1)	434
Wenche Kjølås 2)	280
Karin Bing Orgland 2)	280
Asbjørn Reinkind 1)	302
Ola Braanaas 1)	245
Total remuneration incl. social security costs	**1 540**

1) Payment for work performed on the Remuneration Committee of NOK 17 115 is included in the remuneration paid to Per Grieg jr., Asbjørn Reinkind, and Ola Braanaas.

2) Payment for work performed on the Audit Committee of NOK 51 345 is included in the remuneration paid to Wenche Kjølås and Karin Bing Orgland.

The amounts include social security costs.

The accumulated cost of salaries, pensions and other benefits paid to senior employees and board members in 2016 were as follows:

BENEFITS PAID TO SENIOR EMPLOYEES IN 2016 (NOK X 1 000)	Salary	Bonus	Accumu-lated, not yet paid	Options exercised during year	Other benefits	Total
Andreas Kvame (CEO)	2 348	0	732	2 400	24	5 504
Atle Harald Sandtorv (CFO)	1 683	0	505	2 387	45	4 621
Knut Utheim (COO)	1 659	0	276	2 288	39	4 261
Kathleen O. Mathisen (CHRO from 1 May 2016)	810	0	286	0	15	1 111
Total remuneration paid to senior employees	**6 501**	**0**	**1 799**	**7 075**	**123**	**15 498**

REMUNERATION PAID TO BOARD MEMBERS 2016	
Per Grieg jr. 1)	419
Wenche Kjølås 2)	262
Karin Bing Orgland 2)	262
Asbjørn Reinkind 1)	288
Ola Braanaas 1)	234
Total remuneration incl. social security costs	**1 466**

1) Payment for work performed on the Remuneration Committee of NOK 14 267 is included in the remuneration paid to Per Grieg jr., Asbjørn Reinkind and Ola Braanaas.

2) Payment for work performed on the Audit Committee of NOK 42 788 is included in the remuneration paid to Wenche Kjølås and Karin Bing Orgland.The amounts include social security costs.

SPECIFICATION OF AUDITOR´S FEE	**2017**	**2016**
Statutory audit	1 119	958
Tax advisory fee	95	99
Other services	79	6
Total	**1 293**	**1 062**

NOTE 4
SYNTHETIC OPTIONS

(CASH-BASED REMUNERATION)

The Company operates a share-based options programme for the management group and regional directors. The options' strike price is the stock market price on the date of issue, rising by 0.5% per month until the exercise date. As at 31 December 2016, there were no equity options outstanding for exercise. Since 2009, the Company has issued cash-based options to the management group and regional directors. The most recent allocation was in 2017, totalling 1 800 000 options. The final exercise date is 31 May 2021. The options have a term of two years, where 50% is vested each year.

Employees taken on after the initial allocation of options are allocated options on taking up employment.

The Black & Scholes option pricing model is used to calculate the market value. A brokerage firm is used to carry out the calculations. The table below shows the movement in outstanding options in 2016 and 2017.

OVERVIEW 2017	Option category	Outstanding options 31.12.2016	Granted options	Exercised options	Cancelled options	Expired options	Outstanding options 31.12.2017	Of which cash-settled
Andreas Kvame (CEO)	Kontant	314 009	400 000	55 737	-	-	658 272	658 272
Atle Harald Sandtorv (CFO)	Kontant	146 801	200 000	35 527	-	-	311 274	311 274
Knut Utheim (COO)	Kontant	187 893	200 000	35 527	-	-	352 366	352 366
Kathleen O. Mathisen (CHRO)	Kontant	100 000	200 000	-	-	-	300 000	300 000
Others	Kontant	592 379	800 000	62 745	-	-	1 329 634	1 329 634
Total		**1 341 082**	**1 800 000**	**189 535**	**-**	**-**	**2 951 547**	**2 951 547**

OVERVIEW 2016	Option category	Outstanding options 31.12.2015	Granted options	Exercised options	Cancelled options	Expired options	Outstanding options 31.12.2016	Of which cash-settled
Andreas Kvame (CEO)	Kontant	400 000	-	85 991	-	-	314 009	314 009
Atle Harald Sandtorv (CFO)	Kontant	300 000	-	153 199	-	-	146 801	146 801
Knut Utheim (COO)	Kontant	300 000	-	112 107	-	-	187 893	187 893
Kathleen O. Mathisen (CHRO)	Kontant	-	100 000	-	-	-	100 000	100 000
Others	Kontant	1 150 000	200 000	402 492	355 129	-	592 379	592 379
Total		**2 150 000**	**300 000**	**753 789**	**355 129**	**-**	**1 341 082**	**1 341 082**

Allocation: Year - Month	Expiry date: Year - Month	Strike price NOK per share as at 31.12.2017	Strike price NOK per share as at 31.12.2016	Options 2017	2016
2015 - 06	2018 - 06	29.76	27.90	251 547	441 082
2015 - 06	2019 - 06	29.76	27.90	600 000	600 000
2016 - 12	2019 - 06	84.12	79.22	300 000	300 000
2017 - 11	2020 - 05	83.62	-	900 000	-
2017 - 11	2021 - 05	83.62	-	900 000	-
Total				**2 951 547**	**1 341 082**

	2017	2016
Cash-based options available for exercise	1 151 547	441 082
Weighted average outstanding contract period	43.94	28.05

2017	Option category	Listed price on allocation	Calculated value per option on allocation	Calculated total value on allocation *)	Total value of all options at 01.01.2017	Change in provision CB-OB *)	Exercised options 2017	Accumulated cost charged against equity at 31.12.2017	Book liability cash settlement at 31.12.2017
Previous employees with expired option	Equity							6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	2 935	1 320	2 475	-	4 255
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	1 699	157	1 578	-	1 857
Knut Utheim (COO)	Cash	25.50	3.97	793	2 298	570	1 578	-	2 868
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	41	197	-	-	237
Andreas Kvame (CEO)	Cash	83.00	2.26	906	-	147	-	-	147
Atle Harald Sandtorv (CFO)	Cash	83.00	2.79	557	-	90	-	-	90
Knut Utheim (COO)	Cash	83.00	2.79	557	-	90	-	-	90
Kathleen O. Mathisen (CHRO)	Cash	83.00	2.38	475	-	77	-	-	77
Other options allocated in 2015	Cash	25.50	3.60	2 876	4 312	916	2 786	-	5 227
Other options allocated in 2016	Cash	79.00	3.34	669	75	366	-	-	441
Other options allocated in 2017	Cash	83.00	2.35	1 880	-	305	-	-	305
Total				**11 212**	**11 360**	**4 234**	**8 416**	**6 887**	**15 594**

*) Amounts exclude social security costs

2016	Option category	Listed price on allocation	Calculated vale per option on allocation	Calculated total value on allocation *)	Total value of all options at 01.01.2016	Change in provision CB-OB *)	Exercised options 2016	Accumulated cost charged against equity at 31.12.2016	Book liability cash settlement at 31.12.2016
Previous employees with expired option	Equity							6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	579	2 356	2 400		2 935
Atle Harald Sandtorv (CFO)	Cash	22.22	3.94	394	639	-639	903		0
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	353	1 346	1 485		1 699
Knut Utheim (COO)	Cash	22.56	4.78	478	662	-662	1 950		0
Knut Utheim (COO)	Cash	25.50	3.97	793	353	1 945	338		2 298
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	0	41	0		41
Other options allocated in 2013	Cash	22.22	3.94	1 181	1 250	-1 250	3 823		0
Other options allocated in 2014	Cash	22.56	4.24	424	315	-315	546		0
Other options allocated in 2014	Cash	28.90	4.20	420	206	-206	2 143		0
Other options allocated in 2015	Cash	25.50	3.60	2 876	1 282	3 030	1 465		4 312
Other options allocated in 2016	Cash	79.00	3.34	669	0	75	0		75
Total				**9 734**	**5 639**	**5 721**	**15 052**	**6 887**	**11 360**

*) Amounts exclude social security costs

ACCRUED COSTS BREAK DOWN AS FOLLOWS:	2017	2016	Classification in statement
Accrued cost cash settlement	4 234	5 721	Other provisions
Exercised options during the year	8 416	15 052	Salary and social security costs / bank
Total cost excl. employer's national insurance contributions	**12 650**	**20 772**	
National insurance contributions	597	939	Accrued public expense
Total cost incl. employer's national insurance contributions	**13 247**	**21 712**	**Salary and social security costs**

Costs relating to cash-based remuneration in 2017 totalled TNOK 13 247. This is charged in the income statement as a personnel cost. National security contributions are provided for on an ongoing basis based on the fair value of the options.

At 31 December 2017, outstanding options with the right to cash settlement were stated at TNOK 15,594, of which TNOK 8 848 were classified as non-current liabilities. Issued options are cancelled on termination of employment.

ESTIMATES USED TO CALCULATE ALLOCATION OF OPTIONS	
Anticipated volatility (%)	36.62%
Risk-free rate of interest (%)	0.67%
Estimated qualification period (years)	2.25

The estimated qualification period for the options is based on historical data, and does not necessarily represent future developments.
In order to estimate volatility, management has applied historical volatility for comparable listed companies.

NOTE 5
FINANCIAL INCOME AND FINANCIAL EXPENSES

Amounts in NOK x 1 000	2017	2016
Interest income from Group companies	26 699	46 916
Other interest income	344	63
Group contributions from subsidiaries	534 522	713 301
Group contribution previous year, recognised current year	0	11 467
Dividend	25 384	8 071
Unrealised value changes, derivatives, see Note 9	1 197	9 287
Unrealised currency change, long-term loans from Group	22 333	0
Net unrealised currency gains	24 646	0
Total financial income	**635 125**	**789 106**
Loan interest expenses	30 478	60 157
Other interest expenses	10 757	1 666
Unrealised currency change, long-term loans from Group	0	90 228
Other financial expenses	1 216	530
Net realised currency losses	157	0
Net unrealised currency losses	0	66 692
Total financial expenses	**42 608**	**219 272**
Net financial items	**592 517**	**569 834**

NOTE 6
TRADE RECEIVABLES

Amounts in NOK x 1 000	2017	2016
Trade receivables at nominal value	156	19
Provision for bad debts	0	0
Book value of trade receivables at 31.12	**156**	**19**
Change in bad debt provision	0	0
Amounts received for previously written-off bad debts	0	0
Total loss on trade receivables recognised in the financial statements	**0**	**0**

NOTE 7
OTHER RECEIVABLES/ OTHER CURRENT LIABILITIES

Amounts in NOK x 1 000

OTHER CURRENT RECEIVABLES	2017	2016
Prepaid expenses	1 143	1 215
VAT	835	2 138
Tax receivable from 2015	0	502
Loan to Nordnorsk Smolt AS *)	13 100	0
Other current receivables **)	4 578	171
Other current receivables at 31.12	**19 655**	**4 025**

*) GSF has entered into collaboration with Norway Royal Salmon in order to secure additional smolt capacity in Finnmark. NRS and GSF each own 50% of Nordnorsk Smolt AS. As at 31 December 2017, no formal transactions had been carried out; however, transactions are expected to take place during the first half of 2018. As part of the agreement, GSF has extended loans to Nordnorsk Smolt AS to cover operations, investments and accumulation of working capital in connection with development of the facility.

**) GSF ASA has entered into an FX-forward agreement in DKK on behalf of the subsidiary GSF Finnmark, in respect of GSF Finnmark´s agreement with a Danish contractor to develop the smolt facility in Adamselv. The purpose of the contract is to hedge payments in DKK. GSF ASA and GSF Finnmark have entered into a back-to-back agreement on the contract. As at 31 December 2017, the value of the contract was recognised under other current liabilities to subsidiaries in GSF ASA´s financial statements. Both realised and unrealised gains/losses are to be transferred to GSF Finnmark.

OTHER CURRENT LIABILITIES	2017	2016
Accrued interest	1 212	628
Other accrued expenses	14 658	12 690
Unrealised loss on interest rate swap contracts, see Note 9	4 071	5 268
Unrealised loss on foreign currency contracts	4 880	0
Other current liabilities	2 227	3 834
Other current liabilities at 31.12	**27 047**	**22 420**

NOTE 8
BANK DEPOSITS

Amounts in NOK x 1 000	2017	2016
Restricted deposits relating to employees' tax deductions	3 938	1 242
Fixed-interest rate deposit *)	0	160 000
Other bank deposits	153 522	222 039
Total	**157 460**	**383 281**

*) The fixed-interest rate deposit in 2016 was valid until January 2017. The contract was not renewed.

NOTE 9
FINANCIAL INSTRUMENTS AT FAIR VALUE

Amounts in NOK x 1 000	2017		2016	
	Assets	Current liabilities	Assets	Current liabilities
Interest rate swap contracts (two contracts for MNOK 400 and MNOK 260 maturing in 2019 and 2021, respectively *)	0	-4 071	0	-5 268
Foreign currency contract EUR/NOK (One contract comprising 52 transactions maturing Dec 2018)	-	-4 880	-	0
Total financial instruments at fair value	**0**	**-8 951**	**0**	**-5 268**

*) Amounts exclude accrued interest totalling NOK x 1 000 -247.4 (2016: NOK x 1 000 17.1)

Changes in fair value posted as financial items:	2017	2016
Unrealised gain/loss on interest rate swaps	1 197	9 287
Unrealised gain/loss on foreign currency contracts	-4 880	0
Net unrealised gain/ (loss) on financial instruments	**-3 683**	**9 287**

NOTE 10
INVESTMENTS IN SUBSIDIARIES

Amounts in NOK x 1 000

Subsidiary	Registered office - country	Registered office - location	Ownership/ voting share	Equity at 31.12.2017	Profit/loss 2017	Book value
Grieg Seafood Rogaland AS	Norge	Bergen	100%	623 507	325 693	223 497
Grieg Seafood Canada AS	Norge	Bergen	100%	68 451	-42	138 252
Grieg Seafood Finnmark AS	Norge	Bergen	100%	734 591	255 508	400 481
Grieg Seafood Shetland Ltd	UK	Shetland	100%	146 582	28 343	458 750
Ocean Quality AS	Norge	Bergen	60%	48 679	55 639	6 000
Total				**1 621 808**	**665 140**	**1 226 980**

Equity and profit/loss taken from provisional financial statements, which have been prepared in accordance with local accounting standards.

NOTE 11
INVESTMENTS IN SHARES

Amounts in NOK x 1 000

INVESTMENTS IN SHARES	Registered office - country	Registered office - location	Ownership/ voting share	Number of shares	Acquisition cost	Book value
Finnøy Næringspark AS	Norge	Finnøy	7.14%	100	103	103
DNB Global Allokering	Norge	Oslo	0.00%	3 038	630	477
CO2 AS	Norge	Lindås	10.00%	2	20	20
Norsk Villaksforvaltning	Norge	Førde	15.15%	5	50	50
Fiskeriforum Vest	Norge	Bergen	20.00%	20	16	16
Book value of shares at 31.12						**666**

NOTE 12
INTANGIBLE ASSETS

Amounts in NOK x 1 000

2017	SOFTWARE
Book value at 01.01	17 419
Intangible assets acquired	4 144
Amortisation	-3 367
Book value at 31.12	**18 196**
As at 31.12.	
Acquisition cost	41 292
Accumulated amortisation	-23 096
Book value at 31.12	**18 196**
Economic lifetime/amortisation schedule	**3 - 10 år**

2016	SOFTWARE
Book value at 01.01	16 651
Intangible assets acquired	4 284
Amortisation	-3 516
Book value at 31.12	**17 419**
As at 31.12.	
Acquisition cost	37 148
Accumulated amortisation	-19 729
Book value at 31.12	**17 419**
Economic lifetime/amortisation schedule	**3 - 10 år**

NOTE 13
PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK x 1 000

2017	PLANT, EQUIPMENT AND OTHER FIXTURES ETC.
Book value at 01.01	5 972
Additions	2 074
Disposals	-1 495
Depreciation charge	-1 794
Depreciation on disposals (book value)	721
Book value at 31.12	**5 478**
As at 31.12.	
Acquisition cost	16 555
Accumulated depreciation	-11 077
Book value at 31.12	**5 478**
Economic lifetime/amortisation schedule	3-5 år

2016	PLANT, EQUIPMENT AND OTHER FIXTURES ETC.
Book value at 01.01	4 814
Additions	3 018
Disposals (book value)	-72
Depreciation charge	-1 854
Depreciation on disposals (book value)	66
Book value at 31.12	**5 972**
As at 31.12.	
Acquisition cost	15 976
Accumulated depreciation	-10 004
Book value at 31.12	**5 972**
Economic lifetime/amortisation schedule	3-5 år

NOTE 14
SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL

As at 31 December 2017, the Company had 111,662,000 treasury shares with a nominal value of NOK 4 per share.
All shares issued by the Company are fully paid-up. There is one class of shares and all shares confer the same rights.
In June 2011 the company purchased 1,250,000 treasury shares at a value of NOK 14.40 per share.

	Change in share capital (NOK x 1 000)	Nominal value (NOK)	Total share capital (NOK x 1 000)	Number of ordinary shares
		4.00	446 648	111 662 000
Holdings of treasury shares		4.00	-5 000	-1 250 000
31.12.2017			**441 648**	**110 412 000**

THE LARGEST SHAREHOLDERS OF GRIEG SEAFOOD ASA	No. of shares 31.12.2017	Shareholding 31.12.2017	No. of shares 31.12.2016	Shareholding 31.12.2016
GRIEG HOLDINGS AS	55 801 409	49.97%	55 801 409	49.97%
OM HOLDING AS	5 164 379	4.63%	3 105 000	2.78%
FOLKETRYGDFONDET	2 949 137	2.64%	3 390 000	3.04%
NYE YSTHOLMEN AS	2 928 197	2.62%	2 928 197	2.62%
STATE STREET BANK AND TRUST CO.	2 602 761	2.33%	1 814 836	1.63%
VERDIPAPIRFONDET PARETO INVESTMENT	1 915 000	1.71%	1 711 000	1.53%
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 700 796	1.52%	986 273	0.88%
JPMORGAN CHASE BANK. N.A.. LONDON	1 477 767	1.32%	448 816	0.40%
CLEARSTREAM BANKING S.A.	1 286 414	1.15%	1 017 577	0.91%
GRIEG SEAFOOD ASA	1 250 000	1.12%	1 250 000	1.12%
ARTIC FUNDS PLC	926 000	0.83%	1 397 000	1.25%
MORGAN STANLEY AND CO INTL PLC	598 815	0.54%	2 067 749	1.85%
THE BANK OF NEW YORK MELLON SA/NV	518 635	0.46%	1 241 277	1.11%
Total - largest shareholders	**79 119 310**	**70.86%**	**77 159 134**	**69.10%**
Other shareholders with shareholding of less than 1%	32 542 690	29.14%	34 502 866	30.90%
Total shares	**111 662 000**	**100.00%**	**111 662 000**	**100.00%**

SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT:	No. of shares 31.12.2017	Shareholding 31.12.2017	No. of shares 31.12.2016	Shareholding 31.12.2016
Board of directors:				
Per Grieg jr. *)	58 961 996	52.80%	58 961 996	52.80%
Wenche Kjølås (Jawendel AS)	7 000	0.01%	7 000	0.01%
Asbjørn Reinkind (Reinkind AS)	120 000	0.11%	120 000	0.11%
Karin Bing Orgland	-	0.00%	-	0.00%
Ola Braanaas	-	0.00%	-	0.00%
Group management:				
Andreas Kvame (CEO)	35 000	0.03%	29 000	0.03%
Atle Harald Sandtorv (CFO)	21 793	0.02%	30 661	0.03%
Knut Utheim (COO)	18 200	0.02%	12 400	0.01%
Kathleen O. Mathisen (CHRO)	0	0.00%	0	0.00%
***) The shares owned by the following companies are controlled by Per Grieg jr. and family**				
Grieg Holdings AS	55 801 409	49.97%	55 801 409	49.97%
Grieg Shipping II AS	-	0.00%	-	0.00%
Nye Ystholmen AS	2 928 197	2.62%	2 928 197	2.62%
Grieg Ltd AS	217 390	0.19%	217 390	0.19%
Kvasshøgdi AS	-	0.00%	-	0.00%
Per Grieg jr. privat	15 000	0.01%	15 000	0.01%
Total shares	**58 961 996**	**52.80%**	**58 961 996**	**52.80%**

NOTE 15
TAXES

Amounts in NOK x 1 000

Basis for tax payable	2017	2016
Profit before tax	547 749	517 678
Dividends recognised in income	-25 384	-8 071
3% dividend tax	762	0
Net other permanent differences	1 693	-655
Change in financial derivatives	3 683	-10 314
Change in temporary differences	-16 827	96 927
Adjustment of Group contribution 2016	0	-11 467
Group contribution received/provided	-534 522	-713 301
Taxable loss	**-22 846**	**-129 203**
Group contribution received	534 522	713 301
Basis for tax expense for the year	**511 676**	**584 098**
24% (25%) tax payable	**122 802**	**146 024**

SPECIFICATION OF DEFERRED TAX BASIS

Temporary differences:	Change	2017	2016
Non-current assets	1 449	5 280	3 832
Profit and loss account	-310	1 241	1 551
Cash-based options	-4 831	-17 793	-12 962
Long-term debt/amortised cost	-1 814	3 312	5 126
Revaluation account non-current liabilities	22 333	89 224	66 891
Net temporary differences	**16 827**	**81 264**	**64 438**
Financial instruments	-3 683	-8 951	-5 268
Loss carryforward	0	0	0
Basis for deferred tax in balance sheet	**13 144**	**72 314**	**59 170**
23% (24%) deferred tax		17 355	14 792
Change in deferred tax assets due to change in tax rate 24% (25%)		-723	-592
Deferred tax assets/deferred tax liabilities in balance sheet		**16 632**	**14 201**

Amounts in NOK x 1 000

Specification of tax charge:	2017	2016
Tax payable	122 802	146 024
Change in deferred tax, previous rate 23% (24%)	3 155	-21 653
Change in deferred tax due to change of rate	-723	-592
Tax effect of foreign tax not credited Norwegian tax	1 226	2 451
Correction of contributions for 2015, tax effect	0	3 278
Tax expense in income statement	**126 460**	**129 509**

Reconciliation of tax expense	2017	2016
Profit before tax	547 749	517 678
Estimated tax 24% (25%)	-131 460	-129 419
Tax expense in income statement	126 460	129 509
Difference	**-5 000**	**90**

The difference consists of the following:	2017	2016
24% (25%) of permanent differences	-5 503	-5 048
Tax effect of foreign tax not credited Norwegian tax	1 226	2 451
Change in contribution previous years, tax effect	0	3 099
Change in tax/deferred tax due to change of rate	-723	-592
Total reconciled difference	**-5 000**	**-90**

NOTE 16
GUARANTEES

Grieg Seafood ASA acted as a guarantor for Ocean Quality UK Ltd and Ocean Quality North America Inc in connection with sales contracts with customers. The total guaranteed amounts are EUR 250,000 and USD 3,000,000.

NOTE 17
RELATED PARTIES

Amounts in i NOK x 1 000

2017	Operating income	Operating expenses	Financial income	Financial expenses	Long-term receivables	Trade receivables	Current receivables	Trade payables	Other current liabilities
Total related parties - Group companies	62 756	0	28 440	-1 741	623 365	41 450	1 151 052	-35 881	-178 801
Total related parties - shareholders	0	7 698	0	0	0	0	0	-518	0
Total	**62 756**	**7 698**	**28 440**	**-1 741**	**623 365**	**41 450**	**1 151 052**	**-36 399**	**-178 801**

2016	Operating income	Operating expenses	Financial income	Financial expenses	Long-term receivables	Trade receivables	Current receivables	Trade payables	Other current liabilities
Total related parties - Group companies	55 997	0	46 916	-6	601 032	37 520	1 240 578	-34 201	-633 576
Total related parties - shareholders	0	7 356	0	0	0	19	11	0	-283
Total	**55 997**	**7 356**	**46 916**	**-6**	**601 032**	**37 539**	**1 240 589**	**-34 201**	**-633 859**

The company carries out transactions with companies controlled by Grieg Seafood ASA's largest shareholder, Grieg Holdings AS.
The services provided include:

- ICT-related and other services such as catering, reception etc. are delivered by Grieg Group Resources AS. The services are provided on an arm's length basis.
- Grieg Seafood ASA rents its offices from Grieg Garden AS on an arm's length basis.

The parent company provides a range of services to the subsidiaries. The services include administrative services and services relating to the provision of parent company non-current loans and short-term credit facilities to the subsidiaries. Interest is charged on an arm's length basis.

Ocean Quality AS has been classified as a subsidiary of Grieg Seafood ASA since 2015.

Grieg Seafood ASA enters into hedging contracts on behalf of Grieg Seafood Rogaland AS and Grieg Seafood Finnmark AS. The arrangement is intended to reduce these companies´ exposure to salmon prices. The agreements with the subsidiaries are priced on the basis of a "back-to-back" arrangement.

NOTE 18
NET INTEREST-BEARING DEBT AND PLEDGES

The Company has a syndicated loan provided 50/50 by DNB and Nordea. The financing agreement comprises a total framework of MNOK 1,685 and includes a long-term credit facility of MNOK 700. At the year-end, the credit line was utilised in the amount of MNOK 300.

The financing agreement includes covenants stipulating consolidated equity of 35% (in the Group, excluding Ocean Quality, a revolving NIBD/EBITDA ratio of 5.0 if the book equity ratio is higher than 40% and 4.5 if the book equity ratio is between 35% and 40%. As at 31 December 2017, the NIBD/EBITDA for the Group excluding Ocean Quality was 1.2 and the equity ratio was 52%. Consequently, the Group fully complied with all covenants at the year-end.

Since the end of year, the Company has renegotiated the Group´s financing agreement in line with growth targets and subsequent needs for investment. See Note 19 - Post-balance sheet events, for further information.

Amounts in NOK x 1 000

Non-current liabilities	**2017**	**2016**
Liabilities to credit institutions before amortisation effect	895 000	985 000
Long-term credit facility *)	300 000	0
Amortised cost	-3 312	-5 126
Total interest-bearing non-current liabilities	**1 191 688**	**979 874**

Short-term debt	**2017**	**2016**
Short-term credit facility *)	0	0
Share of current portion of long term borrowing	90 000	90 000
Total interest-bearing current liabilities	**90 000**	**90 000**
Gross interest-bearing liabilities	1 281 688	1 069 874
Bank deposits	157 460	383 281
Loans to subsidiaries	1 063 519	494 733
Loans to associates	13 100	0
Net interest-bearing liabilities	**47 609**	**191 859**

*) In 2017, the Company had a total long-term credit facility of MNOK 700, of which MNOK 400 was available for utilisation at the reporting date.

MATURITY PROFILE - NONCURRENT LIABILITIES	2018	2019	Subseq.	Total
Long-term loan	90 000	895 000	0	985 000
Long-term credit facility	0	300 000	0	300 000
Total	**90 000**	**1 195 000**	**0**	**1 285 000**

Liabilities secured by mortgage	2017	2016
Liabilities to credit institutions	1 281 688	1 069 874
Total liabilities	**1 281 688**	**1 069 874**

Book value of assets pledged as security		
Shares in subsidiaries	1 226 980	1 226 980
Operating assets	5 478	5 972
Trade receivables	156	19
Loans to subsidiaries	1 063 519	494 733
Total assets pledged as security	**2 296 133**	**1 727 705**

				2017		2016	
Type of debt		Interest rate	Maturity	Current portion	Non-current portion	Current portion	Non-current portion
Syndicated long-term loan	NOK	Floating	06/2019	90 000	891 688	90 000	979 874
Syndicated loan revolving credit	NOK	Floating	06/2019	0	300 000	0	0
Total				**90 000**	**1 191 688**	**90 000**	**979 874**

	31.12.2017	NOK	CAD	GBP	USD
Syndicated long-term loan	981 688	981 688			
Syndicated loan revolving credit (non-current)	300 000	300 000			
Total	**1 281 688**	**1 281 688**	**0**	**0**	**0**

	2017	2016
Average interest rate	2,21%	3,53%

NOTE 19
POST-BALANCE SHEET EVENTS

REFINANCING

To cater for major investment needs relating to the Company's growth strategy in the period leading up to 2020, the Group has renegotiated its syndicated bank loan before its original maturity in 2019. The Group has set growth targets, including increased smolt capacity and new sites, which will entail an increased need for working capital. The Group's total credit framework has been increased from MNOK 1 685 to MNOK 1 700 and MEUR 60. As a result of this, the current revolving credit facility will increase from MNOK 700 to MNOK 1 000, alongside overdraft facilities of MNOK 100. Repayments of MNOK 50 and MEUR 5 will be made for term loans of respectively MNOK 600 and MEUR 60, split into half-yearly instalments. The agreement has a term of five years and expires on 28 February 2023.

To the General Meeting of Grieg Seafood ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grieg Seafood ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, 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 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included 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 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.

The activities of the group has in general been unchanged compared to previous year. We have not identified any regulatory changes, transactions or other events that qualify as Key audit matter for the 2017 audit. Consequently, our Key audit matters are the same as previous year.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
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
Measuring of biological assets	
As described in the accounting policies notes, Grieg Seafood ASA measures the Group's biological assets at fair value in accordance with IAS 41. Biological assets include inventories of broodstock, smolt and live fish held for harvesting purposes. For audits of significant inventories, the international audit standards require that the auditor participates at inventory count, provided that it is practicable. The biological assets are by 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. Therefore, we have focused on measuring the inventory of biological assets (biomass), emphasizing live fish held for harvesting purposes, which constitute the major part of the Group's biological assets. Biomass in the sea has direct influence on the valuation; see more about this in the paragraph «*Valuation of biological assets at fair value*» below. See note 2 and 7 for further information about measuring of biological assets.	The Group's biomass system shows the number of fish, average weight and biomass per site. We have directed our effort at the movement in biological inventory (in numbers) in the period. The movement is the total of smolt stocked, loss of fish and harvested fish for the period. We reviewed the Group's processes for controlling the number of fish stocked. To ensure accuracy of the number of fish registered in the biomass system, we tested, for a selection of stocking, the control by tracing the number of fish at stocking back to underlying documentation. Underlying documentation are vaccination documentation for internally produced smolt and e.g. invoices for purchase of external smolt. The growth in the period is connected to the total feed consumption and is closely associated with purchase of feed. We reviewed the Group's internal controls of reconciliation of feed inventory and obtained external confirmation from feed suppliers in order to verify purchased volume. We also assessed recorded accumulated feed factor for live fish held for harvesting purposes and obtained explanations from management and further documentation for sites with significantly either higher or lower feed factor than expected. Our procedures substantiated that the growth for the year was reasonable. In order to challenge the historical accuracy of management's biomass estimates we reviewed the harvest deviation for the period. By harvest deviation, we refer to the deviation between actual harvested biomass (in numbers and kilos) and the estimated biological inventory according to the group's biomass system. We found the accumulated deviations to be reasonable. We satisfied ourselves that the disclosures in the notes about measuring of biological assets were reasonable and in accordance with the requirements in the accounting standards.
Valuation of biological assets at fair value	
The Group measures biological assets at fair value in accordance with IAS 41. The fluctuations in the fair value estimate that occur due to, for instance, changes in	We challenged management's model for calculation of fair value of biological assets by assessing the model against the criteria in IAS 41 and IFRS 13. We found

(2)

the market price, may have significant impact on the period's operating result. The Group therefore shows the effect of fair value adjustments for biological assets as a separate line item before operating result (EBIT).

We focused on the valuation of biological assets at fair value due to the size of the amount, the complexity of the calculation, because the estimate involves judgement and due to its significance on the financial result for the year.

As per 31.12.2017, the book value of biological assets is MNOK 2 698, of which MNOK 2 016 is historical cost and MNOK 682 is value adjustment. Biological assets comprise about 1/3 of total assets.

See note 2 and 7 for information about valuation of biological assets at fair value.

that the model includes the elements that the accounting standards require.

We examined whether the biomass that formed the basis for the Group's model corresponded with the Group's biomass system and controlled that the model made the mathematical calculations as intended.

After having assured that these fundamental elements were in place, we assessed whether the price assumptions that management used in the model were reasonable. We assessed the price assumptions against observable spot- and/or forward prices from FishPool and other observable markets. We found management's price assumptions to be reasonable.

We challenged management's assumptions for future mortality and expected production cost by assessing these factors against industry data and the Group's historical results. We found the assumptions to be in line with industry data and historical results.

We satisfied ourselves that the disclosures in notes 2 and 7 to the financial statements referring to valuation of biological assets appropriately reflect the valuation method and that the disclosures are according to requirements in the accounting principles.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, principles of Corporate Governance and information in the Group's Sustainability Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management intends either 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, included International Standards on Auditing (ISAs), we exercise professional judgement 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 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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, 17 April 2018

PricewaterhouseCoopers AS

Jon Haugervåg

State Authorised Public Accountant

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