



ROOTED IN NATURE
ANNUAL REPORT 2018





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FARMING THE OCEAN

FOR A BETTER FUTURE

We are sea farmers. We live by and for the ocean. In cold and clear waters we produce salmon to people all over the world. Our fish is healthy for humans and sustainable for the planet. This is our tiny way of making the world a better place.



Our history and our future

5000 B.C.E

First fish farms reported in China.

1850

The first wild salmon hatcheries were established in Norwegian salmon rivers.

1969

The brothers Ove and Sivert Grøntvedt released the first salmon smolts in pens in the sea at the island Hitra in Norway.

1970s

Commercial salmon farming of chinook, coho and sockeye is established around Sechart in British Columbia.

2011

Grieg Seafood British Columbia is certified by BAP (Best Aquaculture Practices).

2010

Together with Bremnes Seashore, Grieg Seafood establishes the sales company Ocean Quality.

2008

Grieg Seafood Rogaland is certified by GLOBALG.A.P (Good Agricultural Practices).

2007

Grieg Seafood is listed at Oslo Stock Exchange.

Grieg Seafood acquires Hjaltland Ltd in Shetland, the beginning of Grieg Seafood Shetland.

2013

The Norwegian Government launches «green licences», with stricter environmental standards. Grieg Seafood has 8 green licences today.

2015

Grieg Seafood Shetland is certified by GLOBALG.A.P.

The Norwegian Government launches “development licenses”. Grieg Seafood has applied with the offshore farming project Blue Farm.

2016

Grieg Seafood Finnmark is certified by GLOBALG.A.P.

2017

Grieg Seafood launches its GSF2020 improvement program: a production target of 100 000 tonnes in 2020, with a cost at or below industry level.

Grieg Seafood harvests 63 000 tonnes.

Grieg Seafood Finnmark received its first ASC certifications.

1973

The Norwegian Parliament adopts a license system for the growing aquaculture industry, with the aim of strengthening local communities along the coast. Since then, salmon farms have contributed with jobs and revenues to small, coastal communities in all production countries.

1990s

Vaccines against diseases are introduced. As a result, the salmon farming industry has reduced the use of antibiotics in salmon farming significantly.

1992

Grieg Seafood Salmon (trading company) and Bioinvest (salmon farming investor) are established.

1996

Grieg Seafood decides to invest in Rogaland.

2006

Grieg Seafood merges with the Volden Group and establishes Grieg Seafood Finnmark.

2001

Grieg Seafood acquires Scandic Marine Ltd. in British Columbia and establishes Grieg Seafood BC.

2000nds

The Norwegian Government and the industry develops the standard NS9415 to secure safe facilities and prevent escapes.

2018

Grieg Seafood harvests 75 000 tonnes.

Grieg Seafood achieves an A- score from the Carbon Disclosure Project (CDP).

Grieg Seafood scores 12th place on the SHE Index.

2019

Grieg Seafood aims to harvest 83 000 tonnes.

Grieg Seafood scores 8th place on the SHE Index.

2020

Grieg Seafood aims to harvest 100 000 tonnes.

2030

Grieg Seafood aims to have reduced CO₂ emissions per kilo with 30 percent (with 2017 as a base year).

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PART 01

Grieg Seafood at a glance

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Main achievements 2018

GROUP HIGHLIGHTS

74 623

Harvest volume (tonnes GWT)

14.72

EBIT per kg (NOK)

22 %

Return on capital employed (ROCE)

A-

Awarded by the Carbon Disclosure Project on actions related to climate change

12 → 8

Climbing on the SHE Index due to our gender balance in the management team

ROGALAND

16 293

Harvest volume (tonnes GWT)

13.5

EBIT per kg (NOK)

COMPLETED

Expansion of smolt facility completed

0

No sea lice treatment for five months

5

Five sites currently being monitored and fed from our pilot Precision Farming operational center

1st

The first ever solar panel and wind mill on a fish farm

FINNMARK

29 774

Harvest volume (tonnes GWT)

20.0

EBIT per kg (NOK)

COMPLETED

Expansion of smolt facility completed

2

Two new sites granted

4

Total of four sites ASC certified

0%

None of the analyzed samples from the wild salmon river, the Alta river, were farmed salmon

SHETLAND

11 924

Harvest volume (tonnes GWT)

2.8

EBIT per kg (NOK)

94%

Superior share of salmon

0

Zero impact on wild life

BRITISH COLUMBIA

16 632

Harvest volume (tonnes GWT)

17.5

EBIT per kg (NOK)

STARTED

Expansion of smolt facility started

1st

Skuna Bay is the preferred salmon of choice for top chefs throughout North America

7.2 %

Improved growth rate in the Esperanza area due to algae mitigation and digital monitoring

Key figures 2018

KEY FIGURES (NOK 1 000)	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales revenues	7 500 316	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	1 334 473	1 105 533	1 341 662	261 311	483 820	484 330	-29 818	345 820	686 944
EBIT	1 098 818	904 400	1 167 745	47 742	343 104	348 293	-191 162	205 613	639 754
EBIT after fair value adjustment	1 354 916	812 937	1 683 486	80 951	219 367	615 743	-93 099	-189 567	847 383
Profit/loss for the year	997 120	600 899	1 222 331	4 366	144 395	430 985	-147 188	-123 158	631 039
Cash flow from operations	819 841	708 877	953 113	367 282	156 541	317 282	202 733	215 406	594 731
Gross investments	733 034	552 821	254 852	322 168	311 698	163 961	189 539	324 186	241 804
Total assets	8 142 490	7 152 615	6 768 038	5 935 777	5 351 599	4 590 593	4 070 279	4 172 197	4 057 628
NIBD according to covenants requirement	1 689 537	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	2 236 320	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)	3 883 511	3 347 905	3 206 951	2 237 511	2 241 451	1 988 557	1 513 230	1 690 150	1 982 405
EBIT/kg	14.72	14.45	18.04	0.73	5.30	6.00	-2.73	3.42	9.96
Harvest volume (tonnes GWT)	74 623	62 598	64 726	65 398	64 736	58 061	70 000	60 082	64 214
Market price of salmon (NOK/kg) *	60.76	60.88	63.13	42.09	40.30	39.59	26.58	31.99	37.26
NIBD/EBITDA	1.3	1.2	0.7	6.3	3.3	3.0	-51.3	4.2	1.5
Equity %	48 %	47 %	47 %	38 %	42 %	43 %	37 %	41 %	49 %
Return on Capital Employed (ROCE)	22 %	24 %	33 %	1 %	10 %	12 %	-6 %	7 %	20 %
Dividend per share (NOK)	4.00	4.00	1.50	0.50	-	-	-	1.35	0.25
Earnings per share (NOK)	8.81	5.02	10.74	-0.06	1.26	3.90	-1.33	-1.11	5.65
Total market value OSE (NOK 1 000)	11 423 023	8 067 580	9 122 785	3 461 522	3 182 367	2 735 719	1 379 026	463 397	2 210 908
Number of employees (full-time equivalent)	769	707	654	681	686	626	640	589	578

Tonnes = tonnes gutted weight equivalent (GWT) unless otherwise specified.

* Average of weekly prices FPI NOK

FIGURE EBIT VS. PRICE (NOK)

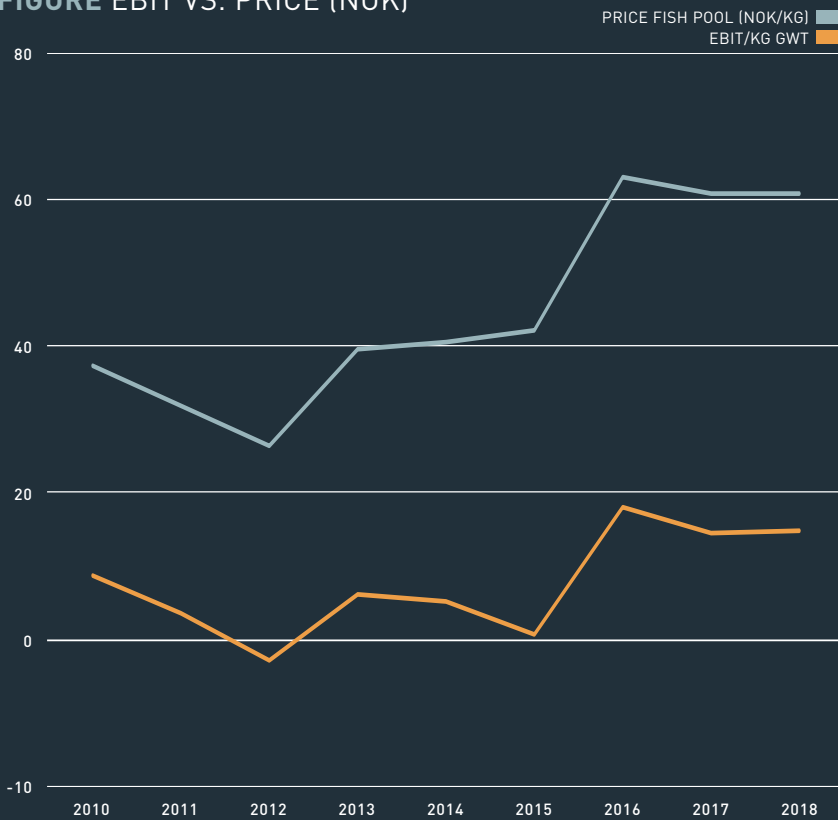


FIGURE HARVEST VOLUME 2018 (TONNES GWT)

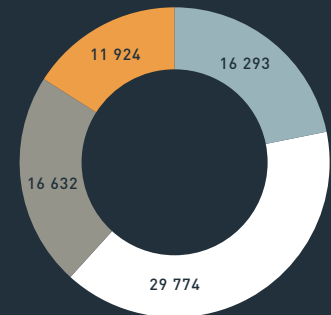


FIGURE SALES REVENUES 2018 (NOK 1 000)

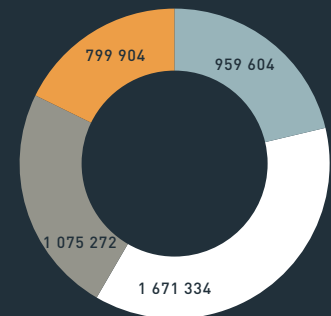


FIGURE HARVESTED VOLUME

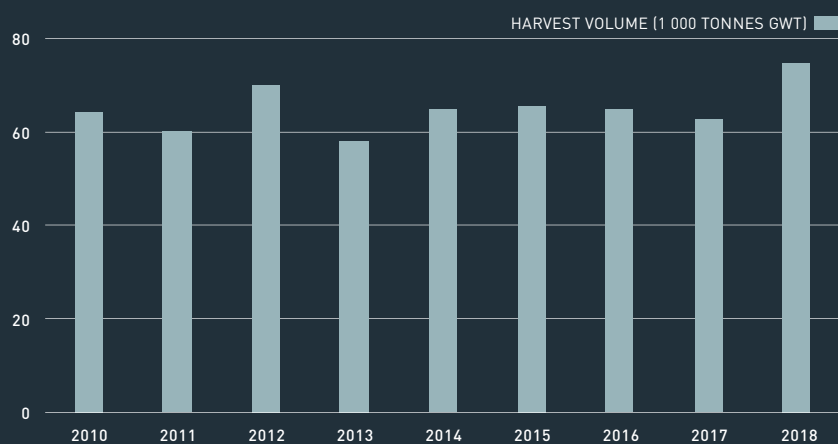
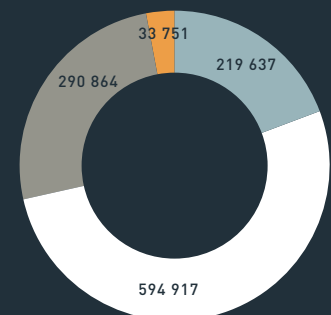


FIGURE EBIT* 2018 (NOK 1 000)



ROGALAND
FINNMARK
BRITISH COLUMBIA
SHETLAND

* EBIT before fair value adjustment of biological assets

The GSF 2020 program for sustainable growth

In 2016, we launched our growth program to utilize existing farming licenses. The growth target is 100 000 tonnes in 2020, with a cost at or below industry level. With this program, we are also building a platform for sustainable growth beyond 2020.



FIGURE OUR GROWTH JOURNEY: HARVESTED TONNES

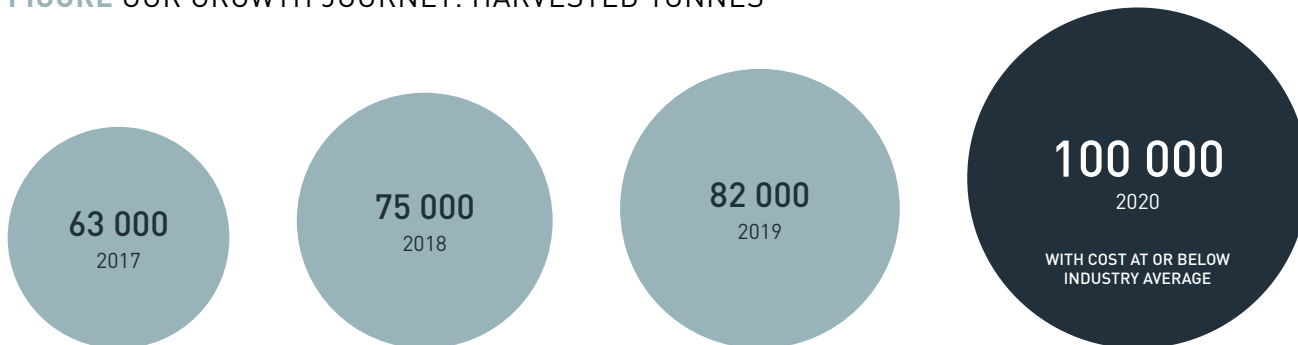
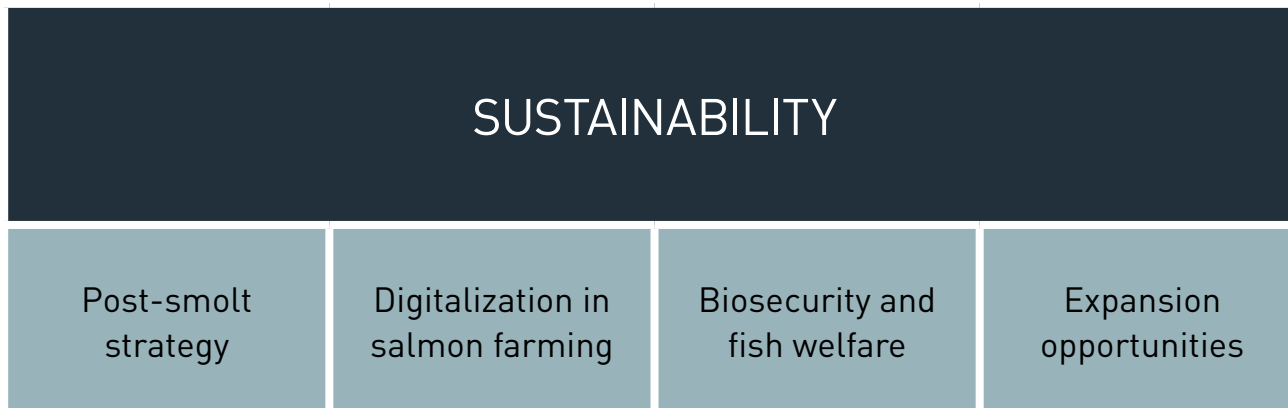


FIGURE OUR STRATEGIC FOCUS AREAS



OUR STRATEGIC FOCUS AREAS

POST SMOLT STRATEGY

Our post smolt strategy will enable us to keep fish longer on land before releasing it into the sea. While an average smolt released into the sea in 2014 was 90 grams, the average smolt in Rogaland will be 500 grams in 2020.

Bigger smolt improves biosecurity because each salmon has less time in sea, with reduced exposure to biological risks. It also increases smolt release flexibility and allows us to fallow for longer periods if needed. Further, post smolt improves salmon survival

rates because each salmon is more robust when entering the sea. Post smolt also allows for a more efficient production cycle. It takes less time to reach harvest size in the sea, which frees up capacity on farms and reduces the number of active sea sites. As such, it reduces the need for capital expenditure in seawater production.

The result is lower environmental footprint per kilo, better fish health, increased productivity, and lower costs.

DIGITALIZATION

When digitalizing salmon farming, we apply advanced sensors, big data, artificial intelligence, and automation, with the aim of generating better farming decisions.

Today, we have simplified and standardized data acquisition. Farmers are starting to get access to real-time data from the pens to support decision-making. The future will allow us to use big data analytics to predict events in advance, to improve decision-making and omit negative occurrences. We call it Grieg Seafood (GSF) Precision Farming.

We will open integrated full-scale operations centers for remote farming operations in all regions. The centers will gather and analyze new and historical data, support decisions through continuous data analysis, centralize and improve feeding operations, and keep an overview of all technical infrastructure.

Our digitalization efforts will improve insight, provide better control for the farmers, increase resource utilization, and improve the area management. We believe it will allow us to find new connections between the fish and the environment, which may impact farming decisions. The result is reduced environmental impact, improved fish welfare, improved productivity, and lower cost.

SUSTAINABILITY DRIVERS

- Sea lice control
- Escape control
- Disease control
- Survival
- Minimal sea lice medication
- Wild life management
- Carbon emissions
- HSE
- Work satisfaction
- Certifications
- Local value creation



SUCCESS FACTORS

- License to operate
- Higher volume
- Superior quality
- Reduced cost
- Engaged employees
- Preferred partner



BIOSECURITY AND FISH WELFARE

We pursue a systematic, long-term approach to fish welfare. The key is investment and further development of preventative measures against dangers to the fish in the sea, such as sea lice, harmful plankton, low oxygen levels, diseases, and low sea water temperatures.

Prevention will reduce handling and stress for the fish. It will also reduce our environmental footprint, for instance by reducing the number of treatments needed. The result is stronger growth, high harvesting quality, increased survival rates, and lower cost.

EXPANSION OPPORTUNITIES

We look for more sites and new locations in existing regions, which will allow us to improve flexibility, biosecurity, and fish welfare. We take part in new growth initiatives such as development licenses in Norway, and look for joint ventures and cooperation with farmers in existing areas. Increasing production time on land through our post smolt strategy will also give us more options.

Expansion opportunities give us more flexibility in production, which helps us to reach our targets on volume, cost, quality, fish welfare, and environmental impact.

FINANCIAL TARGETS

- ROCE: 12 %
- 100 000 tonnes in 2020
- Cost at/below NOK 37.9/kg
- NIBD/EBITDA \leftarrow 4.5
- NIBD/harvest volume: NOK 20/kg
- Dividend of 25-35 % of net profit

FIGURE SUSTAINABILITY DRIVES RESULTS

In salmon farming, when we are in it long-term, there is no contradiction between sustainability and profit. In fact, sustainability drivers such as sea lice control and survival directly impact success factors like cost or volume. As such, to reach our financial targets, our sustainability drivers need to perform well.

CEO LETTER

Building a platform for sustainable growth





“We are only at the very beginning of our journey to digitalize salmon farming and to utilize the power of big data and artificial intelligence.”

ANDREAS KVAME
CEO
Grieg Seafood

I am pleased to report that 2018 was another good year for Grieg Seafood. Throughout the year, we significantly advanced our business, delivered solid financial results, and took important steps to position the Company for continued sustainable growth. Harvest volumes increased by 20 percent and reached 75 000 tonnes for the year. Finnmark, Rogaland and British Columbia reached their 2018 targets on volume, cost and smolt transfers to sea. Shetland ended slightly behind target. All in all, we are in a strong position to reach our 2020 targets of 100 000 tonnes with a cost at or below industry level.

POST-SMOLT ON TRACK

Throughout 2018, we have focused on four key strategic priorities; post-smolt, digitalization, biological control and fish welfare, as well as expansion opportunities. In 2018, we made progress in the development of our post-smolt capabilities, upgrading our smolt facilities to produce bigger smolt in Rogaland, Finnmark and British Columbia. Construction finished at our first post-smolt only facility in Rogaland, which targets production of smolts weighing up to one kilo, with an average weight of 500 grams. That will improve robustness before the fish is released into the sea, and it limits each salmon's exposure to sea lice and other possible diseases in the open pens. So far, the results from post-smolt in sea are promising.

FIRST RESULTS FROM DIGITALIZATION

We have started to reap the first results from our investments into digitalization. In British Columbia, feeding days increased due to mitigating actions against toxic algae blooms and low oxygen levels, enabled by sensor technology and surveillance. On our farms in Esperanza, where toxic algae blooms can be a challenge, growth rate improved with 7 percent in 2018.

Opening our first pilot for an operational center in Rogaland was another milestone. We are now running sensor pilots in every region to collect standardized data from our farms, which will enable us to compare an increasing number of production- and environmental parameters between sites daily, driving learning and production control.

We are only at the very beginning of our journey to digitalize salmon farming and to utilize the power of big data and artificial intelligence. We believe digitalization has the potential to transform the industry. New data-driven knowledge about connections between the fish and the environment in the sea will allow us to increasingly farm salmon on nature's premises. I am proud that Grieg Seafood is driving digital aquaculture.

IMPROVED BIOLOGY

Biological control is key to increased harvest volumes, lower cost, lower environmental impact and better fish welfare. Although there are regional differences, biological control is steadily improving, and preventative efforts against diseases, sea lice and toxic algae blooms are starting to show results. However, there is still a long way to go before we have solved these challenges permanently. In Shetland, biological control remains a challenge and we are not satisfied with the situation. We have therefore initiated several targeted measures to improve performance in this region.

MORE SITES WITH SOCIAL LICENSE TO OPERATE

We received two new sites in Finnmark in 2018. To be able to expand with more sites, we need to strengthen our social license to operate. In the aquaculture industry, we operate in the commons, and the fjords where we farm belong to all. To obtain formal permission from authorities and follow regulations is not enough. We also need to earn our communities' trust. We achieve that by behaving ethically and responsibly, by always doing what we can to keep our footprint on the environment low, and by contributing sufficiently to local value creation. To make it easier for our stakeholders to keep us accountable also on such parameters, we are for the first time this year integrating our sustainability report and annual report. Going forward, we will continue our efforts to improve relations and honest dialogue with our local communities.

SUSTAINABILITY IS CORE BUSINESS

Sustainability lays the foundation for our business. In our view, there is no contradiction between sustainability and financial performance. For instance, when we achieve low sea lice levels with preventative methods, we avoid sea lice treatments that are stressful for the fish, that can potentially affect the marine eco-system, and that is expensive. It is our utmost belief, that healthy oceans, sustainable food and contributions to local communities are prerequisites for profitability. By driving forward improvements to our farming operations, we aim to create value for all our stakeholders. We take our responsibility in reaching the United Nations Development Goals. In 2018, we were proud to receive the second highest grade by the Carbon Disclosure Project, which scores companies based on their work to cut carbon emissions.

Sustainability parameters such as sea lice levels and reduced survival directly impact cost and volume and are therefore monitored daily throughout the Company. Other KPIs related to sustainability are reviewed monthly. Going forward, we aim to certify all our farms with Aquaculture Stewardship Council (ASC) certifications to ensure external and independent auditing of our operations.

AN ENERGIZED ORGANIZATION

Grieg Seafood's dedicated employees deserve all the credit for our achievements in 2018. After completing our culture project in 2017, the organization is energized with a new drive. We are developing a culture of sharing. People are using Workplace to discuss challenges and learn from best practice across regions.

We will build upon this momentum going forward. It is early days of our growth journey, and we are preparing to go beyond our 2020 goals. We must digitize operations. We must think about which skillsets we need to develop internally and which we need to hire to complement what we have. We need to explore new business models and to pursue further growth opportunities. Constant learning will be the new norm.

I am excited to be a part of this Company and I am looking forward to the next step of our journey. Grieg Seafood has been around for a quarter of a century. That is a respectable age in the salmon farming business. Still, in my mind we are only at the end of the beginning. 70 percent of the globe is covered by water, and yet only two percent of our food comes from the ocean. The road ahead is paved with growth opportunities.

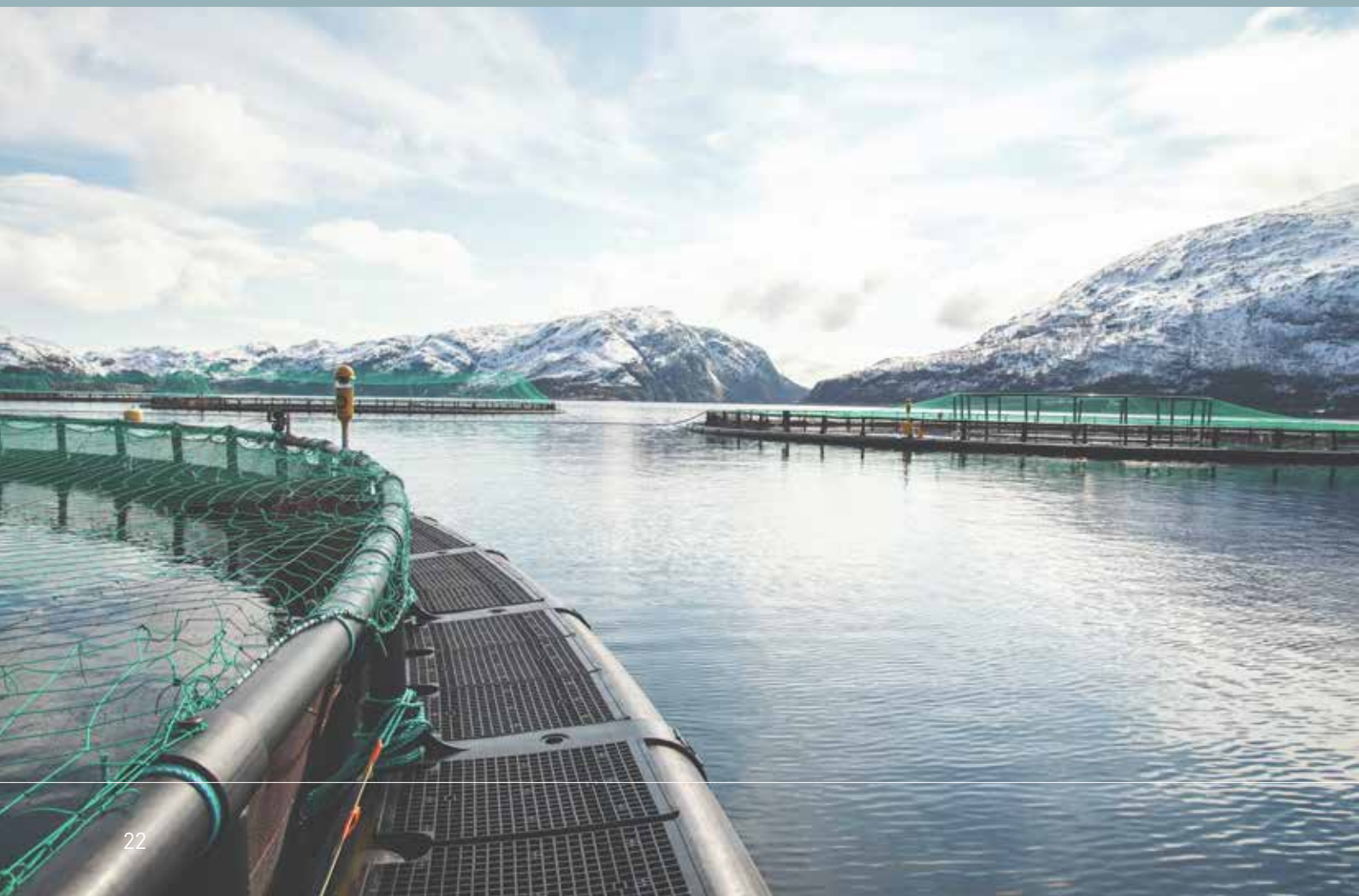
We are on a set direction. We are on a clear mission. We are farming the ocean for a better future.





Farming the ocean for a better future

70 percent of the earth is covered by the ocean. Today, however, we only get about two percent of our food from the sea. The ocean can provide much more healthy nutrition to people on all continents. Fish also has a low carbon footprint and needs few inputs from scarce resources like fresh water or fertile land.



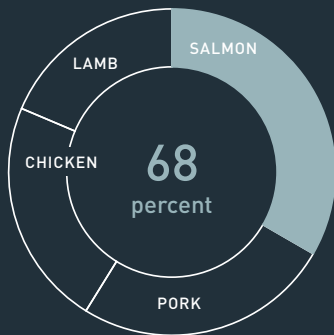


FIGURE EDIBLE YIELD

Edible yield measures how much of the animal that is actually used for human consumption. Salmon has a high degree of edible yield compared to other animal proteins.

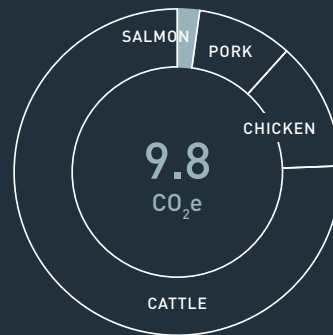


FIGURE CARBON FOOTPRINT

Salmon has a low carbon footprint compared to other animal proteins.

Because there are limits to the amount of wild fish that can be sustainably harvested, the growth of seafood in peoples' diets must come from aquaculture. Sustainable farming of fish and other marine species has an enormous potential globally.

Though we have made great progress in finding more sustainable fish farming methods over the last decades, many challenges remain. In Grieg Seafood, we see it as our responsibility to advance food production below water while keeping the ocean and the planet healthy.

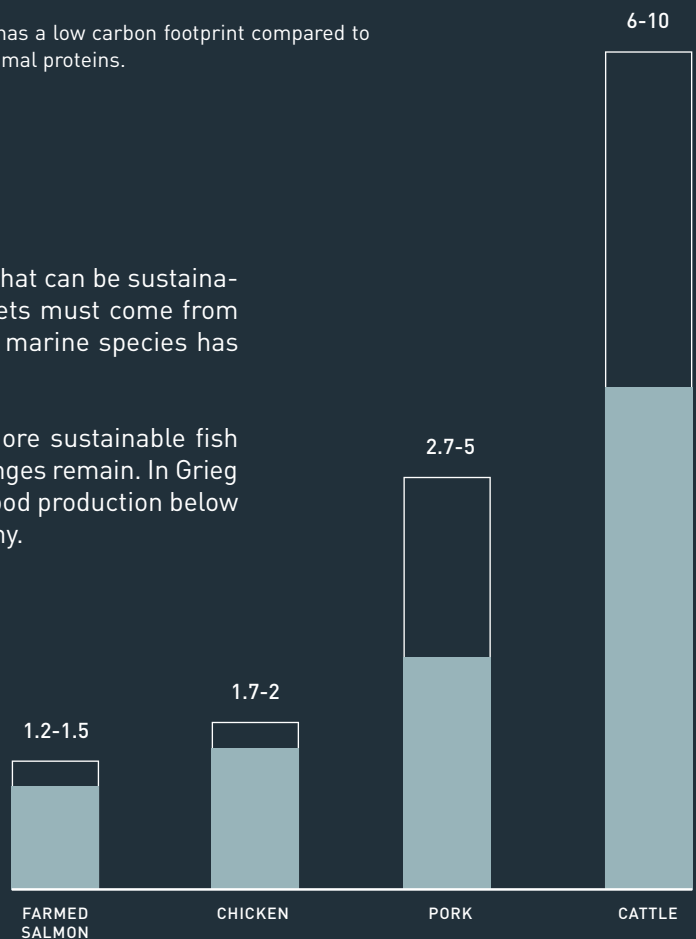


FIGURE FEED CONVERSION RATIO

Feed conversion ratio measures the productivity of different protein production methods. Salmon needs 1.2-1.5 kg to increase its bodyweight by 1 kg.

THE UNITED NATIONS DEVELOPMENT GOALS

To promote sustainable development, Grieg Seafood strives to find the right balance between environmental, social and economic considerations in our operations. The 17 United Nations Sustainable Development Goals guide countries' and companies' efforts to do so. Our production is in line with several of the 17 goals, but Grieg Seafood will focus particularly on the goals where we can have the greatest impact.

THE GRIEG FOUNDATION

Our largest shareholder, the Grieg Group, contributes to sustainable development in a broader perspective. The Grieg Foundation owns 25 % of the Group, and channels a share of the Company's profit into charitable projects across the world. In 2018, the Grieg Foundation donated NOK 46 million to such projects. A significant part of this money comes from Grieg Seafood.



OUR STRETCH GOALS

2 - Zero Hunger: As the salmon farming industry is driving development in global aquaculture, we contribute to a sustainable marine food system. Sustainable farming methods, practices, biological and technical innovation, research, new knowledge and governmental management developed for the salmon farming industry can be transferred to the production of other marine species in other parts of the world. As such, we need to find solutions to our challenges not only to make our own farming more sustainable, but also to advance the practices of fish farming industries in other countries. That way, we can truly contribute to zero hunger.

13 - Climate Action: Farmed fish is one of the animal proteins with the lowest carbon footprint. Salmon farmers must still do our part to reach the targets of the Paris Climate Agreement. We can decrease the carbon footprint of our salmon even further.

14 - Life below water: We work to conserve and sustainably use the oceans, seas and marine resources for sustainable development. We have a responsibility to protect marine biodiversity, and we strive to find new ways to reduce our environmental footprint and improve the welfare of our fish.

17 - Partnerships for the goals: We cannot reach the goals we have set alone. We collaborate with authorities, researcher institutions, other salmon farmers, NGOs, students, suppliers and others to advance sustainable aquaculture. We share knowledge, expertise and technology. We seek to be honest, exchange ideas and to learn from our surroundings.

WE ARE ALSO COMMITTED TO

4 - Quality Education: We must ensure that our employees receive the right training and development to match the competencies the Company needs at all times.

5 - Gender Equality: A diverse workforce with people of different backgrounds is not only our social responsibility. It is also key to profitable growth.

8 - Decent Work and Economic Growth: We provide jobs with good and fair conditions in rural areas. We contribute to economic growth to our local communities in Norway, the UK and Canada.

9 - Industry, innovation and infrastructure: We take part in research and innovation to find new solutions to our challenges.

16 - Peace, justice and strong institutions: We will do business in a way that is inclusive, just and accountable, and that promotes strong societies and institutions.



WHO WE ARE

OUR VISION

ROOTED IN NATURE
FARMING THE OCEAN FOR A BETTER FUTURE

OUR VALUES

OPEN

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.

AMBITIOUS

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.

CARING

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 them, and we take their concerns seriously. We create opportunities and lasting value for society. We are good neighbours.

OUR APPROACH TO SUSTAINABLE BUSINESS

In our long-term perspective, clean seas, healthy fish and economic profit are no contradictions. It is our task to make these considerations go hand in hand. Our overall target goes beyond short-term profitability. With our five pillars, we are committed to sustainable and long-term value creation for all of our stakeholders.

FARMING THE OCEAN FOR A BETTER FUTURE				
HEALTHY OCEANS	SUSTAINABLE FOOD	PROFIT & INNOVATION	PEOPLE	LOCAL COMMUNITIES
<ul style="list-style-type: none"> • Fish health and welfare • Sea lice control • Escape control • Limiting local emissions • Interaction with wild life 	<ul style="list-style-type: none"> • Safe and healthy food • Sustainable feed • Reducing carbon emissions • Waste management 	<ul style="list-style-type: none"> • Seafood demand • Economic productivity • Profitable growth • Precision farming • Research and innovation 	<ul style="list-style-type: none"> • Creating attractive jobs • Keeping our employees safe • Transparency, integrity and anti-corruption • Data security and privacy 	<ul style="list-style-type: none"> • Local value creation and ripple-effects • Local procurement • Sponsorships • Transparency and dialogue

REPORTING ON OUR PROGRESS

This is an integrated report where we are reporting on our progress on all of our pillars. On profit related topics, we follow the guidelines of the Oslo Stock Exchange (OSE). On sustainability parameters, we are inspired by the Global Reporting Initiative (GRI) and the Global Salmon Initiative (GSI), the Sustainable Stock Exchanges (SSE) initiative and the FAIRR Index.

OUR MATERIALITY MATRIX FOR SUSTAINABILITY REPORTING

On topics related to sustainability, we have conducted a priority analysis in line with the GRI Standards. The identified sustainability aspects are based on environmental, social and economic impact that our stakeholders think Grieg Seafood can have, in both positive and negative ways. The aspects are also assessed according to the impact on Grieg Seafood's long-term performance. The materiality analysis is based on stakeholder dialogues and evaluations by the global and regional management teams.



RISK MANAGEMENT

Risk management is our culture, ethical values, behavior, and understanding of risk. Risk management is what we do every day to provide reasonable assurance to our stakeholders that we will achieve our goals.

Risk management involves identifying what types of risk exposure we face, measuring those potential risks, proposing means to hedge, insure or mitigate the risks, and estimating the impact of various risks on our production and future earnings.

In accordance with the COSO ERM framework, the foundation for our risk management is our vision, values, and our strategy. This defines what we are trying to achieve and how we want to conduct business. We aim to have a culture of risk awareness, which means that risk management and controls are systematic, and embedded in our procedures. Our Board of Directors defines the Group's

overall risk appetite and tolerance level, and is ultimately responsible for the governance of risk management. The Group management team ensures the effectiveness of relevant risk reducing measures, while managers at all levels exercise risk awareness and make risk conscious decisions in their everyday management. Risk management aids decision-making, contributing to efficient resource allocation and continuous improvement. This is how we enhance our business and achieve our goals.

We address risk within strategic goal achievement, the efficiency of our operations, financial reporting, and compliance with laws and regulations. Some of our main risks, in particular risks related to biology, climate and our employees, are congruent with our materiality matrix. Please read Part 2 in this Annual Report for more information on our efforts related to the material aspects.

TRANSPARENCY AND STAKEHOLDER DIALOGUE

NATIONAL & INTERNATIONAL AUTHORITIES

care about sustainability challenges, balanced regulation and long-term value creation.

We have an open dialogue with official authorities in the countries where we operate, and collaborate on all aspects. We aim to accommodate all requests for meetings and dialogue. We recognize public concern for the oceans, invite them to our farms and participate in the public debate about salmon farming. We try to find solutions to accommodate other interests as much as possible.

INVESTORS AND ASSET MANAGERS

care about long-term performance and returns, both on financial and sustainability related parameters.

We make an effort to keep a continuous, open and honest dialogue with potential investors and asset managers. That happens through the annual report, quarterly reports, road shows and Capital Markets Updates.

CUSTOMERS

are concerned with food safety, health attributes, quality, certificates and sustainability challenges.

We have surveys and frequent dialogue with our customers, and strive to meet their expectations.

LOCAL AUTHORITIES AND COMMUNITIES

care about local employment, contributions to the local business sector and public life as well as sustainability challenges. They also care about co-existence between salmon farmers and other local actors.

Our business depends on consent from local authorities and communities. Dialogue with local communities are done with special interest groups locally, open meetings or dialogue through the media. We recognize public concern for the oceans, invite them to our farms and participate in the public debate about salmon farming. We try to find solutions to accommodate other interests as much as possible. In areas with indigenous nations, dialogue and relations with indigenous representatives are especially important.

EMPLOYEES

care about health and safety, a good working environment, and personal development. They are also concerned with fish welfare and environmental issues.

We strive to understand our employees' wishes and expectations. We have several initiatives related to training, education and development, including collaboration with schools, apprenticeship programs and initiatives to develop competencies and skills. Every year, our global management team convenes to discuss what should be the hallmarks of Grieg Seafood's culture. We also engage in dialogue with the trade unions.

STAKEHOLDER ORGANIZATIONS

focus on our impact on the environment, biodiversity in the ocean, sustainable feed and food health and safety.

We collaborate and have a dialogue with organizations and actors that constructively seek to improve the industry. That includes several environmental organizations and research institutions.

SHAREHOLDERS

care about long-term performance and returns, both on financial and sustainability related parameters.

We keep a continuous, open and honest dialogue with shareholders about strategy and results. This includes regular meetings with the Board of directors.

SUPPLIERS

are concerned with our integrity and that we are a fair and predictable partner.

We work continuously with suppliers to ensure that they comply with our Code of Conduct, to ensure a common understanding of ethics, sustainability and delivery of goods and services. This particularly pertains to our suppliers of fish feed and staffing. Here we especially focus on suppliers' compliance with various sustainability parameters.



KEY PARTNERS



THE GLOBAL SALMON INITIATIVE (GSI)

GSI was established in 2013 and is a group of 17 companies which together hold over 50% of the global salmonid production. GSI member companies have committed to cooperation and transparency, to produce a sustainable and healthy product. A product that meets a growing population's need for protein, whilst minimizing negative environmental impacts, and positively contributing to a better society. The CEOs of the member companies convene regularly, and the initiative has become a forum for sharing best practices and to address key challenges. GSI has developed industry-specific performance indicators.



BELLONA

The Bellona Foundation is a Norwegian, independent non-profit organization that aims to meet and fight the climate challenges, by identifying and implementing sustainable environmental solutions. They work towards reaching a greater ecological understanding, protection of nature, the environment and health. Bellona is engaged in a broad range of current national and international environmental questions and issues around the world.



THE SEAFOOD INNOVATION CLUSTER

The cluster aims to foster strategic collaboration, initiate partnerships and facilitate collaboration processes in the whole seafood value chain, to solve challenges and make the industry more sustainable. The cluster is a Norwegian Centre of Expertise.

Our scoreboard

	ASPECT	TARGET
HEALTHY OCEAN	Survival rate*	93 %
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Use of antibiotics (gr per tonne LWE)	No use of antibiotics
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Sea lice treatments** (gr per tonne LWE)	Group target of 50 % reduction from 2015 (8.1) - 2018
		Rogaland
		Finnmark
	Shetland	
	British Columbia	
Escape incidents	Zero escape incidents	
	Rogaland	
	Finnmark	
	Shetland	
	British Columbia	
SUSTAINABLE FOOD	Carbon emission (kgCO₂e per tonne GWT)	30 % reduction (from 2017) in emission/tonnes GWT
	High quality product (measured as superior share)	93 % superior share
		Rogaland
		Finnmark
		Shetland
	British Columbia	
PROFIT & INNOVATION	Return on capital employed	12 % p.a.
	Farming cost per kg (NOK)	37.90 in 2020
	Harvest volume (tonnes GWT)	100 000 tonnes in 2020
PEOPLE	Absence rate	Below 4.5 %
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Harassment	Zero harassment cases
	Workplace culture	Above average score in Great Place to Work survey
Equal workplace	Climb on the SHE Index	
LOCAL COMMUNITIES	Support our local communities	Collaborate and contribute to local community

* Survival rate calculated according to the GSI standards.

** Amount of active pharmaceutical ingredients (APIs) used (gr) per tonne of fish produced (LWE).

2016	2017	2018	STATUS	REFERENCE
				Page 48
93 %	91 %	92 %	●	
94 %	95 %	96 %	●	
83 %	89 %	83 %	●	
90 %	93 %	88 %	●	
				Page 49
0	0	0	●	
0	0	0	●	
0.8	1.7	13.9	●	
294.9	18.0	150.3	●	
2.6	0.9	1.2	●	Page 55
5.2	0.2	1.1	●	
0.2	1.0	0.8	●	
2.5	5.9	3.2	●	
0.3	0.1	0.3	●	
				Page 57
0	0	0	●	
1 (200 fish)	0	0	●	
2 (1 446 fish)	0	2 (22 212 fish)	●	
0	0	0	●	
na	420	459	●	Page 80
				Page 70
85 %	79 %	73 %	●	
88 %	78 %	85 %	●	
93 %	93 %	94 %	●	
76 %	81 %	84 %	●	
33.2 %	23.9 %	22.0 %	●	Page 97
39.7	43.4	43.1	●	Page 101
64 726	62 598	74 623	●	Page 101
				Page 136
3.4 %	3.2 %	4.7 %	●	
6.1 %	4.4 %	5.4 %	●	
2.7 %	3.2 %	2.3 %	●	
1.6 %	0.9 %	1.8 %	●	
0	0	0	●	Page 141
na	na	89 %	●	Page 132
na	na	12th → 8th place	●	Page 132
yes	yes	yes	●	Page 150-159

The colours indicate

● if we are on target to reach our goal ● if we are on track to meet our target ● or if we are not satisfied with the result

Our organization

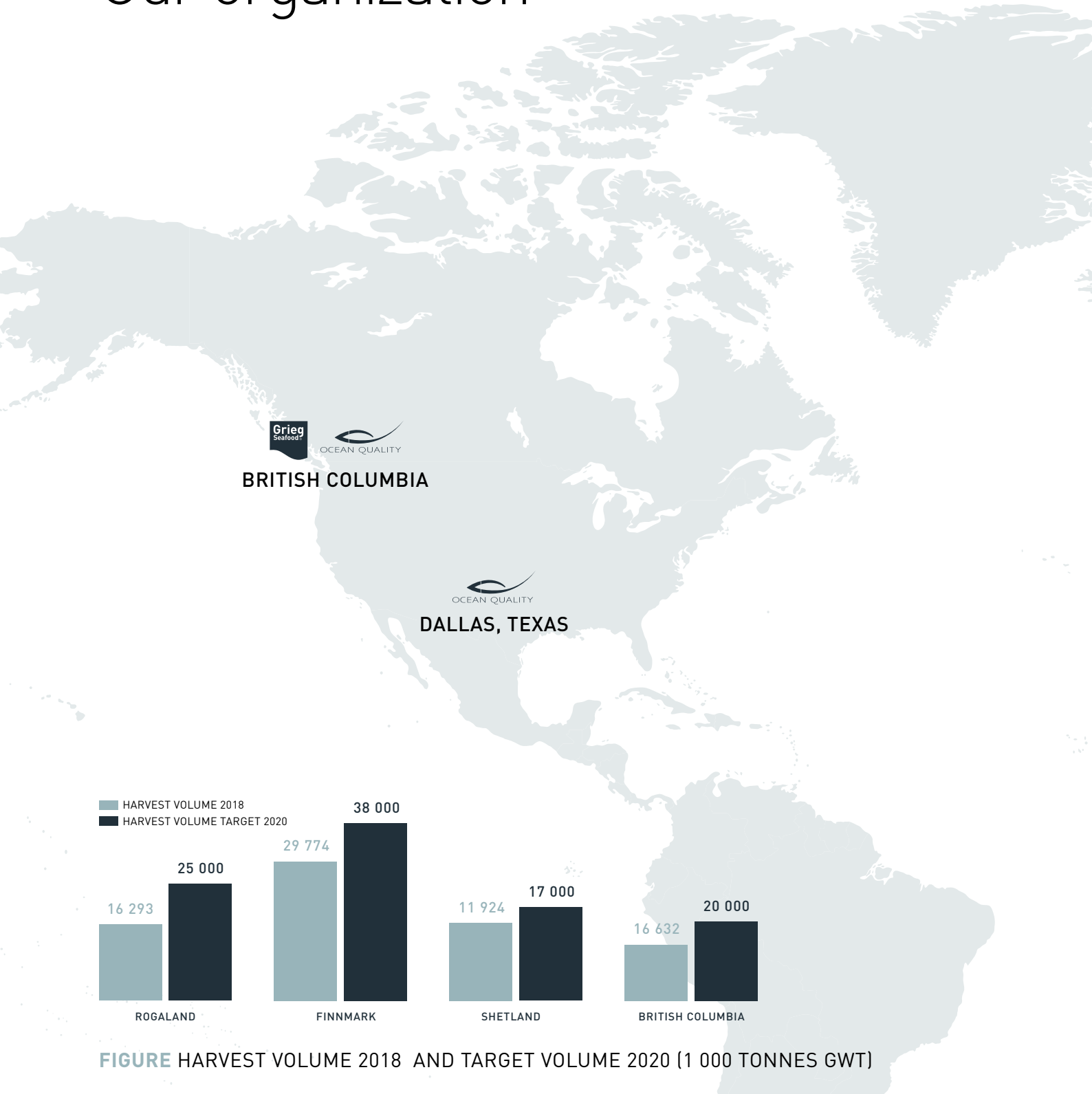


FIGURE HARVEST VOLUME 2018 AND TARGET VOLUME 2020 (1 000 TONNES GWT)



SHETLAND



FINNMARK



ROGALAND



BERGEN
HEADQUARTER



MANCHESTER



BEIJING



SHANGHAI

Group management team



GROUP MANAGEMENT



ANDREAS KVAME

Chief Executive Officer (from 2015)

Andreas Kvame has international experience from change management and improvements in the aquaculture industry from a number of companies. He has previously worked as CEO in Scanbio AS, and director of sales and supply in Mowi, where he was also responsible for the integration of Stolt Seafarms, Panfisk and Fjord Seafood. He is educated within agriculture and aquaculture.

Number of shares 31.12.2018: 39 165 (0.04%)

Number of options 31.12.2018: 600 000



ATLE HARALD SANDTORV

Chief Financial Officer (from 2009)

Atle Harald Sandtorv has comprehensive experience within mergers and acquisitions, with responsibility of pursuing growth and structural changes. His previous experience includes CFO in Bennex and Tide. Sandtorv holds a master's degree in business and economics.

Number of shares 31.12.2018: 24 208 (0.02%)

Number of options 31.12.2018: 276 044



KNUT UTHEIM

Chief Operational Officer Farming (from 2014)

Knut Utheim has 30 years of experience within the aquaculture industry, with focus on salmon farming and biology. He has previously worked as regional director in Mowi and as COO of farming in Stolt Seafarm, among others. Utheim has an aquaculture degree.

Number of shares 31.12.2018: 23 507 (0.02%)

Number of options 31.12.2018: 300 000



KATHLEEN O. MATHISEN

Chief Human Resource Officer (from 2016)

Kathleen O. Mathisen has extensive experience with business-driven HR activities with focus on the human capital in the organization, mainly from the international offshore oil and gas industry. She has previously worked as vice president HR at Dof Subsea, among others. She has several management courses and is currently doing an MBA in leadership and sustainability.

Number of shares 31.12.2018: 3 456 (0.00%)

Number of options 31.12.2018: 200 000

REGIONAL MANAGEMENT



MARVIN D. "ROCKY" BOSCHMAN

Regional Manager Grieg Seafood British Columbia (from 2014)

Rocky Boschman has been working in the salmon farming industry for more than 30 years. He has held various management positions, including production manager at Stolt Seafarm and operations manager at Mowi. He also held the position as saltwater production director in Grieg Seafood BC. Boschman has an MBA and a bachelor's degree in marine biology.

Number of shares 31.12.2018: 3 295 (0.00%)

Number of options 31.12.2018: 200 000



ALEXANDER KNUDSEN

Regional Manager Grieg Seafood Rogaland (from 2008)

Alexander Knudsen has more than 20 years of experience from various positions within the aquaculture industry. Knudsen worked at Øvrebø Fisk, which was acquired by Grieg Seafood in 1997, and has held several positions at Grieg Seafood Rogaland since. He has a degree in economics and business administration.

Number of shares 31.12.2018: 22 165 (0.02%)

Number of options 31.12.2018: 300 000



ROY-TORE RIKARDBSEN

Regional Manager Grieg Seafood Finnmark (from 2014)

Roy-Tore Rikardsen has 20 years of experience from the aquaculture industry. He has held various positions, including production manager seawater at Lerøy Aurora, regional manager in Akva Group and sales consultant at Ewos. Rikardsen has an engineering's degree within environment and marine technology.

Number of shares 31.12.2018: 19 565 (0.02%)

Number of options 31.12.2018: 300 000



GRANT CUMMING

Regional Manager Grieg Seafood Shetland (from 2016)

Grant Cumming has 18 years of experience from salmon farming, with various positions, including site manager at Mowi and production manager at Orkney Seafoods. He started in Grieg Seafood Shetland in 2005 as production manager. He has also been lecturing in aquaculture. Cumming has a zoology degree and a master's degree in mariculture science.

Number of shares 31.12.2018: 3 425 (0.00%)

Number of options 31.12.2018: 200 000

OTHER MEMBERS OF THE GROUP MANAGEMENT TEAM



KRISTINA FURNES

Group Communication Manager (from 2019)

Kristina Furnes has six years of experience within strategic communications, PR, public affairs, journalism and governmental management. Her previous positions include client director in the communications agency Geelmuyden Kiese and freelance journalism. Furnes has a master's degree in political science and government.



NINA WILLUMSEN GRIEG

Manager Business Development (from 2017)

Nina W. Grieg has 10 years of experience within strategy and operations. Her positions include advisory and project managements roles from Accenture, PwC and Grieg Shipbrokers. She started in Grieg Seafood in 2015. Grieg holds a master of science in technology, industrial economics and technology management.

Number of shares 31.12.2018: 0

Number of options 31.12.2018: na



TROND KATHENES

Chief Digital Officer (from 2011)

Trond Kathenes has more than 20 years of experience from strategy development and execution, ICT management, and business process improvements, and is a recognized driver for change. He has held positions such as partner of @dvice Human Resources and Conferit, CEO of Global Quality Manning, ICT manager at Rieber & Son and business development manager at Capgemini. He has an education within strategy and operations.

Number of shares 31.12.2018: 0

Number of options 31.12.2018: na



PART 02

Our progress

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OUR CERTIFICATIONS AND SPECIAL LICENSES

It is important both for our local communities and our customers to know that our farming practices are sustainable. To reassure them, we are certifying our farms by independent bodies. In Norway, we also have some special farming licenses with specific requirements attached.

CERTIFICATE/ LICENCES	WHAT	STATUS	AIM
ASC	Aquaculture Stewardship Council (ASC) was founded in 2010 by World Wide Fund (WWF) and IDH Sustainable Trade Initiative in order to establish global standards for sustainable seafood production. ASC standards set requirements for processes and marginal values to minimize negative environmental and social effects from fish farming.	The following sites from Finnmark have received ASC certification: Sarnes, Hesten, Mårsanjarga and Vinnalandet.	ASC certification on all sites in Norway, Canada and the UK.
GLOBALG.A.P	Global Good Agricultural Practices (GlobalG.A.P) is a voluntary international standard for food production, both in agriculture and aquaculture. The standard comprises food safety, animal welfare, sustainability, employment and traceability. GlobalG.A.P is particularly important for customers in Europe.	All farms in Norway and the UK certified.	Maintain certification on all farms in Norway and the UK.
BAP	Best Aquaculture Practices is a voluntary standard for aquaculture that includes the key elements in responsible and sustainable aquaculture, by establishing standards for good practice in all production stages of fish farming. BAP is particularly important for customers in the United States.	All farms in Canada certified.	Maintain certification on all farms in Canada.
GREEN LICENSES	Green Licenses in Norway have stricter environmental criteria. The sea lice limit is half of regular licenses, it has stricter criteria for escape prevention technologies, and the amount of medical treatments permitted per generation is limited.	Grieg Seafood has eight green licenses in Finnmark.	Maintain all of our eight green licenses in Finnmark.
TEACHING LICENSES	Teaching licenses in Norway are given to universities, colleges or high schools with educational tracks related to aquaculture. Salmon farming companies can rent teaching licenses from the educational institution. Part of the training will then take place at their salmon farms.	Grieg Seafood is renting one teaching license from Nordkapp High School in Finnmark, and one teaching license from Strand High School in Rogaland.	Maintain our two licenses in Finnmark and Rogaland.
BROODSTOCK LICENSES	The purpose is to produce roe or milk from salmon with specific traits, such as special strains or other qualities that provide high breeding value.	Grieg Seafood has three broodstock licenses in Erfjord in Rogaland.	Maintain our three licenses.
R&D LICENSES	The purpose is to provide permits to important research projects that can bring the Norwegian aquaculture industry forward.	Grieg Seafood has one R&D license in Rogaland.	Maintain our research license.



ROOTED IN

HEALTHY OCEAN

It is our responsibility to keep the ocean clean and healthy, and to ensure that our farmed salmon can live in co-existence with other marine species. Recognizing that we do leave a footprint, we must always do what we can to reduce our impact.



Fish health and welfare

Good fish health and welfare is both an ethical responsibility and the most important measure we can do to ensure good growth, higher harvesting quality and lower costs.

OUR PRINCIPLES

Good fish health implies that the highest possible number of fish is happy, grows normally and survives throughout the life cycle.

We have a preventative, systematic and **long-term approach to fish health and welfare**, doing what we can to ensure that our fish is robust, healthy and happy from early life. That will make the fish more able to cope with stress, parasites and other external influences, which reduces disease outbreaks and the need for medical treatments.

We **collaborate with neighboring fish farmers** to prevent and contain diseases.

In case **sea lice treatments** are needed, we must find the correct balance between the welfare of our fish, potential impact on the local environment and avoid parasite resistance to existing treatments.

We do our best to **avoid using antibiotics** in all forms. Head office must approve use of any antibiotics, to ensure that it is used only as a last resort.

Cleaner fish should have just as good health and welfare as our salmon.

HOW WE WORK TO IMPROVE

Preventative efforts throughout the production cycle

0-0.5 MONTHS

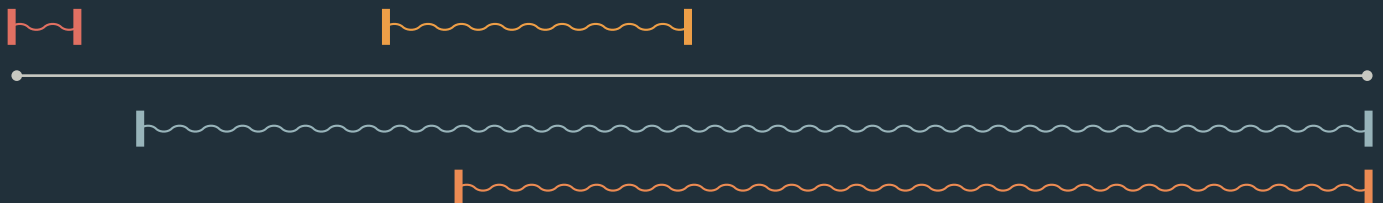
Selection of high-quality roe with qualities that fit the conditions where the fish will be farmed. Top management is coordinating roe purchasing, to ensure a common, high standard.

9-14 MONTHS

Vaccine strategies to prevent disease outbreaks.

Our post-smolt strategy helps us to control the environment of the fish longer, which makes the fish more robust before being released into the sea.

0 MONTHS



28 MONTHS

2-28 MONTHS

Different feed programs for each stage of the salmon's life cycle, to optimize health and welfare. We are particularly concerned with optimizing nutritious feed in the early stages of our salmon's life.

10-28 MONTHS

Regional plans for fish health, as the local challenges are different.

Preventative sea lice strategies, with the aim of avoiding sea lice treatments that may be stressful to the fish.

Management agreements with other fish farmers in our areas, to maintain best practice and avoid possible contamination.

Fish welfare efforts

- Enough space for the fish in our facilities. For example, a regular sea water pen is 97.5 % water and 2.5 % fish biomass in Norway.
- Procedures to avoid stressing the fish when possible, for example when handling, transporting or treating the fish.
- Harvesting procedures in accordance with regulations to avoiding suffering. The fish is euthanized by stunning.
- There are ongoing fish health and welfare training programs for all employees.
- We are looking into implementing welfare indicators from the Fish-well project in our farming, a research project that compiled a manual for fish farmers on what indicators to use to assess farmed salmon welfare. Grieg Seafood participated in creating the manual.

Hygiene efforts

- PRC screenings for early detection of parasites, viruses or bacteria.
- Regional plans for infection prevention.
- Disinfection of equipment, boats and working clothes, especially if equipment is transferred between facilities.
- Daily removal of dead or sick individuals, which are disposed and used for biofuel, fertilizers or animal feed.
- Fallowing periods.

Monitoring and inspections

- Monitoring of environmental conditions that may affect the fish, such as temperature, oxygen levels and water quality. In our fresh water facilities, we adjust these factors to ensure healthy growth conditions for the fish.
- Daily monitoring and registration of fish condition and behaviour.
- Regular fish health inspections on all sites by authorized fish health personnel, according to national regulations.
- Regions with specific challenges may do additional monitoring. In Rogaland, for example, gill health scores are collected twice a week in periods exposed to amoeba gill disease (AGD).

Additional efforts

- Cooperation between our regions to learn from best practice internally and externally.
- Finnmark focuses on careful handling of the fish in cold water as well as losses caused by cardiomyopathy syndrome (CMS) and bruises.
- BC focuses on using big data and artificial intelligence to prevent mortality from toxic algae outbreaks and low oxygen levels.
- Shetland focuses on improving our gill health program where we monitor water quality and gill health, as well as algae control.
- Rogaland focuses on improving Pancreas disease (PD) immunity with a new effective vaccine.

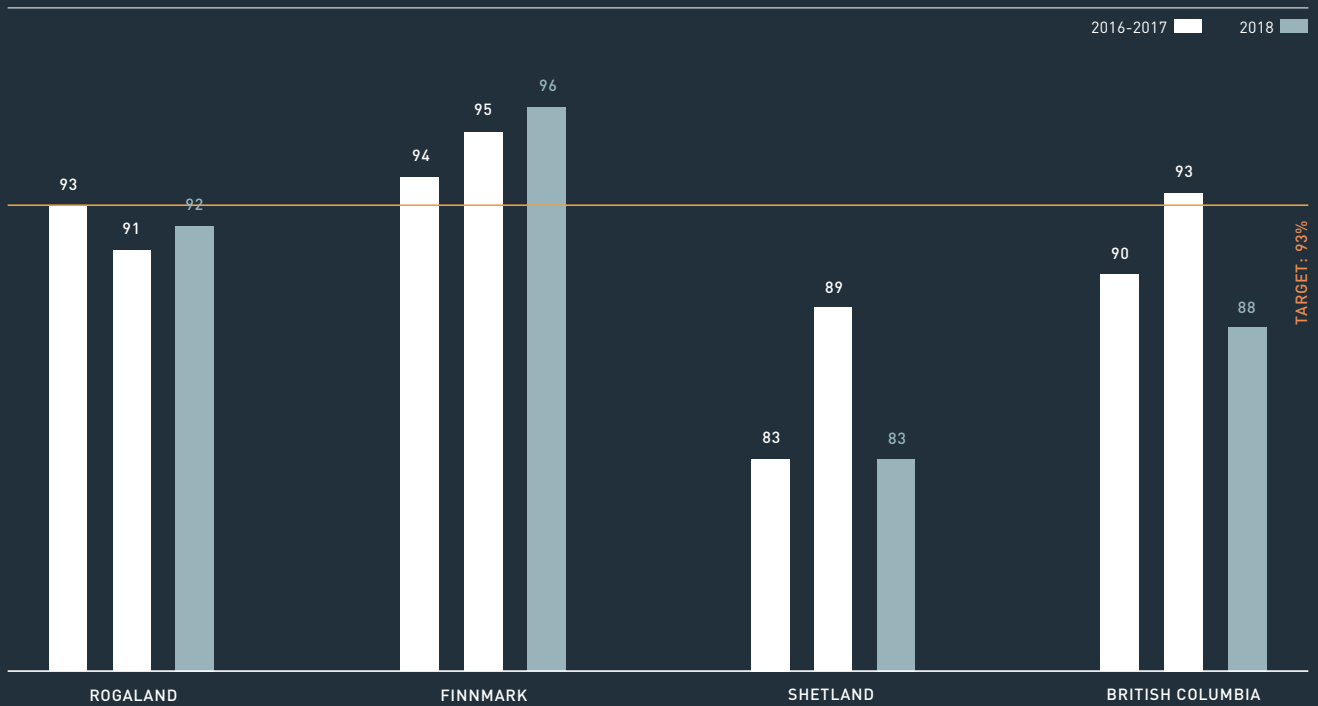
Efforts to improve health and welfare of cleaner fish

- Selection and breeding efforts to ensure that the cleaner fish is as robust and healthy as possible.
- Vaccination programs.
- Screening before release into the pens.
- A separate feed in the pens, tailor-made for the cleaner fish.
- Tailor-made, artificial kelp forests in the pens where the cleaner fish can hide, avoid stress, rest and sleep.
- More focus on pen cleaning.
- Cleaner fish are either farmed or wild fish where harvesting quotas are regulated by authorities.



RESULTS

FIGURE SURVIVAL PERCENTAGE, ROLLING 12 MONTHS



*Reduced survival is reported according to the standards of the Global Salmon Initiative, and defined as: Total number of mortalities in sea last 12 months – total number of culled fish due to illness or similar and not included in the harvested number / (closing number of fish in sea the last month + total number of mortalities in sea the last 12 months + total number of harvested fish the last 12 months + total number of culled fish (due to illness or similar and not included in the harvested number)) X100

FINNMARK

We reached our survival target.

ROGALAND

We missed our target by 1%. Fish health has improved in the region. At the end of 2018, only two sites were inflected with pancreas disease. At the end of 2017, seven sites were infected with pancreas disease.

SHETLAND

Unfortunately, we got a hit back to 2016 levels. Mortality was caused by the diseases winter ulcers and furunculosis, gill- and heart diseases as well as mechanical treatments against sea lice. We are not satisfied with the results and have implemented mitigating efforts. For instance, we are working on improving smolt health and robustness and reduce the number of mechanical treatments.

CANADA

2018 was acceptable overall but a toxic algae bloom incident in the fall gave us a lower survival rate. We have improved our algae prevention actions with good results, which we believe will lower the impact of future algae blooms.

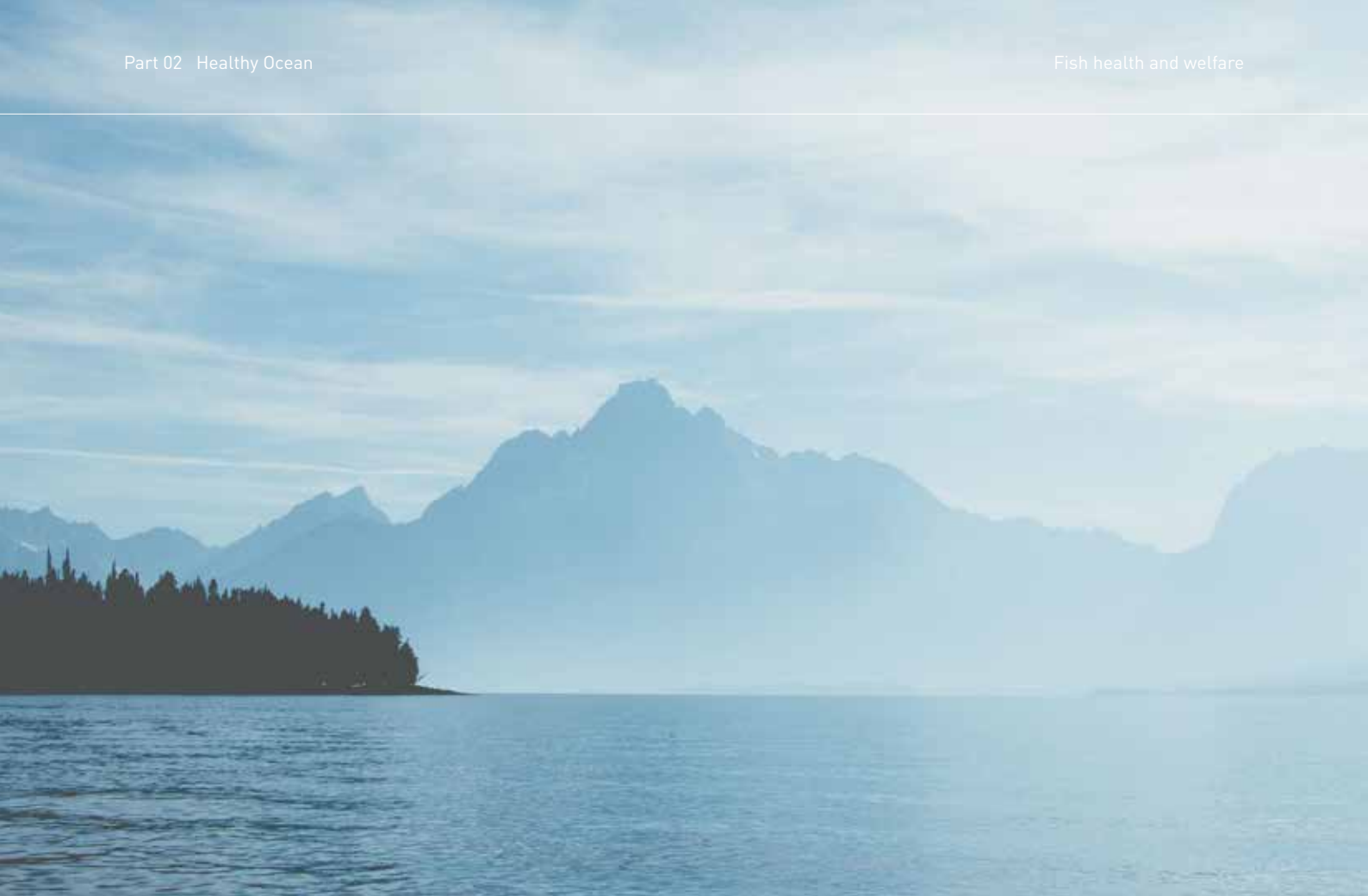


FIGURE CAUSES FOR REDUCED SURVIVAL

MAIN CAUSE	NUMBER OF FISH	BIOMASS TONNES
INFECTIOUS		
Pancreas Disease	463 304	1 277
Gill infections	202 422	856
Bacterial disease	304 033	570
NON-INFECTIOUS		
Harmful algae	369 932	910
Treatments	192 397	515
Poor water conditions	80 748	364

General health and welfare measures, a preventive and targeted approach to sea lice and disease, mitigation against algae and low oxygen levels are ways we work to reduce mortality from these causes.

FIGURE USE OF ANTIBIOTICS

REGION	2016	2017	2018
Rogaland	0	0	0
Finnmark	0	0	0
Shetland	0.8	1.7	13.9
British Columbia	294.9	18.0	150.3

Amount of active active pharmaceutical ingredient (API) used (in grams) per tonne of fish produced (LWE)

We are satisfied that we this year as well did not use any antibiotics in Norway, due to good vaccines and fish health efforts.

In British Columbia, use of antibiotics is too high. The main reasons are Yellow Mouth disease, SRS and Furunculosis. The environment and the size of the fish affect the amount of antibiotics used. To reduce the number, we plan to install infrastructure that will allow us to lower water temperature and salinities. We also pursue non-therapeutic means to manage disease such as vaccines and a healthy diet. In Shetland, use of antibiotics unfortunately also increased, because of Furunculosis and winter-ulcer disease. Our general efforts to improve fish health is also aimed at decreasing the need for antibiotics.

Sea lice control

Controlling the sea lice levels on our sites is one of the most important measures the industry can take to protect the wild salmon, particularly when the wild salmon is still at the smolt stage. Too much sea lice can also harm the farmed salmon's health and welfare. Further, sea lice treatments are costly, stressful for the fish, resource intensive and can reduce quality. For these reasons, we aim to keep sea lice levels low at all times.

OUR PRINCIPLES

Sea lice levels shall stay below the legal limit of 0.5 mature female lice on our fish farms in Norway. We aim to achieve the same levels throughout the Company, even though the legal limits are higher in Canada and Shetland. On our green licenses, the sea lice limit is 0.25.

Between April and June, when **the wild salmon smolt** swim out of the rivers and pass the salmon farms, the sea lice limit decreases to 0.1 mature female lice per site in Norway.

Our main approach to sea lice control is prevention. We aim to keep sea lice levels low with various preventative measures applied at all times.

When the sea lice limit rises **above 0.3 mature female lice at a site**, it is Company policy to apply additional measures.

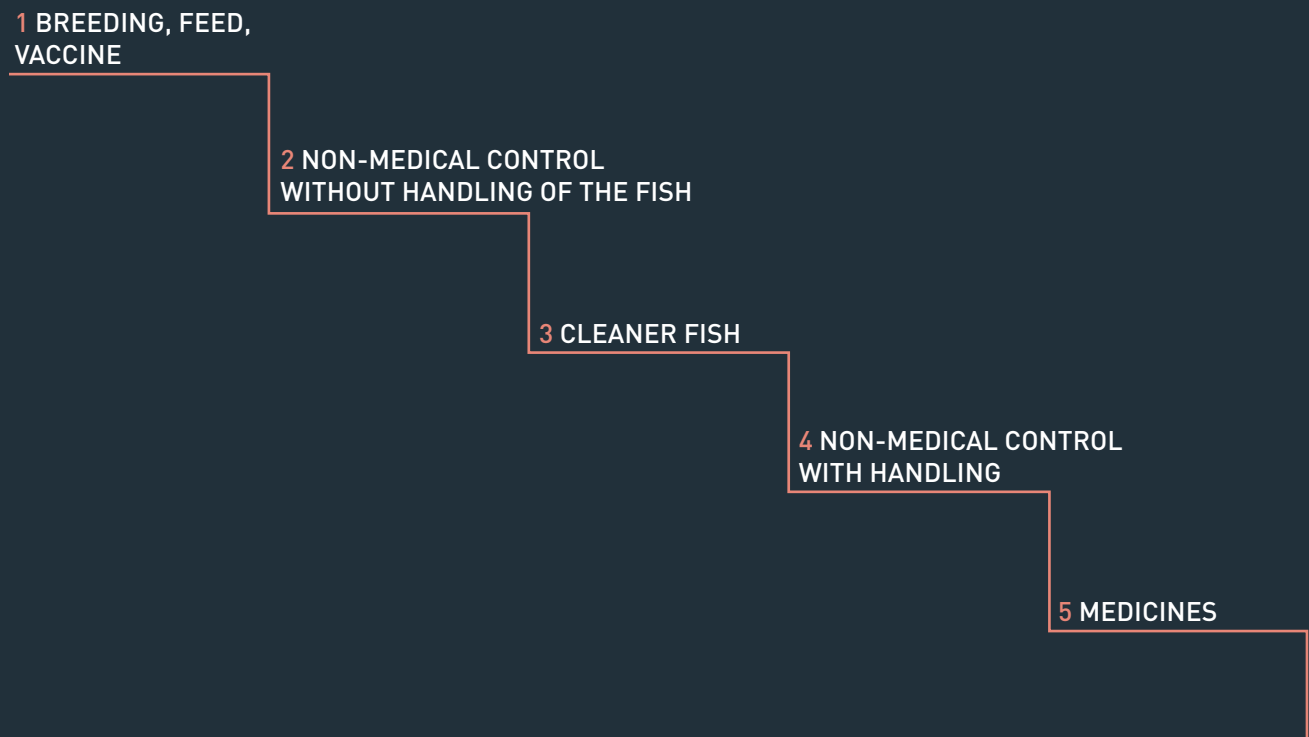
If we need to use sea lice treatments, we favour **non-chemical delousing methods**, to avoid affecting the environment and other species in the ocean. However, when selecting treatment, fish welfare and potential resistance to sea lice treatments are also considered.

If, as a last resort, we need to use medical treatments, **we revolve the use of various medicines** to avoid resistance to the treatments.

We collaborate with neighbouring fish farmers to control sea lice in our areas.

HOW WE WORK TO IMPROVE

Our approach to sea lice control



1 BREEDING, FEED, VACCINE

1 We use roe that has proven more resistant against sea lice when available.

2 We use sea lice skirts, to prevent the sea lice from entering the pens.

We have tested sea lice lasers, that can shoot 3 sea lice every second without harming the fish.

2 NON-MEDICAL CONTROL WITHOUT HANDLING OF THE FISH

3 CLEANER FISH

3 We use lump suckers and wrasse, who eat sea lice. Rogaland in particular is working hard to understand how to use wrasse effectively. We use lump suckers on all green licences in Finnmark and work for extension use at all sites. At Shetland we do also use lump suckers if we can get good quality at the right time of the year.

4 NON-MEDICAL CONTROL WITH HANDLING

4 We use mechanical treatments, such as heated water, to avoid affecting the environment. The methods are selected when conditions are favourable.

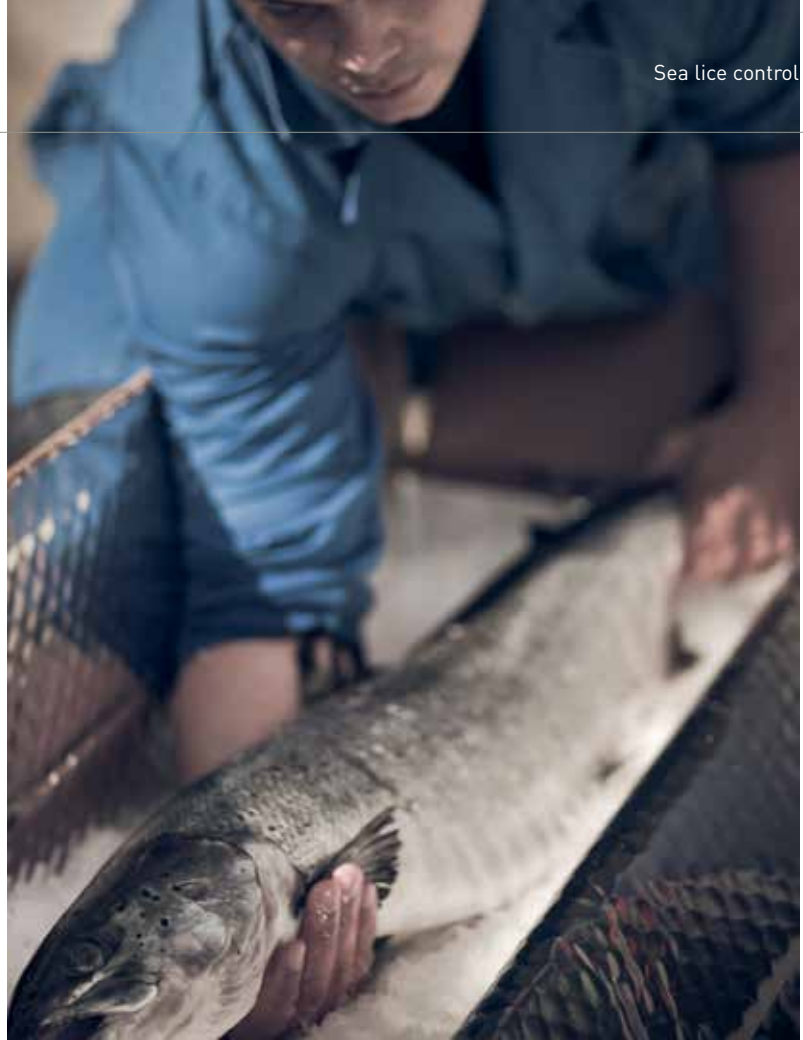
5 MEDICINES

5 Only as a last resort do we use medical treatments.

Other sea lice efforts

- All regions have comprehensive plans and strategies for sea lice control.
- Systematic monitoring of sea lice levels.
 1. In Norway and the UK, we count sea lice every week at water temperatures above four degrees, and every other week at water temperatures below four degrees.
 2. In BC, we follow local regulations where counts depend on sea lice levels. In BC, farmed salmon usually catches sea lice from the wild salmon when they pass farms on their way out to the ocean. Here, unlike Norway, the wild salmon population greatly outnumbers the farmed salmon population.
- We collaborate with other salmon farmers through Area Based Management, to control sea lice in all of our areas.
- We have meeting between the various regions to learn best practice sea lice management from each other.
- Long and synchronized following periods is the most important prevention method to reduce the sea lice pressure on the next generation.
- We take part in the Aqua Cloud artificial intelligence project, which aims to be able to predict sea lice levels in advance and use preventative methods in cases of outbreaks.
- Our post-smolt strategy will also reduce the time that each fish spends in sea, another measure to reduce sea lice exposure per fish.



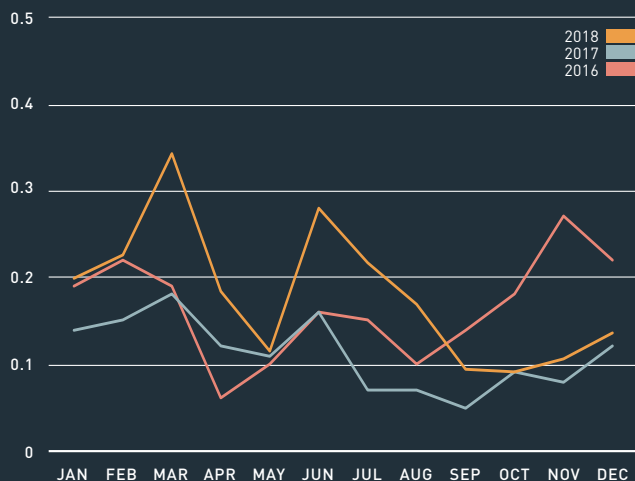


Efforts to reduce environmental impact of sea lice treatments

- While we try to avoid using medical sea lice treatments at all, there are some instances when it is necessary. In such cases we try to do it with as much care for the environment as possible.
- There is some evidence that shrimp and crustaceans are susceptible to a type of medicine, flubenzurons, or so-called chitin inhibitors, used in-feed to fight sea lice. In order to secure responsibly low emission levels locally, we have imposed a restrictive use of these agents, especially chitin inhibitors. We adhere to the recommended advice for using these agents.
- We also have procedures to prevent the release of water containing treatment medicines against sea lice in areas close to shrimp fields or spawning grounds, in compliance with regulations from the Norwegian Environment Agency.
- We follow closely ongoing research projects that look into potential impact from sea lice treatments on other marine species.

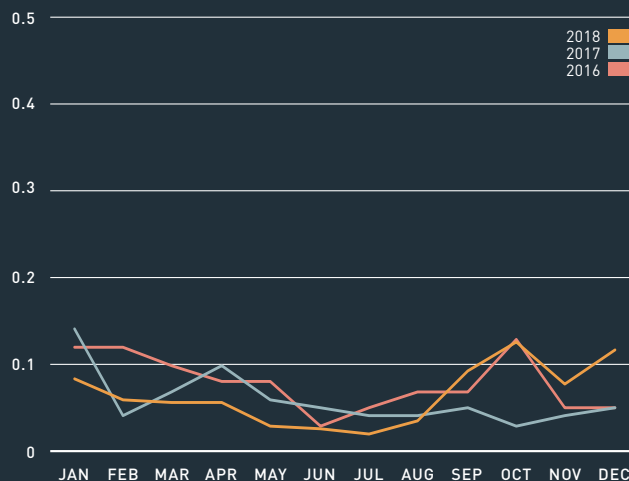
RESULTS

FIGURE SEA LICE LEVELS ROGALAND



In Rogaland, the sea lice trend unfortunately increased because of reduced effect of mechanical and medical treatments. At the same time, Rogaland experienced some success in their work with preventative methods in 2018. By planning and using wrasse effectively, the company managed again to avoid any treatments between July and November 2018. We have several initiatives aimed at increasing sea lice control. Post smolt will decrease time spent in sea and reduce sea lice pressure per fish. In Rogaland, we are also testing out whether we can use artificial intelligence to predict sea lice levels in advance, and by that improve targeted control.

FIGURE SEA LICE LEVELS FINNMARK



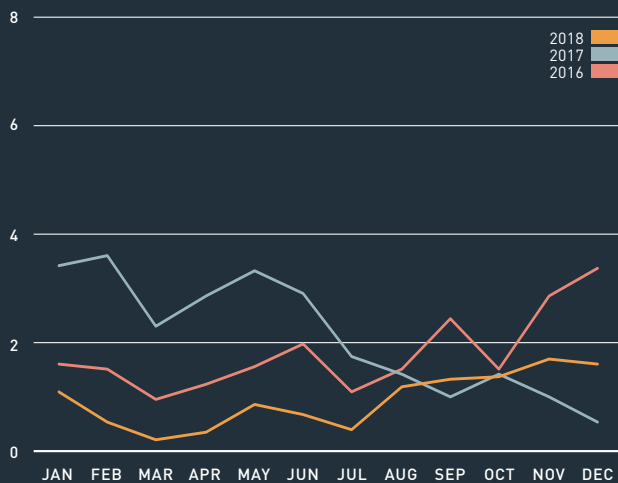
Finnmark has a very low level all year around and in 2018 we had good results with of our targeted preventive methods. We will continue this focus and hard work.

FIGURE HYDROGEN PEROXIDE TREATMENTS

API (kg/tonne produced)	2016	2017	2018
Rogaland	18.4	10.8	3.5
Finnmark	42.4	13.4	14.5
Shetland	76.0	82.7	32.6
British Columbia	0.0	9.2	5.8

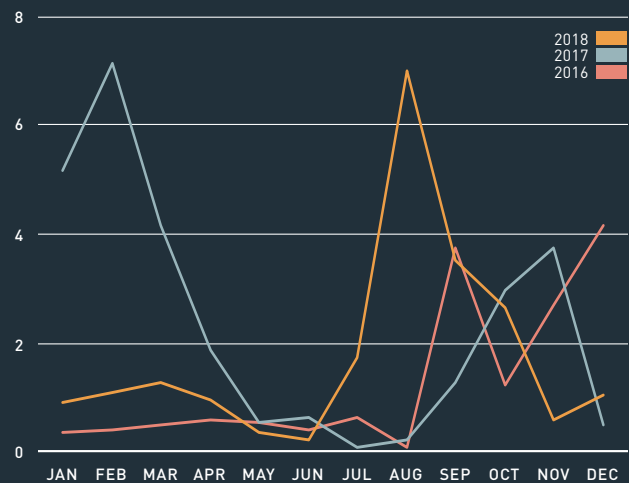
Use of hydrogen peroxide is decreasing, except for Finnmark where it increased slightly. We use preventative methods against sea lice and avoid using hydrogen peroxide when possible. Hydrogen peroxide is comprised of water with an extra oxygen molecule. It has been considered a sea lice treatment that does not impact the environment. At the moment, research is looking into whether hydrogen peroxide affects other species in the ocean. Grieg Seafood is following the research.

FIGURE SEA LICE LEVELS SHETLAND



Shetland worked hard to decrease levels of sea lice in 2018, which seemed to stabilize at a slightly lower level. We need to work hard to get the levels even lower in 2019.

FIGURE SEA LICE LEVELS BC



BC is yearly heavily influenced by the sea lice pressure from wild salmon in the autumn. Going forward, we will test out preventative methods during this period, such as sea lice skirts, with the aim of stabilizing the situation.

FIGURE ACTIVE SUBSTANCES USED FOR TREATMENTS

IN BATH	2016	2017	2018
Rogaland	1.88	0	0
Finnmark	0.02	0.90	0.72
Shetland	1.99	5.70	2.98
British Columbia	0	0	0

IN FEED	2016	2017	2018
Rogaland	3.32	0.15	1.09
Finnmark	0.14	0.06	0.08
Shetland	0.47	0.22	0.21
British Columbia	0.28	0.14	0.32

Amount of active pharmaceutical ingredients (APIs) used (grams) per tonne of fish produced (LWE).

Use of bath treatments has decreased, as they are less effective against sea lice because of less sensitivity. We also use little sea lice treatments distributed through feed. The exception is Rogaland, where use of chitin inhibitors increased in 2018. Medical treatments are used as a last resort. We are primarily focusing on preventative solutions like cleaner fish, sea lice skirts, post smolt or digital prediction.

TARGET REACHED
Grieg Seafood set a target to reduce use of chemical substances for sea lice treatments by 50 % between 2015 (8.09 API g/tonne) and 2018. We achieved our goal and have reduced our use of chemical substances by 66 % measured as API g/tonne net produced in Grieg Seafood Group.

Escape control

Escaped farmed salmon may mix genetically with the wild salmon stocks, and should therefore be avoided. Escapes are also costly for salmon farming companies.

OUR PRINCIPLES

We have zero tolerance for escapes from our farms in all regions.

HOW WE WORK TO IMPROVE

- High technical standards on sites. We are implementing the NYTEK standard on all facilities, to avoid escapes during harsh weather.
- Procedures to avoid escapes during operations.
- Regular inspections to control compliance by vessels, moorings and facilities.
- Inspections before and after harsh weather.
- We strive to ensure that employees regularly attend courses on escape prevention. New employees also receive risk and procedural training within their first week, and do not carry out work operations alone until they acquire necessary training.

RESULTS

FIGURE FISH ESCAPE INCIDENTS

Region	2016	2017	2018
Rogaland	0	0	0
Finnmark	1*	0	0
Shetland	2**	0	2***
British Columbia	0	0	0

* 200 fish escaped in this incident

** Two incidents where 829 and 617 fish escaped each time

*** Two incidents involving 500 and 21 712 individuals.

The 2018 incident where 500 individuals escaped was caused by a mistake in a well boat operation, while the incident where 21 712 individuals escaped was caused by a rift in the net in one of our cages. The rift was caused by nagging between net and our mooring system. Both incidents are analyzed in detail and measures are taken.



Limiting local emissions

Local emissions from salmon farming may affect the environment in the ocean under or around the pens. Local emissions can be excess feed, faeces from the fish or copper from the fish net.

OUR PRINCIPLES

In line with the precautionary approach, we try to **limit local emissions** as much as possible.

With the current production methods in open pens, some organic emissions must be anticipated. The impact from such emissions must **be kept below limits and levels considered acceptable by national authorities.**

Our footprint should **never be irreversible.**



HOW WE WORK TO IMPROVE

Reducing excess feed

- We are working to reduce excess feeding by using underwater cameras, so that we can stop feeding exactly when the fish is full.
- We are in a process of centralizing feeding stations, where we can develop specialized feeding expertise.
- One of many KPIs in employee bonuses is about avoiding excess feeding.

Reducing impact from faeces

- Local regulations impose regular fallowing periods, so that the environment under and around the pen can restore. If the local environment is not sufficiently restored according to independent monitoring, we must extend the fallowing period before releasing new fish into the pens or reduce the production at the site.

Reducing other emissions

- We are supporting and testing copper free antifouling solutions.

Research projects on local emission

- In Rogaland, Grieg Seafood and other salmon farming companies have engaged in an independent, environmental monitoring program, to ensure that local emissions do not affect the rest of the environment in the fjords significantly.
- In Finnmark we are also taking part in research to find out whether salmon farming is somehow affecting the local cod population.

RESULTS

- The environmental monitoring from 2018 shows that more than 90 percent of all sites in Norway have good or very good seabed conditions, according to the Norwegian Ministry of Fisheries.
- The 2018 risk report for the aquaculture industry in Norway, published by the Norwegian Institute of Marine Research, indicates that the environmental condition is good. More monitoring is, however, needed.

Interaction with wild life

Farms are often located in areas abundant with birdlife and marine mammals. Salmon farming companies must do what we can to avoid conflicts with wild animals.

OUR PRINCIPLES

We try to arrange operations and facilities in a way that **minimize our impact on local wild life.**

HOW WE WORK TO IMPROVE

- We use equipment that minimize risk of injury to wild life where relevant. For example, we use protection on the pens to prevent marine mammals from injury if they are in contact with the farm. It is on our agenda to invest in more equipment that is gentle to wild animals.
- We generally only neutralize animals that are injured, and choose alternative ways to protect farms against intruders.
- Potential conflicts with wild animals is evaluated when we consider new sites.

RESULTS

FIGURE BIRDS AND MARINE MAMMALS

Region	2017		2018	
	Birds	Marine mammals	Birds	Marine mammals
Rogaland	20	0	24	0
Finnmark	18	0	1	0
Shetland	0	1	0	0
British Columbia	0	0	0	0

The table shows the ratio of recorded cases of dead birds and sea mammals, divided by the number of active sites.

In 2018 we had a reduction in dead birds due to measures taken. We are following up measures further in 2019.



OUR STORIES

To farm salmon in co-existence with wild salmon

With farms close to one of the world's most infamous wild salmon rivers, the Alta river in northern Norway, it is Grieg Seafood's responsibility, to use farming methods that minimize impact on the wild salmon population.

Photos: Grieg Seafood Finnmark





“All industries and activities that can affect the wild salmon must take their part of the responsibility. That includes us in the salmon farming industry.”

ROGER KARLSEN
Area Manager Alta
Grieg Seafood Finnmark

“All industries and activities that can affect the wild salmon must take their part of the responsibility. That includes us in the salmon farming industry,” says Roger Karlsen.

Today, he is the Area Manager for the Alta farms in Grieg Seafood Finnmark. But his interest in salmon started long before he entered the aquaculture industry many years ago.

“I caught my first wild salmon when I was seven years old in the river Måselva in Troms, where my mother comes from,” Karlsen explains. That was the beginning of a lifelong passion for salmon.

“Since then, I have caught wild salmon almost every year.”

AIMING FOR CO-EXISTENCE

The number of wild Atlantic salmon returning from the ocean to Norwegian rivers has decreased significantly compared to a few decades ago. A combination of many factors and industrial activities have caused the decline, including impact from the salmon farming industry.

Salmon farming can mainly affect the wild salmon populations in two ways. First, escaped farmed salmon may genetically mix with the wild salmon in the rivers. Second, if farms have high levels of sea lice, the wild salmon may catch sea lice when they pass the farms.

“The smolt is particularly vulnerable for sea lice when they are on their way out to the ocean,” says Roger Karlsen.

Historically, the salmon farming industry has admittedly not always been serious enough in its efforts to avoid impact on wild salmon. That has changed.

“Our farmed salmon must be able to live in co-existence with the wild salmon. Particularly here in Alta. Because the wild salmon river here is so special, the responsibility on our shoulders is even bigger,” Karlsen elaborates.

PREVENTATIVE SEA LICE AND ESCAPE CONTROL

Grieg Seafood is mainly working on combating sea lice through preventative measures. The Company seeks to avoid treatments that stresses the fish and may cause mortalities, that can make an impact on the environment and that drive production cost.

“We work on a range of preventative measures to keep the sea lice levels constantly low. We use skirts around the pens to prevent the sea lice from entering. We use cleaner fish who eat the sea lice naturally. We also fallow over a longer period of time on some sites, which may reduce sea lice levels as well,” Karlsen explains.

Only when all of these measures fail, does the Company apply mechanical treatments to remove the sea lice. Medical treatments are used as a last resort.

Preventing escapes also needs constant work and focus. Grieg Seafood has zero tolerance for escapes. Escapes may not only be harmful to the wild salmon, it is also an economic cost for the company.

“Here in Finnmark, we have not had an escape since 2016,” says Karlsen. He explains that stricter regulations have caused investments in stronger equipment and new monitoring routines on the farms.

“We need constant focus on preventing escapes. It is about training, awareness and risk management before we conduct operations,” he elaborates.

GENERATES MORE KNOWLEDGE

Grieg Seafood and the rest of the salmon farming industry in Alta have, together with the local municipality, wild salmon management actors and research institutions, started Kompetansekylynge Laks, a cluster to promote sustainable salmon farming.

“The aim of the cluster is to generate knowledge about salmon farming that can help decision makers make good and fact-based decisions,” says Per-Arne Emaus, senior researcher at Akvaplan-niva and Chairman of the Board at Kompetansekylynge Laks.

Avoiding impact on the wild salmon population is a main goal for many of the projects initiated by the cluster. The organization spends 3 - 4 million Norwegian kroners annually to research interactions between wild and farmed salmon.

“We have, for example, tracked where the wild smolt swims on their way out of the Alta river and towards the sea,” Emaus explains.

The project generated its first conclusions in 2018.

“According to the findings so far, the smolt pass one salmon farm on the way towards the sea, at a time with low sea lice numbers. It uses an average of three days to get from the Alta river to the ocean,” says Emaus.

LITTLE FARMED SALMON IN WILD SALMON RIVERS

The salmon farming industry in Alta is also monitoring the number of farmed salmon in the Alta river and the Repparfjord river. The monitoring is organized together with Norwegian Institute for Nature Research, the management of the Alta rivers, and the West Finnmark Hunting and Fishing association.

“In this project, we encourage sports fishermen to send samples of fish shells from the salmon they catch to the Norwegian Institute for Nature Research. They analyze whether the fish is farmed or wild salmon,” says Roger Pedersen, Public Relations Manager in Grieg Seafood Finnmark.

“In 2018, none of the analyzed samples from the Alta river were farmed salmon, and 1.1 percent of the samples from the Repparfjord river were farmed salmon,” he elaborates.

Pedersen says that Grieg Seafood will continue to seek new ways of promoting co-existence between the wild salmon and farmed salmon industry.

“These results do not in any way indicate that we are done with our work to prevent impact on the wild salmon. That continues every day on every farm. But it is good to know that we are on the right track.”



Photo: The Alta river in Finnmark



ROOTED IN

SUSTAINABLE FOOD

We work to make practices more sustainable along the entire value chain. Focus areas expand from safe and healthy food, traceability and feed to carbon emissions and waste management.



Safe and healthy food

Salmon is an important source for the vital Omega 3-fatty acids DHA and EPA. Humans can not produce this fat ourselves and it must be supplied through our diet. Our farmed salmon has no traces of illegal drugs and no organic pollutants or heavy metals above the threshold.



OUR PRINCIPLES

Our salmon is **safe to eat and healthy for our bodies.**

Full **traceability and strict quality control** at every stage of the production.

Open communication about our work methods and standards with customers.

HOW WE WORK TO IMPROVE

Traceability

- The production management program Fishtalk provides documentation and full traceability from insertion of roe until the fish are harvested. Fishtalk also provides a complete overview of all feed used and any treatments applied.
-

Regulations

- EU Directive 96/23 EC imposes a monitoring program for aquaculture, to ensure that food does not contain hazardous substance residues above legal limits. Since the program began in 1998, the levels of residues have remained significantly below the recommended maximum limits.
 - We have Hazard Analysis and Critical Control Point (HACCP) systems at processing plants, approved by national Food Safety Authorities. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.
-

Standards and certifications

- The certifications BAP and GLOBALG.A.P. cover the entire supply chain.
- Our sales company, Ocean Quality, is certified according to GLOBALG.A.P., Chain of Custody, and ASC Chain of Custody.
- Grieg Seafood Shetland operates according to standards that include The British Retail Consortium, Protected Geographical Indication, and Kosher.

Hygiene

- Before harvesting the fish, we review a full analysis of each location to assess the levels of environmental pollutants, residual foreign substances and bacteria.
- High hygiene standards and continued hygiene focus on processing plants.
- Our GSF Group Quality Network has an ongoing review of challenges regarding hygiene at our processing plants. Microbiology is the main focus of this group, especially fighting Listeria.
- Monthly reporting on Listeria.
- Upon detecting Listeria on equipment, end products or at customers, action plans are executed in the form of extra thorough cleaning and modification of equipment.
- We are working on developing a common approach to monitoring, with weekly reporting and customized action plans.

RESULTS

FIGURE SUPERIOR SHARE

REGION	2016	2017	2018
Rogaland	85 %	79 %	73 %
Finnmark	88 %	78 %	85 %
Shetland	93 %	93 %	94 %
British Columbia	76 %	81 %	84 %

Although Grieg Seafood Shetland has had challenges with gill-related diseases, the share of superior quality fish has increased due to focus on fish welfare and treatments. The share of superior quality salmon both in Finnmark and BC has increased compared to last year, despite challenges with harmful algal blooms in BC. The quality share in Rogaland was impacted by pancrease disease. For information on how we classify the quality of our salmon, see page 123.

FIGURE NUMBER OF CLAIMS

REGION	2018
Rogaland	172
Finnmark	265
Shetland	270
British Columbia	518

Main reasons for claims are melanin, texture and pale fish. Throughout the production cycle, we are working to optimize farming so that the fish has as little stress and good welfare as possible, amongst other things to increase quality and avoid claims.

THE VALUE CHAIN FOR SAFE AND HEALTHY FOOD

1 Purchases

- Quality criteria for feeds
- Traceability through our production system Fishtalk

2 Fish farming

- Preventive health measures and treatment
- Traceability through our production system Fishtalk
- GLOBALG.A.P. certification

3 Harvesting

- Preventive hygienic and quality measures
- Traceability through our production systems Fishtalk and Maritech
- GLOBALG.A.P. certification

4 Sales & distribution

- Risk assessment and preventive measures
- Standards for transport and storage
- ASC Chain and Custody
- GLOBALG.A.P. certification
- Communication about approach

5 Customers

- Systems to register and follow up customer feedback
- Approved HACCP system
- Food Safety Authority monitors residue substances in fish
- GLOBALG.A.P. certification

Salmon and health

Salmon is safe and healthy food.
Fish and seafood contains a number of
necessary nutrients to the human body.

VITAMIN B12

Vitamin B12 is essential when the body grows new cells. Because we constantly need a lot of red blood cells, you can develop anemia if you lack this nutrient.

VITAMIN D

Vitamin D is necessary to maintain the correct balance of calcium in your body. It is also important to build and maintain your skeleton. The body can only produce vitamin D itself when the skin is exposed to direct sunlight, or if your diets includes natural sources of vitamin D. Fatty fish and fish liver contains vitamin D.

Source: salmonfacts.com





PROTEIN

Protein builds and maintains all cells in our body. The proteins consist of various amino acids, and the ones the body cannot produce itself are called essential amino acids. They must be provided through our diet.

SELENIUM

Selenium is important for the body's immune system because it helps to fight damaging chemical processes in the body. It also seems like selenium protects us against pollutants and heavy metals.

OMEGA-3 ACIDS

Omega-3 acids prevent and slow down the development of cardio vascular diseases. These fatty acids are also among the vital building blocks for our brain.

IODINE

Iodine is important for you to maintain a normal metabolism. Iodine deficiency can lead to metabolic changes, which may cause reduced growth and mental retrogression.

VITAMIN A

Vitamin A sees to give you a healthy sight and a strong immune system. The vitamin is also essential for healthy development of a fetus and has a positive impact on our ability to reproduce.

Sustainable feed

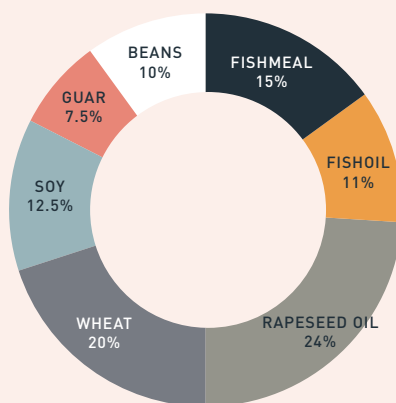
Fish feed is the most important and costly input in production of salmon. Sustainable sourcing has long been on the agenda, and lack of sustainably fished marine ingredients has made feed producers substitute marine fish oil and fish meal with plant based ingredients. As the aquaculture industry continues to expand, we must source new feed ingredients to grow sustainably.

OUR PRINCIPLES

Input factors in fish feed, both marine ingredients and plant based ingredients, should come from sustainable sources.

We comply with the ASC standard for how much fish meal and fish oil we have in our feed.

FIGURE FEED INGREDIENTS



HOW WE WORK TO IMPROVE

Requirements for feed suppliers

- We demand that 100 % of marine ingredients comply with the sustainability standard set by Marine Stewardship Council (MSC), Iceland Responsible Fisheries Management (IRFM) Certification Programme, Alaska Responsible Fisheries Management Programme, or International Fishmeal and Fish Oil Organization Responsible Supply Standard.
- We demand that no marine ingredients come from illegal, unreported and unregulated fisheries.
- We demand that 100 % of soy ingredients are certified by the sustainability standards Proterra or Round Table on Responsible Soy
- In our supplier code of conduct, we require our suppliers to minimize their environmental impact, with a particular emphasis on use of limited resources and deforestation. Our suppliers are expected to identify and monitor their impact, and implement measures where needed.

Developing more sustainable feed

- We are on the steering committee for the development of a new global ASC standard for fish feed.
- We cooperate with other players in the industry, such as the GSI, to encourage feed producers to increase focus on sustainable ingredients.
- We encourage our suppliers to participate in the International Fishmeal and Fish Oil Organization (IFFO), and their work with a standard for responsible resource use.
- We are in dialogue with suppliers of alternative ingredients, such as insect meal.
- We are partner to an R&D project, CO2 Bio, that uses CO₂ from the oil and gas industry to produce algae as an alternative fish feed ingredient.

RESULTS

FIGURE FISH MEAL FFDRM

FDDRM	2016	2017	2018
Norway	0.56	0.73	0.54
UK	0.83	1.12	0.76
BC - Canada	0.62	0.46	0.46

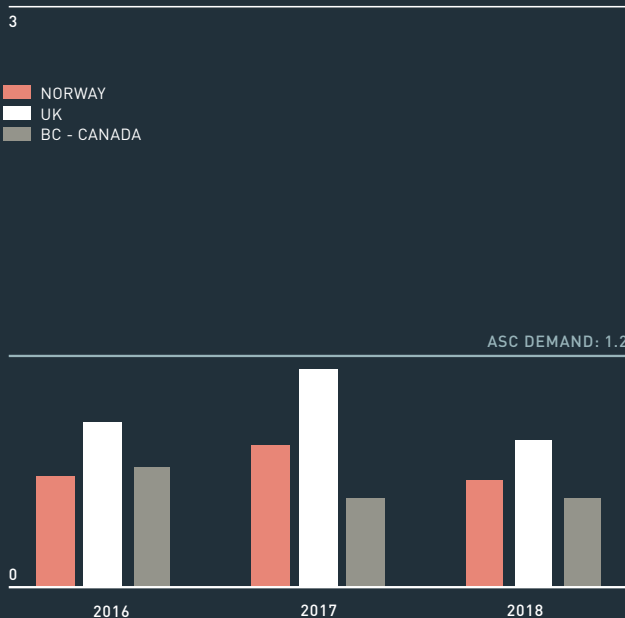
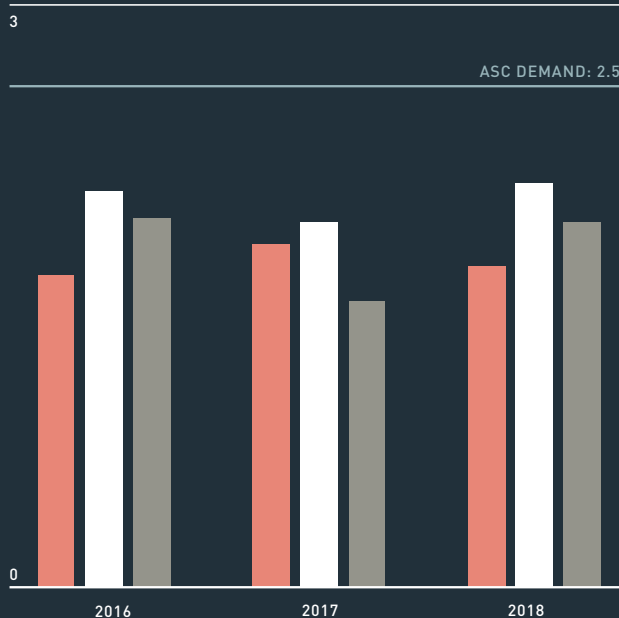


FIGURE FISH OIL FFDR0

FDDRO	2016	2017	2018
Norway	1.61	1.75	1.64
UK	2.04	1.89	2.09
BC - Canada	1.90	1.48	1.88



The use of wild fish we need to produce sufficient fishmeal and fish oil for one kilo farmed salmon, which is below the ASC limit.

We still have low use of fish meal and oil in our feed with a positive trend in Norway, and on fish meal in Shetland. Our FFDRm numbers shows that we are a net producer of marine protein in 2018 in all regions.

Usage of fish oil is stable in Norway. The increase in Canada and UK are caused by a change in feeding strategy, where we use more energy dense feed. We are still below ASC demand.



Reducing carbon emissions

Though farmed salmon has a low carbon footprint compared to other protein sources, there is potential to reduce emissions from production further.



OUR PRINCIPLES

We must do our part in **reducing greenhouse gas emissions** to reach the Paris Climate Accord.

Our target is to cut **30 % GHG emissions per kilo** by 2030, from a 2017 baseline year.

HOW WE WORK TO IMPROVE

- We have a plan to reduce our emissions.
- Our largest direct source of emissions is from the use of fuels for our boats, vehicles and on-site energy production from generators. We are testing out a variety of new technologies to reduce the carbon footprint from these sources, such as switching diesel engines used on sites with battery packs or hybrid solutions.
- We are also testing out renewable solutions. In Rogaland, we have equipped one of our farms with a wind mill and solar panel.
- Our preventative approach to sea lice control will also reduce our carbon footprint, as treatments cause emissions.
- We have tested out methods to chill the salmon after harvesting, which made it possible to avoid ice in packaging and reduced the carbon footprint per kilo packed salmon. We will invest in this equipment in the years to come.
- We evaluate carbon emissions and sustainability before making investments.
- We keep a regular dialogue with our suppliers of feed, goods and services, and we discuss with them what they do to reduce their greenhouse gas emissions. Some of our suppliers already have their own greenhouse gas reduction targets, and going forward, we encourage others to clarify their goals.
- We are working to include scope 3 in GHG emissions in our reporting.
- The Grieg Seafood head office is certified by Eco-lighthouse. The certification evaluates energy use, supply management, waste management, transport use, water discharge, system criteria and work environment.



RESULTS

FIGURE GREENHOUSE GAS EMISSIONS

REGION	SCOPE	TOTAL EMISSIONS		EMISSION/TONNES	
		2017	2018	2017	2018
ROGALAND	Scope 1	3 753	3 721		
	Scope 2 location based	420	456		
	Total (scope 1+2)	4 173	4 177	229	256
FINNMARK	Scope 1	4 540	7 134		
	Scope 2 location based	567	420		
	Total (scope 1+2)	5 107	7 554	224	254
SHETLAND	Scope 1	8 071	9 813		
	Scope 2 location based	2 264	2 741		
	Total (scope 1+2)	10 335	12 554	857	1 053
BRITISH COLUMBIA	Scope 1	5 974	9 143		
	Scope 2 location based	768	783		
	Total (scope 1+2)	6 742	9 926	702	597
ASA	Scope 1	0	0		
	Scope 2 location based	5	4		
	Total (scope 1+2)	5	4		
TOTAL GROUP	Scope 1	22 338	29 811		
	Scope 2 location based	4 024	4 404		
	Total scope 1 + location based scope 2	26 362	34 215	420	459

Our total greenhouse emissions increased by 30 % compared to last year, while production increased by 19 %. Measured as CO₂ equivalents pr tonne harvested, the increase is 9 %.

In Rogaland, total emissions has been stable from 2017 to 2018, but due to lower harvest, the emissions per kg increased.

In Finnmark, total emission increased, which is mainly due a reclassification of consumption of marine gas oil of 2 146 tCO₂e from Scope 3 to Scope 1. The effect of emission per kg was subdued by a 30 % increase in harvested volume.

On Shetland, both total emission and emission per kg increased from 2017 to 2018, a development we are not satisfied with.

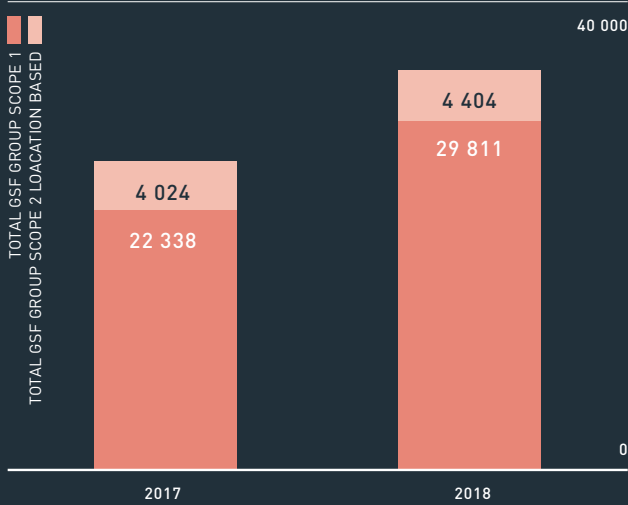
The increase in total emission in BC is related to higher production, while the emission per kg is reduced due to significant higher harvest volume in 2018.

We are growing and targeting higher production and harvest volumes. We expect an increase in our total emissions going forward, but will continue to work towards our goal of a reduction per kg.

THE CARBON DISCLOSURE PROJECT

Grieg Seafood received the score A- by the Carbon Disclosure Project (CDP), which ranks companies A – F according to their efforts to reduce carbon emissions. For more information, visit www.cdp.net

FIGURE GREENHOUSE GAS EMISSIONS



Our greenhouse gas emissions are reported according to the Greenhouse Gas Protocol Corporate Standard (GHG protocol) using the operational approach.

Scope 1 emissions are those that are directly emitted by Grieg Seafood’s activities and include emissions from combustion of fossil fuels for generators, heating and our owned vehicles. Emissions are calculated based on recorded energy costs using local energy prices. We also have a relatively small usage of hydrofluorocarbons for cooling that are included in scope 1. All Scope 1 emissions factors used are from DEFRA (Department for Environment Food and Rural affairs (UK Government)).

Scope 2 emissions are indirect emissions relating to generation of the electricity by third parties that we consume on our sites. Emissions are reported as location based and market based emissions according to the GHG protocol. Location based factors are from the International Energy Agency (IEA) using 3 year rolling averages and market based factors are from RE-DISS(Reliable Disclosure Systems for Europe) apart from Canada that is from Green-E. Underlying data is collected from financial costs and on site meters.



Waste management

Our waste should always be disposed properly according to regulations, and recycled when possible.

OUR PRINCIPLES

We are conscious about **not polluting the environment** where we farm our salmon.

As much waste as possible should be **recycled and fed back into the circular economy**.

We are working on developing a **principle on plastic use**.

HOW WE WORK TO IMPROVE

- Fish trimmings and dead fish are disposed separately and processed into fish silage. It may then be used for new purposes, like feed, bio fuel, or fertilizer.
- Fish sludge from smolt facilities may be recycled and used as fertilizer, which we do in Rogaland today. In the other regions, we release the sludge into recipient with sufficient ecological carrying capacity. We are working on ways to use fish sludge for useful purposes in the other regions as well.
- Most of the tanks in our fresh water facilities are Recirculating Aquaculture Systems (RAS), which recycle 90 – 97 % of the water .
- We engage in annual beach clean-ups around farms.
- Old farming equipment is safely removed and we work to get a good recycling system in place.
- We have a partnership with the environmental organization Bellona to find ways to recycle plastic in the Company. They are engaged in a pilot project in Finnmark, with the aim of implementing the project in all regions:
 1. Developing new products that can be recycled 100 %, such as sea lice skirts and artificial kelp forests for the cleaner fish
 2. Removing lead ropes and reducing use of ropes generally
 3. Recycling waste
 4. Developing plastic accounting, with an overview of how much plastic we have purchased, and how much of that is recycled. The aim is to purchase less plastic and recycle more.



OUR RESULTS

We have worked to improve waste management over the last years, and are heading in the right direction. Still, though, we have a way to go in some areas. Reducing and recycling plastic, for example, is an area where we have just started working with our pilot in Finnmark. It will be developed in 2019.

OUR STORIES

Skuna Bay Salmon - fit for a President

Skuna Bay Salmon has become popularized among top chefs throughout the United States. It has even made its way into the White House.

Photos: Grieg Seafood BC





“Skuna Bay has become the preferred salmon of choice for top chefs throughout North America.”

ANDY CHEUNG
Brand Manager
Skuna Bay

Grieg Seafood’s premium brand from British Columbia is as hand-crafted as farmed salmon may be. Every fish is meticulously selected, impeccably hand-cleaned, chilled and carefully placed into a fully recyclable cardboard carton.

“Skuna Bay has become the preferred salmon of choice for top chefs throughout North America. The brand has become synonymous with ‘the perfect fish’,” says Andy Cheung, Brand Manager for Skuna Bay at Ocean Quality Canada.

“Premium-grade salmon from the British Columbia farm-sites are inspected at the processing plant to meet the Skuna Bay Standard. We evaluate size and external factors as well as firmness, thickness and texture of the fillet.” At the end, every box is individually labeled.

“Before shipping the boxes, we identify the specific farm site the fish was harvested from and the packing date. The individual who packaged and sealed the carton even adds his or her signature,” Cheung explains.

Ocean Quality is Grieg Seafood’s sales company, jointly owned with Bremnes Seashore. The company’s head office is in Bergen, but they also have offices in the UK and Canada, taking care of Grieg Seafood’s fish from the processing plant and all the way to the customers.

AT OBAMA’S INAUGURATION DINNER

The White House served Skuna Bay Salmon on the menu for the Inauguration Dinner to former President and First Lady of the United States, Barack and Michelle Obama.

“The brands unique closed chain of custody, tamperproof system and traceability made it possible for Skuna Bay to be selected for this important event. The system ensures that Skuna Bay Salmon is delivered to the chef untouched and provides the highest level of

food safety and security,” says Cheung.

Chefs are willing to pay a premium for such quality and attributes. The Skuna Bay brand, though small in volume, contributes significantly to Grieg Seafood’s revenues in Canada.

“Most months, Skuna Bay accounts for approximately only five % of the volume and delivers roughly 25 % of our margins,” says Adam OBrien, General Manager for Skuna Bay at Ocean Quality Canada.

SKUNA BAY PARTNERSHIPS

Skuna Bay continues their partnership with the James Beard Foundation as a founding member of the Sustainable Seafood Impact Program. JBF’s Sustainable Seafood Partnership leverages the expertise of seafood purveyors who are committed to offering sustainable seafood options and are willing to serve as public advocates for sustainable seafood in the market.

Skuna Bay is now partnering up with the Women Chefs and Restaurateurs (WCR) organization. The WCR advocates to advance women across the culinary industry through Education, Promotion, Connection and Inspiration. Skuna Bay will send a female salmon farmer, one of six in the world, to provide an educational editorial feature at the 2019 National Conference.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Stewardship of the ocean and environment is integral to Skuna Bay's success.

"Chefs increasingly want to learn more about the sustainable nature of the products they purchase. In our case, they care about farming practices, co-existence with wild salmon, environmentally-friendly packaging and sustainability certifications," says OBrien.

Cheung and OBrien both emphasize that transparency along the value chain is an absolute must.

"Chefs have come to expect a certain level of social responsibility from their vendors, as well as transparency of their practices," says Cheung.

To meet these expectations, Ocean Quality developed a 'technical training' trip for Chefs and buyers to tour Grieg Seafood's farms in British Columbia, meet the Craftsman Farmers, and learn first-hand from the source how Skuna Bay is meticulously selected, prepared and packaged.

"For those who can't make their way to the farms, we bring our Craftsman Farmers to them. Chefs from the city are always astonished at the Craftsman Farmers level of personal care and attention to detail in raising of the fish and the measures taken to protect the environment."

EXPANDING THE PRODUCTION LINE

The US salmon market is expected to grow more than five percent annually in the coming years. Ocean Quality sees many expansion opportunities for Skuna Bay.

"One of our latest addition to the brand line is our Gold River Perfect Portion program, for the short-on-time chef. They receive pre-cut, pin-boned portions of Skuna Bay Salmon. We are also testing a ready-to-cook portion program for the retail market," Cheung explains.

"Our vision for the future of Skuna Bay is a slow and steady evolution. We need to cultivate, nurture and expand our reach to nationwide availability in the USA and beyond," says OBrien.

He emphasizes that Skuna Bay will never compromise on quality to reach those targets.

"Our promise to the end customer needs to remain as one which reinforces their certainty of our high-quality standard."

www.skunasalmon.com

CHEFS

Chef José Andrés has incorporated Skuna Bay Salmon onto his menu throughout the seasons at Zaytinya in Washington, DC.

Chef Julian Serrano of LAGO at the Bellagio in Las Vegas has used Skuna Bay Salmon as a crudo on their small plates menu.

Though not a current user of the brand, **Chef Thomas Keller** of world-renowned restaurant, The French Laundry, has incorporated Skuna Bay Salmon into his menus in recent years.

Chef Elizabeth Falkner has been a long-time supporter of Skuna Bay Salmon. Falkner is an Award-winning Chef known for Citizen Cake and Orson in San Francisco as well as various appearances on network cooking reality shows. She is currently a consulting chef and President on the Board of Directors for Women Chef and Restaurants.

Chef Joseph "JJ" Johnson, currently a partner at the Henry at Life Hotel in Manhattan, has incorporated Skuna Bay Salmon throughout his various restaurant concepts. Johnson will include Skuna Bay Salmon on the menu of his next concept, FIELDTRIP, launching Spring 2019 in Harlem, New York.

Chef Ed Brown has worked in some of the most celebrated kitchens in the world and has been a steady advocator of Skuna Bay Salmon. As President of Restaurant Services for Restaurant Associates and owner of Ed's Chowder House in New York City, Brown has consistently kept Skuna Bay Salmon on his menus.



OUR STORIES

Looking to unconventional ways to cut carbon emissions

At Grieg Seafood we know that cutting carbon emissions and long-term profit go hand in hand, so we'll consider any solution that benefits the planet.

Photos: Grieg Seafood Rogaland





“We are working to get our sites connected to the electric power grid here as well, but many are so far away from the grid that we need other alternatives.”

JOSTEIN IVERSEN
Technical Coordinator
Grieg Seafood Finnmark

“A windmill and a solar panel on a salmon farm. That is something I never imagined,” says Ørjan Hadland.

He is a team leader at the Nordheimsøy farm, where Grieg Seafood Rogaland has installed the first ever solar panel on the roof and a windmill on the side of the feeding station. The aim is to partly substitute the diesel generator with renewable energy.

The idea came from master student Helleik Syse and meteorologist Siri Kalvig, who at the time was an Associate Professor at the University of Stavanger.

“Not all farms are situated in places close to the electric grid. This project is a pilot aimed at testing out whether windmills and solar panels can be used as an effective alternative,” says Helleik Syse.

SAVES THOUSANDS OF LITERS OF DIESEL

Most farms in Grieg Seafood Rogaland are already connected to the electric power grid on land. A few sites, however, still get their energy from diesel generators. Nordheimsøy is one such farm.

“Our aim is to be able to shut down the diesel engines when we leave work in the afternoon. The battery on the site, which has been charged all day from the windmill and solar panel, can then provide the farm with the energy it needs during the night,” explains Ørjan Hadland. He says they hope to save 36 000 liters of diesel annually.

“Combining the windmill and the solar panel will make it possible to cut carbon emissions with almost 98 tonnes of CO₂ equivalents a year from this farm only,” Hadland states.

REDUCES HALF OF EMISSIONS WITH A NEW HEAT PUMP

Grieg Seafood Finnmark is also taking similar measures to reduce emissions.

“We are working to get our sites connected to the electric power grid here as well, but many are so far away from the grid that we need other alternatives,” says Jostein Iversen, Technical Coordinator at Grieg Seafood Finnmark.

He explains that diesel generators are not only bad for the environment, they are also costly and increase the need for maintenance on farming equipment.

“We are now investing in hybrid solutions for the far-off sites, where the diesel engines charge large batteries when they are running. With such solutions, we are able to reduce use of the generator with 85 percent,” Iversen says.

However, one investment makes a bigger difference than all other efforts at the farms.

“Our new heat pump at the Adamselv fresh water facility allows us to cut 2 275 tonnes of CO₂ equivalents annually. That is about half of Grieg Seafood Finnmark’s total carbon emission. It is like removing more than 1 200 cars from the roads,” Iversen explains.

CLIMATE FRIENDLY DINNER

Farmed salmon has always had a small carbon footprint compared to other production of proteins. That does not mean, however, that the industry should stay out of the race to cut emissions.

“If we are to reach the targets of the Paris Climate Accord, all industries have to pull their weight. We have to take our part of that responsibility,” says Liv Marit Aarseth, Public Relations Manager at Grieg Seafood Rogaland.

“As we continue to seek more new solutions for cutting emissions, farmed salmon can be an even more climate friendly dinner alternative in the years to come.”

ROOTED IN

PROFIT & INNOVATION

Without a profitable business, we will not be able to farm healthy salmon to people all over the world. To achieve attractive financial results, our farming methods need to be both cost-effective and sustainable.



The global salmon market

Grieg Seafood is a part of a global salmon market. Aiming to be a leading player in the aquaculture industry, we supplied approximately 3 % of the global harvest volume of Atlantic Salmon in 2018, aiming to grow this to almost 5 % by 2020.

GLOBAL MARKET DEVELOPMENT IN 2018

The global harvest of Atlantic Salmon increased by 5.4 % in 2018, continuing its upward trend. Global sales of Atlantic farmed salmon are estimated to be 2 418 000 tonnes WFE (whole fish equivalent), up from 2 294 000 tonnes in 2017. The largest contributors to the increase in supply comes from Chile, Norway, and Canada, with an increase of 113 000, 45 000, and 6 000 tonnes, respectively. The Chilean industry has mustered an impressive recovery and growth after its difficulties in 2016, while Norway has seen incremental growth in harvest volumes as farmers have adapted to challenging biological conditions over the past few years. The UK and the Faroe Islands on the other hand experienced a reduction in harvest volumes of, respectively, 24 000 and 9 000 tonnes.

It is estimated that consumption in all major markets increased in 2018, except for Japan which decreased by 8 %. The largest relative increases in consumption were found in the USA and Russia with 9 % and 32 %, respectively.

Salmon spot prices noted on Fish Pool have been relatively stable throughout 2018, however there was a notable price hike from March to May. Prices normalized during the second half of 2018 and ended the year on similar levels as 2016 and 2017. Over the last five years the average price of Atlantic Salmon has increased notably, with the main increase from 2015 to 2016 and onwards. The 12 months average Fish Pool Index for 2018 was NOK 60.76 compared to NOK 60.88 in 2017.

FIGURE ATLANTIC SALMON CONSUMPTION

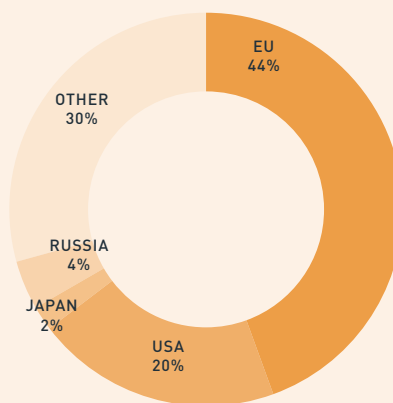
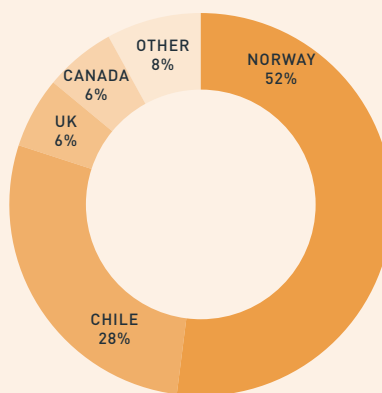


FIGURE ATLANTIC SALMON HARVEST



GLOBAL MARKET EXPECTATIONS

Kontali estimates an increase in harvest volumes of Atlantic Salmon by 6 % worldwide, from 2 418 000 tonnes in 2018 to 2 561 000 tonnes in 2019. This is estimated to be driven by a 5 % increase in Norway, 3 % in Chile, 17 % in the UK and 1 % in Canada.

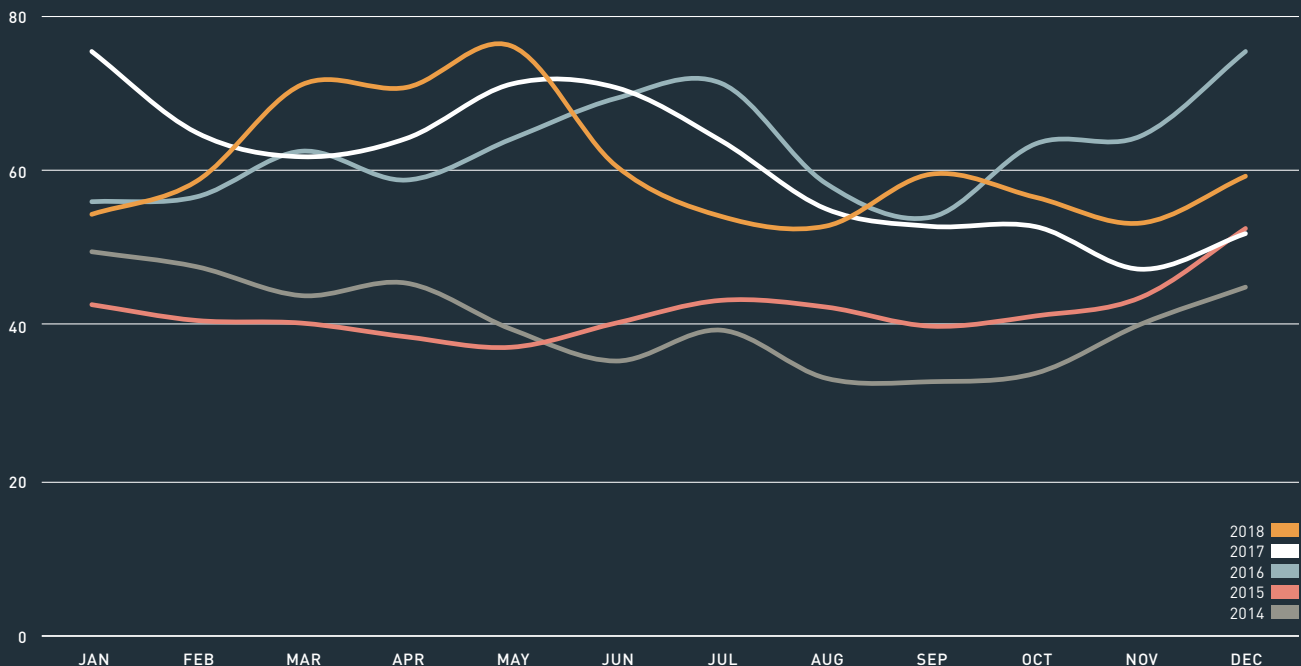
At year end 2018 the consensus is that the global demand for Atlantic Salmon will remain high, and with the limited possibilities for increase in harvest volumes, prices will remain high. Future prices on Fish Pool are high and indicate an expectation of salmon prices in the range of NOK 55-65 both in 2019 and 2020.

Looking further ahead, there is a consensus in the market of a modest organic growth in the existing open pen coastal industry. This development will primarily be driven by the opening of new sites and areas for farms, new and improved technologies and farming practices, and better cooperation both between industry players and with authorities. In addition to this incremental growth, more experimental attempts at producing salmon, either offshore or on land, may supplement the traditional salmon farming industry with additional volumes in the long run.

For the past 25 years, literally all new supply volume of fish has come from aquaculture. Wild fishing has long been facing issues of smaller catch, quotas, and other sanctions from different authorities. Since 1990 the volume of farmed fish has multiplied more than six-fold, with salmon making up less than 2.5 % of the volume.

In line with the ongoing global megatrends of health and sustainability there has been an increased interest in the health and potential environmental benefits that can be gained from sustainable aquaculture. At the moment, Europe is the largest and most mature market for Atlantic Salmon, consuming more per capita than other continents. There are, however, countless ongoing initiatives to introduce salmon to ever new consumers across the world. An increase in consumption per capita in large markets and growing economies such as the USA, Brazil, China, and India is expected to contribute to increased demand for Atlantic Salmon over time.

FIGURE FISH POOL MONTHLY AVERAGES (NOK/KG)



Ocean Quality and our market

By focusing on sustainable farming, good fish health and welfare, we can provide the healthy, tasty, and high-quality product that our customers demand.



OUR PRINCIPLES

Our operations span the **entire value chain** from egg to harvest, primary processing, packaging, and sales. Our farming regions sell their fish to **Ocean Quality**, who resells our salmon to third parties for further processing or to other customers for consumption as is.

Ocean Quality aims to be a **preferred and reliable global supplier**.

OCEAN QUALITY

Ocean Quality is the sales organization of Grieg Seafood (60 % ownership) and Bremnes Seashore (40 % ownership) and is headquartered in Bergen. The Ocean Quality Group also has sales companies on Shetland and in North America with the purpose of selling the salmon harvested by Grieg Seafood in these regions. In 2018, Ocean Quality sold 114 720 tonnes of salmon, an increase in volume of almost 9 % compared to 105 500 tonnes last year. Grieg Seafoods salmon accounts for 65 % of the total volume.

OUR MARKET DEVELOPMENT IN 2018

In 2018, the Grieg Seafood Group (including Ocean Quality) had a turnover of NOK 7 500 million, corresponding to an increase of NOK 483 million (6.9 %) from 2017. Continental Europe is by far our most important market, representing 51 % of our turnover. The market distribution of sales varies year over year, depending on the harvested volumes across our regions. The main change in our share of sales was an increase to the USA from 9 % in 2017 to 14 % in 2018 due to record high harvest volumes in Grieg Seafood British Columbia. At the same time, sales directed to the Asian market were down, from 18 % in 2017 to 14 % in 2018.

OUR MARKET EXPECTATIONS

We expect the market to remain strong in 2019. The year started well, with high market activity. 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 eager to develop closer cooperation with the salmon producers. Expected sales volume in 2019 for Ocean Quality is 133 200 tonnes, corresponding to an increase of 16 % compared to 2018, with Grieg Seafoods harvest making up 82 000 tonnes.

Grieg Seafood has hedged approximately 20 % of the 2019 volumes by entering into fixed price contracts. The market clearly trends towards increased demand for certified and specialty products. Grieg Seafood works on a continuous basis to adapt to changing customer preferences, one example being our efforts to increase the number of ASC certified sites. We are also committed to increasing our sales of high-quality products like the Skuna Bay brand from Grieg Seafood British Columbia, and Kvitsøy Salmon from Grieg Seafood Rogaland. The Skuna Bay salmon is currently sold to gourmet restaurants in major American cities, while the majority of the Kvitsøy salmon is currently sold to the Italian and Spanish markets. Please read our article about the Skuna Bay salmon on page 85.

OCEAN QUALITY IS COMMITTED TO HIGH STANDARDS

Reliable year-round supply according to customer requirements.

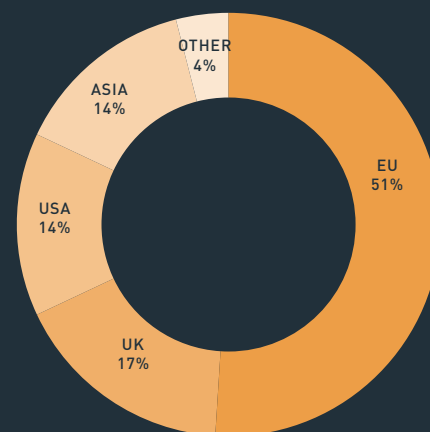
Fresh and healthy products.

Traceability and food safety.

Quality control and sustainability of raw materials.

Fish health, welfare, and environmental care.

FIGURE OUR MARKET 2018



Economic productivity

By focusing on sustainability and driving forward improvements to our farming operations, we aim to create value for all our stakeholders.



OUR PRINCIPLES

Improving sustainability is key to increasing our profits. By focusing on reducing our environmental impact and improving fish welfare, we aim to increase harvest rates and reduce production cost.

We aim to provide our shareholders with a competitive return on capital invested and have set a **ROCE target of 12%**.

Our investments **reflect our growth strategy**: digitalization, post-smolt, biosecurity and fish welfare, including a continuous evaluation of expansion opportunities.

OUR RESULTS

Profit and loss

Grieg Seafood Group achieved a good performance in 2018. We reached our expected harvest volume of 74 623 tonnes, an increase of approximately 20 % compared to 2017. The average spot price for 2018 was NOK 59.22 per kg, up by NOK 0.05 per kg compared to last year. The Groups operating income increased by NOK 483 million and came to NOK 7 500 million. In addition to a strong market for our product, the results were achieved by maintaining a strict focus on sustainability and driving forward improvements to our farming operations. Total cost excluding depreciation and write down was NOK 6 216 million, an increase of NOK 284 million compared to 2017, which mainly relates to higher harvest volume.

EBIT for the Group before fair value adjustment of biological assets ended at NOK 1 099 million, an increase of almost 22 % compared to last year. The EBIT per kg of NOK 14.72 was positively affected by the harvest volume and high spot prices, however cost related to Pancreas Disease (PD), Harmful Algal Bloom (HAB) and gill diseases during the year had a negative impact in terms of high cost and lower price achievement. By improved monitoring of biological conditions at the sea, we believe we were able to reduce the negative impact of the incidents we experienced during the year. Total farming cost per kg for the Group was NOK 43.1 compared to NOK 43.4 in 2017.

FIGURE KEY FIGURES

NOK MILLION	2014	2015	2016	2017	2018
Revenues	4 100	4 609	6 545	7 017	7 500
EBITDA	484	261	1 342	1 106	1 334
EBIT	343	48	1 168	904	1 099
Harvest volume (tonnes GWT)	64 736	65 398	64 726	62 598	74 623
EBIT/ kg (NOK)	5.30	0.73	18.04	14.45	14.72
Return on Capital Employed (ROCE)	10 %	1 %	33 %	24 %	22 %

Cash flow

OPERATING ACTIVITIES

The Group had a net positive cash flow from operations of NOK 820 million in 2018, compared to NOK 709 million last year. The change in working capital during the year was negative at NOK -309 million, mainly related to increased biomass in accordance with our growth strategy, and increased trade receivables as a result of high sales volume towards the end of the year.

INVESTING ACTIVITIES

Net cash flow from investing activities totaled NOK 593 million in 2018, compared to NOK 547 million last year. The largest investment in 2018 was the expansion of our smolt facility Adamselv in Finnmark, Norway, and our smolt facility and operations center in Rogaland, Norway. Access to high quality smolt is key to ensuring production growth. By producing larger and more robust smolt, we reduce exposure to risks like sea lice and diseases, which increase survival rates and reduce cost. At Adamselv, the smolt capacity has been expanded from 800 to 1 600 tonnes, to be fully utilized in 2020. In Rogaland, through Tytlandsvik Aqua, our capacity is 1 500 tonnes of smolt up to 1 000 gram. Our investments also included a new license in Finnmark and establishment of new locations, as well as ordinary maintenance efforts.

FIGURE INVESTMENTS 2018

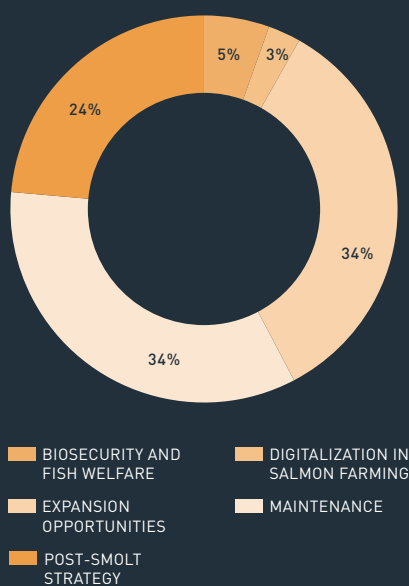
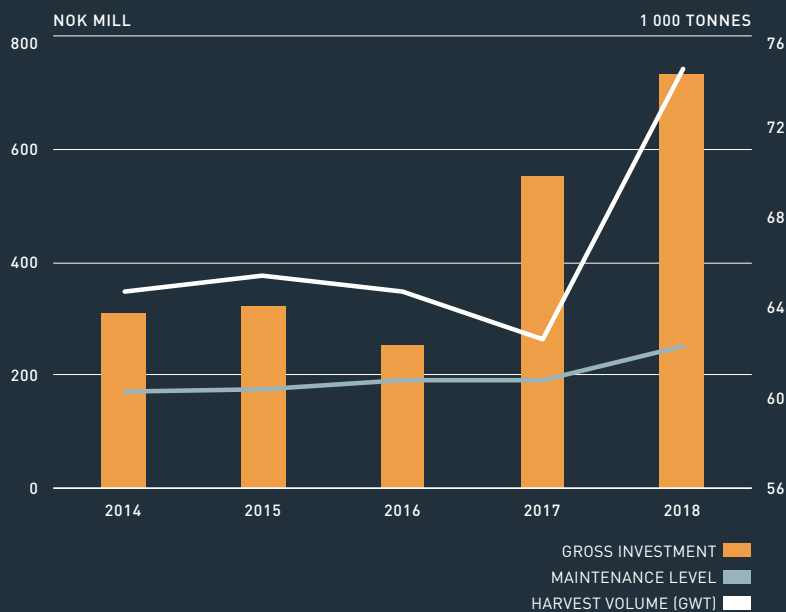


FIGURE INVESTMENT LEVEL



Financing activities

Net cash flow from financing activities was NOK 361 million in 2018 compared to NOK 393 million last year. The Group's interest-bearing debt, including finance leases, had a net increase of NOK 307 million during the year. We carried out a refinancing of the syndicated loan in February 2018, which resulted in increased loan facilities and limit of indebtedness with regards to finance leases and factoring. The factoring agreement is concluded by Ocean Quality AS in Norway and the UK to ensure early settlement of trade receivables. Furthermore, financing activities was negatively affected by payment of dividends to shareholders and non-controlling interest totaling NOK 466 million.

Financial position and liquidity

At 31 December 2018, the book value of total assets was NOK 8 142 million, up from NOK 7 153 million at the same time in 2017. The increase is related mainly to investments and biological assets including fair value of biological assets. Total equity amounted to NOK 3 884 million, corresponding to an equity ratio of 48 % at year end. The return on capital employed (ROCE) was 22 %, compared to our target of 12 %.

The Group had a good level of free liquidity and unutilized credit facilities at the end of the year, with an available bank credit frame of NOK 793 million. Net interest-bearing debt excluding factoring debt (NIBD) was NOK 1 690 million, and factoring amounted to NOK 573 million at year end, compared to NOK 1 284 million and NOK 501 million, respectively, at year end 2017. The increase in NIBD reflects our investment activities. The NIBD/harvest volume ratio was 22.3 at year end 2018, compared to 20.2 last year. NIBD/EBITDA ratio came to 1.3 at year end 2018 compared to 1.2 last year.



Profitable growth

By combining skilled and motivated people, new technology, and to increasingly farm salmon on nature's terms, we aim to ensure sustainable and profitable growth in the years ahead.



OUR PRINCIPLES

With various focus areas to **reduce our environmental impact**, fish welfare will be improved, and as a result, harvest volume will increase and production cost will be reduced.

We target a **harvest volume of 100 000 tonnes**, with a **production cost at or below** weighted industry average of **NOK 37.90 per kg**, in 2020. For Rogaland and Finnmark, the target is NOK 36.00 per kg.

We believe that **improving sustainability is key** to increasing profits in the salmon farming industry.

HOW WE WORK TO IMPROVE

- Improve the utilization of our current capacity.
- Produce larger size smolt to reduce production time in sea, thereby reduce exposure to biological challenges to increase fish welfare and survival rates.
- Optimize feeding by using advanced sensor systems, real time monitoring, and automation.
- Continuous monitoring of environmental parameters combined with big data and artificial intelligence to predict biological conditions.

RESULTS

FIGURE TARGETING GROUP COST OF NOK 37.90/KG IN 2020

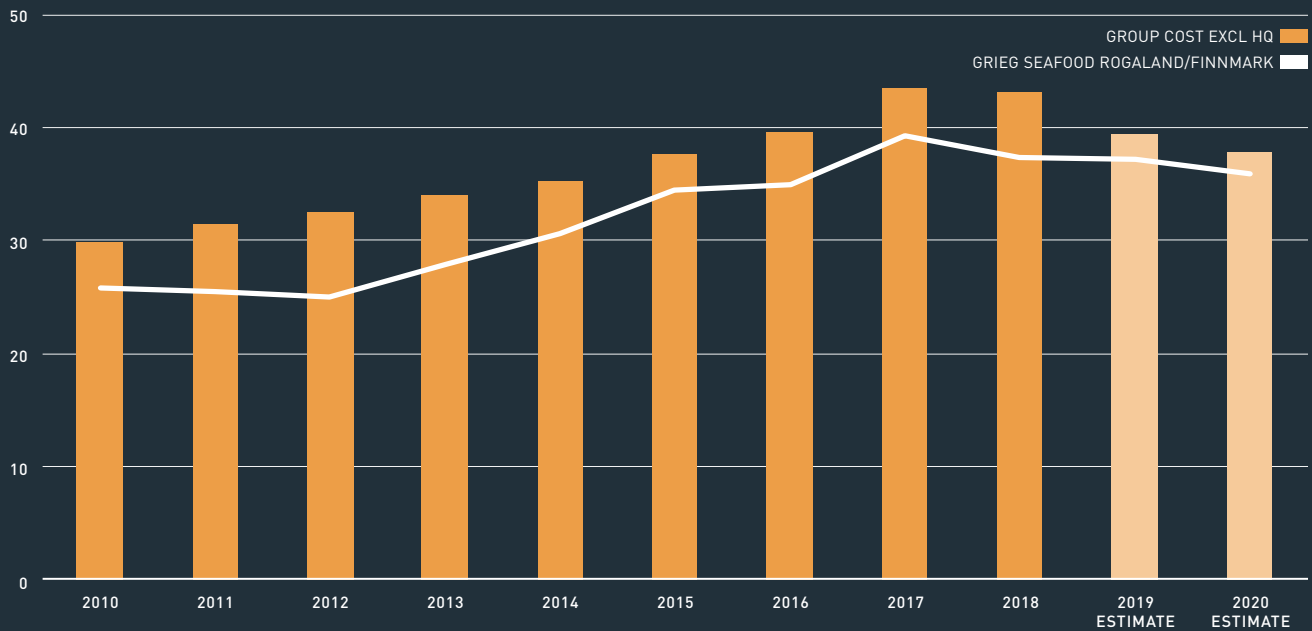
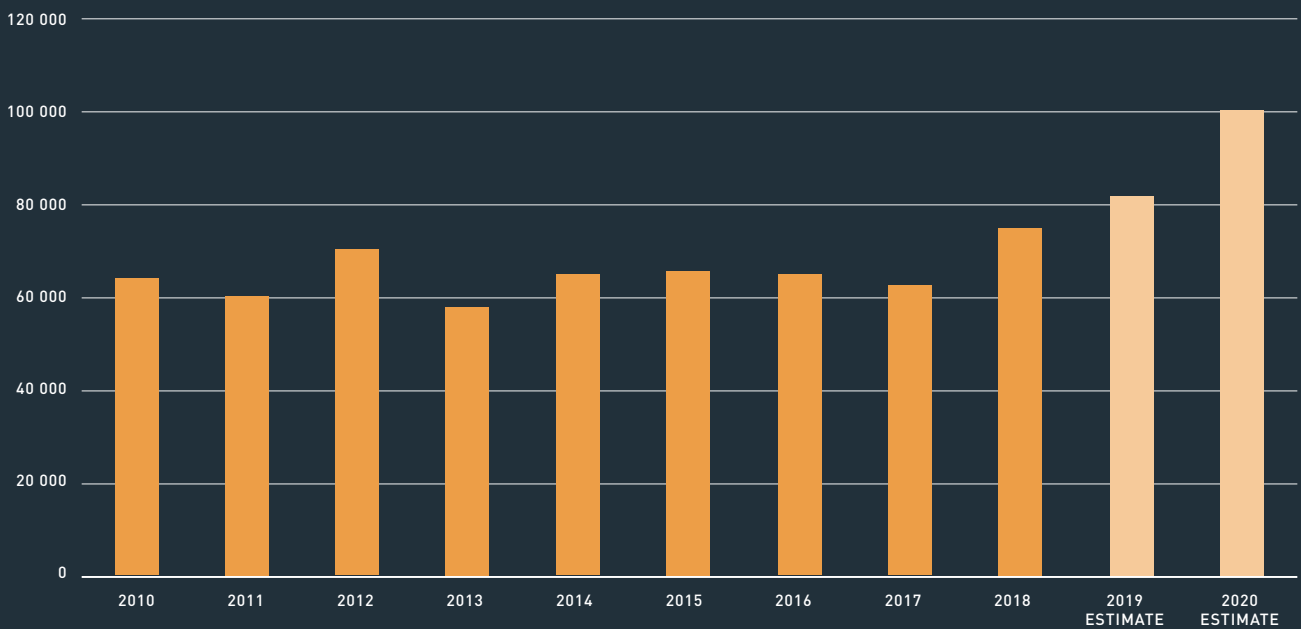


FIGURE GROUP HARVEST TONNES GWT



Grieg Seafood Rogaland

Grieg Seafood Rogaland AS farms salmon in Rogaland on the west coast of Norway. The company has 19 seawater license equivalents and two licenses for land-based production of smolt. We also operate our own brood stock activity in Erfjord. All our salmon harvested in this region is processed and packed at our own facilities.

As our operations are located across six municipalities in Rogaland, we contribute significantly to the value creation in the local communities. For more information on our initiatives in the local communities, please refer to page 154.

OPERATIONAL PRIORITIES

Grieg Seafood Rogaland aims to reduce the production time in sea from 18 to 12 months, with an average smolt size increasing to 500 grams in 2020. Larger smolt size will significantly reduce seawater production time, making the fish less exposed to challenges such as sea lice and PD. At the end of 2018, we completed the expansion of the smolt facility Tytlandsvik Aqua, our co-investment with Bremnes Fryseri and Vest Havbruk, to produce large size smolt of 700 to 1 000 grams. We expect to receive 1 000 tonnes of large size smolt from Tytlandsvik in 2019.

Our sites Rogaland are located in a yellow area in the recently introduced "traffic light" system. The yellow light is a consequence of high sea lice density and a fear that this could negatively affect wild salmonid stocks. Please see page 62 for more information on impact of fish farming on wild salmon. We use cleanerfish as a preventive measure for sea lice and did not perform any sea lice treatment between July and November.

Pancreas Disease (PD) has also been a challenge in Rogaland, negatively affecting feeding and reducing growth rates. At year end 2018, two out of 13 sites were affected by PD, compared to seven out of 12 sites at the same time last year. This is expected to improve cost level, harvest weight, and quality going forward.

As part of our precision farming strategy, we launched our first integrated operations center in Rogaland in September. Five sites are currently being monitored and fed from this facility. Precision farming will ensure better feeding, leading to reduced costs and increased growth. We aim to have full coverage of all sites from our operations center by the end of 2019. Please read more about Precision Farming on page 110.

OPERATIONAL RESULTS

Our harvested volume in 2018 was 16 293 tonnes, a decrease from 18 111 tonnes in 2017. The reduction in harvest volume was primarily linked to issues with sea lice and PD, particularly in the first half of 2018. Revenue amounted to NOK 960 million, an average price of NOK 58.9 per kg.

Strong production in the second half of the year has resulted in a good standing biomass as of year end, with fewer sites affected by PD. Overall for 2018, Rogaland reports a survival rate of 92 % (calculated according to the GSI definition).

The cost per kg of harvested salmon increased compared to last year, due to operational challenges related to sea lice and PD, average harvest size of fish, and total harvest volumes. At year end the biological situation was stable and improved compared to last year at the same time. High standing biomass at year end gives cause for optimism regarding harvest volumes and cost per kg of harvested fish going forward.

The EBIT per kg before fair value adjustments amounted to NOK 13.5, compared to NOK 21.7 in 2017.

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.

KEY FIGURES 2018

16 293

TONNES GWT HARVESTED

13.5

EBIT/KG (NOK)

19 · 2

SEAWATER LICENSES • FRESH WATER LICENSES

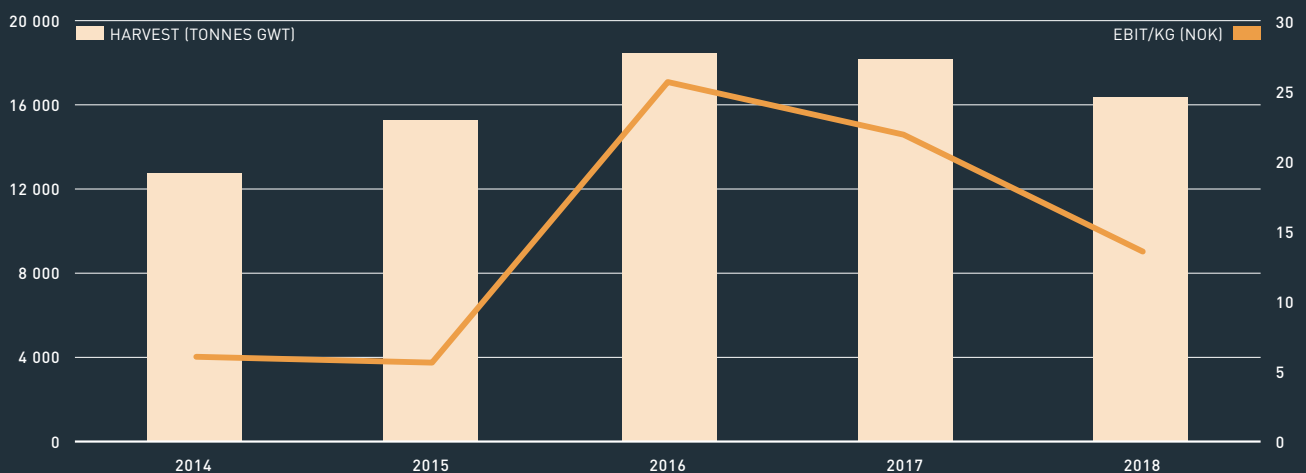
145

EMPLOYEES

RESULTS

ROGALAND	2014	2015	2016	2017	2018
Harvest (tonnes GWT)	12 778	15 236	18 367	18 111	16 293
Revenue (NOK million)	572.6	661.2	1 140.4	1 150.2	959.6
EBIT (NOK million)	77.8	83.5	466.8	393.1	219.6
EBIT / kg (NOK)	6.1	5.5	25.4	21.7	13.5

EBIT AND HARVEST ROGALAND



Grieg Seafood Finnmark

Grieg Seafood Finnmark AS farms salmon in Finnmark, the northernmost county in Norway. Of the company's 27 sea water licenses, four are "green licenses" subject to stricter environmental measures. Our salmon harvested is in general processed and packed at our local facility in Alta.

Our operations are located across five municipalities in Finnmark, contributing significantly to local value creation. For more information on our initiatives in the local communities, please refer to page 152.

OPERATIONAL PRIORITIES

As in all our regions, we focus on improving fish welfare and safeguarding survival rates. Camera surveillance and sensor technology are utilized to continuously monitor the environment. As a result of our efforts towards sustainable production, we have achieved ASC certification of four sites in Finnmark.

Flexibility is a requirement to achieve better utilization of our capacity, and we are continuously looking for opportunities to ensure access to new, good locations. During 2018, we applied for four new locations in Finnmark and received approval of two of these locations.

The biological conditions have been favorable in Finnmark in 2018, with stable and low sea lice levels. We utilized our option to increase our MAB limits with 470 tonnes, in accordance with the Norwegian traffic light system.

At the end of the year, the construction work to increase the smolt capacity at Adamselv from 800 to 1 600 tonnes was completed. The new capacity will be fully utilized in 2020. This is an important step in our strategy of continued growth, safeguarding survival rates, and lowering of costs through stocking of larger smolt.

OPERATIONAL RESULTS

The volume harvested in 2018 was 29 774 tonnes, an increase of 30 % compared to 2017. Favorable farming conditions, with low seawater temperatures, and a continuous focus on fish welfare, contributed to a survival rate of 96 % (calculated according to the GSI definition). Revenues amounted to NOK 1 671 million, an average of NOK 56.1 per kg.

The cost per kg salmon harvested decreased compared to 2017. The strong biological performance, combined with high production volume, enabled us to utilize our equipment and personnel efficiently, bringing down the average cost per kg.

The EBIT per kg before fair value adjustments amounted to NOK 20.0, compared to NOK 15.4 in 2017.

KEY FIGURES 2018

29 774

TONNES GTW HARVESTED

20.0

EBIT/KG (NOK)

27 · 1 · 4 · 2

SEAWATER LICENSES · FRESH WATER LICENSE
• ASC-CERTIFIED SITES · NEW SITES

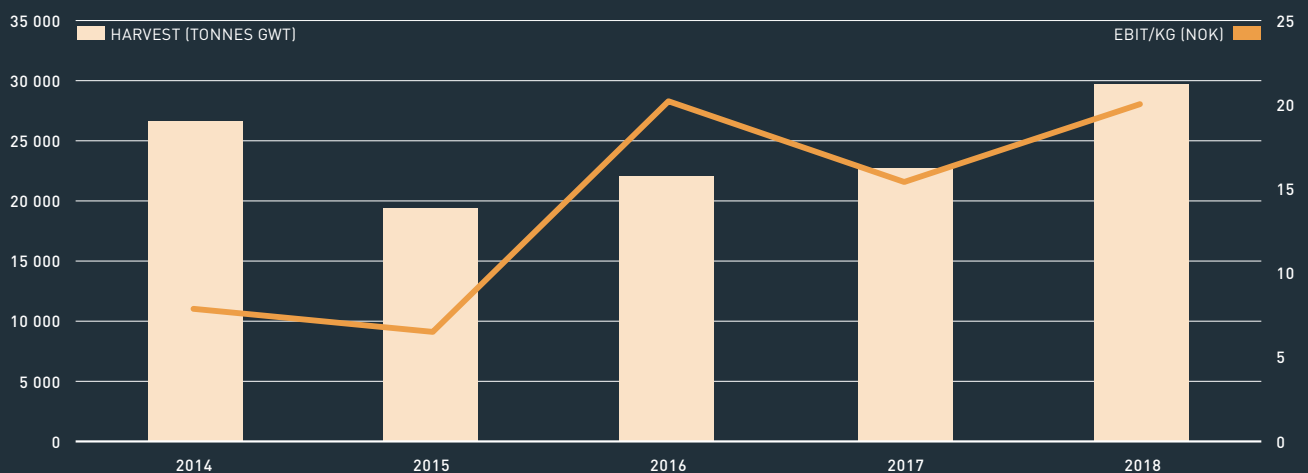
247

EMPLOYEES

RESULTS

FINNMARK	2014	2015	2016	2017	2018
Harvest (tonnes GWT)	26 470	19 481	22 104	22 831	29 774
Revenue (NOK million)	975.3	797.9	1 244.3	1 265.2	1 671.3
EBIT (NOK million)	205.9	124.0	447.1	351.9	594.9
EBIT / kg (NOK)	7.8	6.4	20.2	15.4	20.0

EBIT AND HARVEST FINNMARK



Grieg Seafood Shetland

Grieg Seafood Shetland Ltd farms salmon on Shetland and the Isle of Skye in Scotland. We are the largest salmon producer on Shetland, with 17 active seawater sites (13 on Shetland and four on the Isle of Skye) and one fresh-water site. We process our salmon at our own facility in Lerwick.

Our operations contribute significantly to local value creation. For more information on our initiatives in the local communities, see page 158.

OPERATIONAL PRIORITIES

The aquaculture industry in Shetland has over time endured various biological challenges. We cooperate closely with other sea farmers in the region to establish a long-term, stable, and sustainable marine biology. Whole farming areas operate with fallowing periods, and sea lice counting and treatment activity is coordinated between farmers.

Over the last four years, we have cut production from 27 to 17 sites, focusing our production on the best sites with the strongest biological control. We have implemented routines and systems for monitoring and mitigation of algae-related issues. Other prioritized measures to ensure strong biosecurity, improved fish welfare, and control of the sea lice situation include the use of aeration systems, cleaner fish, sea lice skirts, and fresh water treatments.

We also focus on improving smolt quality, to ensure a more robust and healthy fish which is essential for good growth, which will reduce cost going forward.

OPERATIONAL RESULTS

The volume harvested in 2018 was 11 924 tonnes, compared to 12 056 tonnes in 2017. Revenues amounted to NOK 800 million, with an average of NOK 67.1 per kg.

Biological challenges related to algal bloom, gill-related diseases, sea lice, and winter ulcers affected the survival rate, which came to 83 % (calculated according to the GSI definition). Combined with efforts to mitigate these challenges as well as write downs due to reduced survival, the cost per kg salmon harvested was high in 2018. By improving our smolt quality and continue focusing in initiatives to improve biosecurity and fish welfare, we expect cost to be reduced going forward.

The EBIT per kg before fair value adjustments amounted to NOK 2.8, compared to NOK 5.7 in 2017.

KEY FIGURES 2018

11 924

TONNES GWT HARVESTED

2.8

EBIT/KG (NOK)

17 · 1

ACTIVE SEAWATER SITES • FRESH WATER SITE

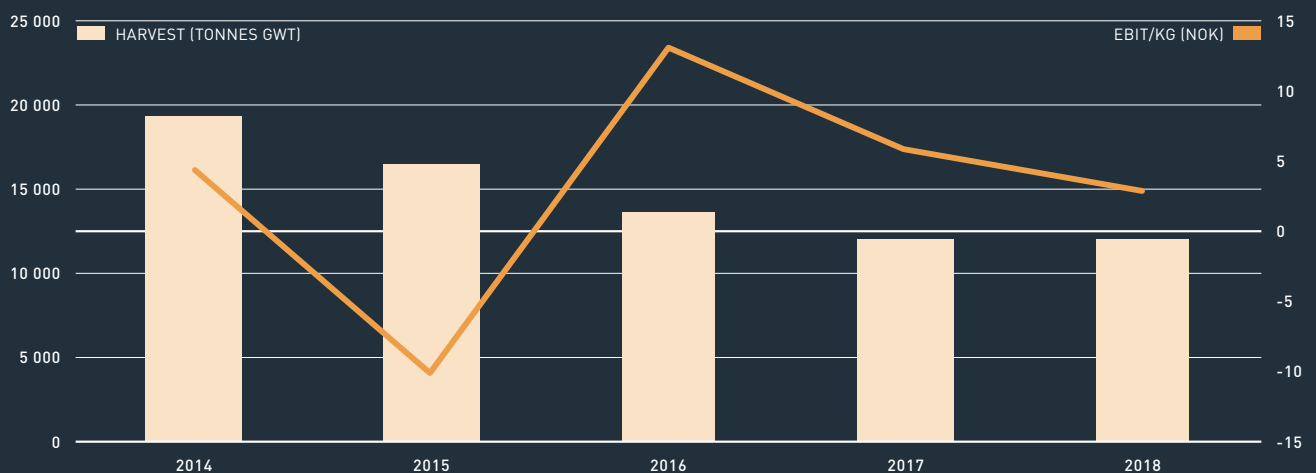
192

EMPLOYEES

RESULTS

SHETLAND	2014	2015	2016	2017	2018
Harvest (tonnes GWT)	19 231	16 370	13 541	12 056	11 924
Revenue (NOK million)	852.5	773.5	859.8	745.9	799.9
EBIT (NOK million)	81.1	-164.9	176.6	68.7	33.8
EBIT / kg (NOK)	4.2	-10.1	13.0	5.7	2.8

EBIT AND HARVEST SHETLAND



Grieg Seafood British Columbia

Grieg Seafood BC Ltd farms salmon on the east and west side of Vancouver Island, and along the Sunshine Coast north of Vancouver. The company has 20 seawater licenses and one license for land-based production of smolt. We do not process our own salmon.

All of our sites are located in traditional First Nation territories, and our relationships with the Mowachaht Muchalat and Tlowitsis First Nations are good and very important to us. For more information on our initiatives in local communities and how we work with First Nations, see page 156 and 160.

OPERATIONAL PRIORITIES

Access to high quality smolt is key to ensuring production growth with sustainable biology. We are expanding the capacity of our Gold River smolt facility from 500 to 900 tonnes. When the expansion takes full effect in 2020, we will be self-sufficient in terms of smolt deliveries.

Harmful Algal Bloom (HAB) is a main biological risk in this region. We continuously monitor and analyze algae movements and oxygen levels and have implemented aeration systems to allow feeding in difficult situations. We believe that our improvements to sea production will contribute to improved survival rates during these events, although sudden and massive blooming will still be a risk. For more details on how we intend to improve our growth with big data, please read our story on page 112.

OPERATIONAL RESULTS

The harvest volume was 16 632 tonnes in 2018. After some years of reduced smolt stocking and biological challenges stemming from HAB, the volume is increasing. Revenues amounted to NOK 1 075 million, with an average of NOK 64.7 per kg.

The cost per kg of salmon harvested was on a similar level compared to 2017 and is still high. The cost is impacted by reduced survival rates of 88 % (calculated according to the GSI definition) from previous HAB incidents and corresponding write-downs. Going forward we expect to realize considerably lower production cost due to our measures within monitoring and analyzing sea water conditions.

At year end the biological situation was stable, with the generations affected by HAB harvested. The biomass in sea is lower at year end 2018 than it was at year end 2017, and we expect a lower harvest volume in 2019.

The EBIT per kg before fair value adjustments amounted to NOK 17.5, up from NOK 12.5 in 2017.

KEY FIGURES 2018

16 632

TONNES GWT HARVESTED

17.5

EBIT/KG (NOK)

20 • 1

SEAWATER LICENSES • FRESH WATER LICENSE

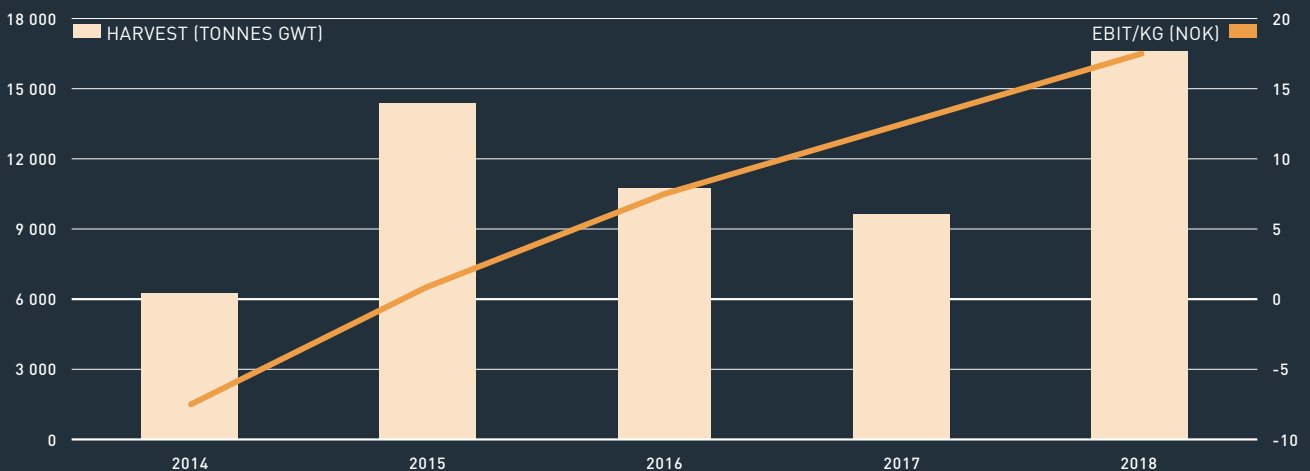
148

EMPLOYEES

RESULTS

BRITISH COLUMBIA	2014	2015	2016	2017	2018
Harvest (tonnes GWT)	6 257	14 311	10 715	9 600	16 632
Revenue (NOK million)	277.8	573.9	611.2	580.3	1075.3
EBIT (NOK million)	-47.8	13.3	80.5	120.2	290.9
EBIT / kg (NOK)	-7.6	0.9	7.5	12.5	17.5

EBIT AND HARVEST BRITISH COLUMBIA



OUR STORIES

Driving digital aquaculture

It is only a matter of time before big data combined with tools like artificial intelligence and machine learning will transform how we farm salmon. Grieg Seafood Precision Farming is all about providing the farmers with facts and information, supporting them in making better farming decisions.

Photos: Grieg Seafood Rogaland





"Our digital platform combining data analytics and smart algorithms will support farmers with real-time data that can improve decision-making."

TROND KATHENES
Chief Digital Officer
Grieg Seafood

"Grieg Seafood Precision Farming will help us learn more about the relationship between the fish and the environment in and around the farm," says Trond Kathenes. He is the Chief Digital Officer of Grieg Seafood.

"Until now, farmers have made decisions on experience-based competence. That has proven successful in many ways. Talented practitioners in the industry have taken salmon farming to the forefront of the global aquaculture industry," he says.

Going forward, a digital platform, combining data analytics and smart algorithms, will support farmers with real-time data that can improve decision-making in everyday farming. "It will allow us to predict an event in advance, enabling us to take measures proactively," Kathenes explains.

Grieg Seafood's digitalization journey started back in 2011. The company has simplified five different IT environments down to one, and has harmonized the type and the way it collects data. Now, Grieg Seafood has comparable data throughout the group.

"Today we can analyze different parameters that influence how our salmon grows," says Kathenes.

OPTIMIZING GROWTH

In 2018, Grieg Seafood opened a pilot for a Farming operational center at Finnøy in Rogaland. In 2020, the company aims to establish a full-scale operational center in the neighborhood.

The operational center will automatically acquire and analyze data on the environmental conditions in and around the farms, such as temperature, oxygen, salinity and currents. The center will also monitor and operate the infrastructure onboard the barges.

"Our goal is to detect biological challenges at an early stage and implement mitigating measures. That will allow us to optimize the environment around the fish to keep appetite and growth at high levels for as much time as possible," says Roy Evan Strømskag, manager at the operational center.

"With the new digital solutions, we can learn why some pens have slower growth than others, and under which conditions they will perform better," he elaborates.

FISH WELFARE AND SEA LICE CONTROL

In the long term, the Grieg Seafood aims to control a variety of farming tasks from the center. Big data and artificial intelligence can help optimize both fish welfare and sea lice control.

Together with other salmon farming companies, Grieg Seafood is transferring data daily to the AquaCloud project initiated by the NCE Seafood Innovation Cluster. Utilizing IBM Watson analytics, the AquaCloud service is able to predict the sea lice exposure on site level one, two and three weeks in advance.

"We hope to be able to predict incidents in advance and avoid the event entirely. With such knowledge, we may perhaps be able to add sea lice skirts to the pens when it is predicted that sea lice are coming, and avoid sea lice treatments," Strømskag explains.

A CULTURE OF CURIOSITY

Digital aquaculture will create new tasks for people at the farms.

"We will not need less employees as a result of increasing digitalization. Our people at the farms will rather do different things, such as maintenance and calibration of technical equipment," says Trond Kathenes.

He believes digital success is about getting people, processes and technology to work smarter and better together, fulfilling the goals of the business.

"We need to foster a culture of curiosity, where people ask different types of questions and are challenged in different ways than before."

OUR STORIES

Improved growth with big data

Grieg Seafood is starting to see results from years of investments into digital infrastructure. In British Columbia, big data has helped reduce starvation days and improved fish health and welfare.

Photos: Grieg Seafood BC





"Early detection of toxic algae's allows us to put in place mitigating actions quickly and avoid mortality."

LIAM PECK

Environmental Monitoring Specialist
Grieg Seafood British Columbia

Along the coast of British Columbia, toxic algae blooms may suddenly enter inlets and cause spiking mortality rates on the farms.

"Feeding the fish when there is harmful plankton in the water is very stressful for the salmon. In the worst cases it causes immediate mass mortality, and even when this doesn't happen, we could see effects of a bloom months after it occurs from gill related issues," says Liam Peck, Environmental Monitoring Specialist at Grieg Seafood British Columbia.

MITIGATES PLANKTON DAMAGE

There are hundreds of thousands of plankton species in BC waters. Only a few, however, are harmful to the fish. Although farmers are well trained and well versed in species recognition, the most harmful ones are often the most difficult to identify.

"The default action of the farmers is to feed, but that should only be done when it is safe. In some cases, however, there may be uncertainty or apprehension about what may be in the water. As such, many feeding days may be lost simply because farmers don't want to take a risk without a system to support their decision. These lost feed days impact growth negatively," Peck continues.

Grieg Seafood BC has collected data on harmful algae for years, and is now using a data platform and satellite images to find out whether plankton may be headed towards a site.

"Our goal is to roll out a machine learning platform to help the farmers make decisions about whether plankton in the water are in fact harmful, and in turn to avoid unnecessary fasting days. In addition, early detection of toxic algae will allow us to put in place mitigating actions proactively instead of reactively to avoid mortality. The next step to predict harmful plankton occurrences in advance and give the farmers another tool to farm better. We are working on that now", Peck says.

MOBILE-APP MONITORING

Feeding when oxygen levels are low is stressful for fish, and it has been difficult to detect such conditions in traditional farming.

"Now we have installed oxygen sensors across almost all our farms, most of which have sensors in every pen. We are able to monitor oxygen levels real-time on an app on our computers and phones from wherever we are. Similarly to algae monitoring, this platform helps us initiate appropriate mitigating actions when oxygen levels drop, and to stop feeding only when there is actually a water situation that require us to do so," Peck continues.

In the Esperanza area, where toxic algae blooms can be a challenge, the number of fasting days was reduced by 41 percent on Grieg Seafood's farms in 2018. The growth rate improved with 7.2 percent. Mainly because of new, digital decision-making support.

Grieg Seafood is now implementing the same monitoring system in Shetland.

We take part in research to develop the industry further

FISH GLOBE

We work with FishGLOBE, a company that has developed, built and is testing a new patented solution for closed aquaculture. The vision is to develop new cost-effective solutions that makes it possible for the aquaculture industry to expand. The business concept is to offer a solution to the salmon farmers that make farming more profitable, more sustainable and with improved fish welfare.

CO2 BIO

We work with CO2Bio, a research project that will develop a sustainable, bio-based Omega-3 production based on the use of CO₂ and algae. The purpose of CO2Bio AS is to develop a new and profitable business model based on CO₂ already captured at Mongstad, a hub for Norwegian oil and gas industry.

AQUA CLOUD

The AquaCloud platform, launched by the Seafood Innovation Cluster, is a cloud-based platform that aims to help fish health managers and researchers to improve the industry's challenges with sea lice. AquaCloud represents a new innovation platform that will bring together expertise from fish health managers, researchers and data scientist to give new insights from the massive amount of data generated by the industry every day.

CTRL AQUA

We work with Centre for Research-Based Innovation in Closed-Containment Aquaculture to develop technological and biological innovations to make closed-containment aquaculture systems (CCS) a reliable and economically viable technology. The result will be used in strategic parts of the Atlantic salmon production cycle, contributing significantly to solving the challenges limiting the envisioned growth in aquaculture.

BLUE FARM

The concept, Blue Farm, is a large concrete flouter based on offshore and maritime engineering, drawing on expertise from the oil and gas industry in Rogaland. We have applied for development licenses in Norway together with Blue Farm AS and other partners to test the concept, which will enhance both sustainability and production capacity. The application was initially rejected, but we have appealed the decision.

IBM WATSON

We use IBM Watson to analyze the data that we are collecting from our operations. The aim is to learn about new, previously unknown connections between our salmon and the ecosystem around it.

The Grieg Seafood shares

We aim to deliver an attractive return to our shareholders and contribute to the correct pricing of our shares. To achieve this, we proactively share honest information about our operations.



OUR PRINCIPLES

Our ambition is to **create shareholder value and deliver competitive returns** relative to comparable investment alternatives.

Our **dividend** should average **25 % - 35 %** of the Group's net profit after tax adjusted for fair value appraisals.

OUR SHARES 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 2018 the Company had 110 433 576 shares outstanding at a nominal value of NOK 4.0 per share (excluding own shares).

As of 31 December 2018, we had 5 123 shareholders, with our ten largest investors holding 69.6 % of our shares. Domestically based shareholders own the majority of the Company, with Per Grieg jr and his immediate family controlling 53.4 % of the outstanding shares as of 31 December 2018. A further 5.4 % is controlled by OM Holding AS, and 3.4 % by Folketrygdfondet as of year end 2018.

Grieg Seafood ASA holds a total of 1 228 424 own shares as of 31 December 2018. For a detailed breakdown of our 20 largest shareholders and their movements, please refer to note 17 in the Group Accounts.

Our shareholders reside in all parts of the world, with a clear concentration in Europe. Over the last five years Grieg Seafood has experienced a substantially increased interest from investors, and we have more than doubled the share of foreign shareholders since 2013. Apart from our majority shareholder, the Grieg family, based in Bergen Norway, there is a majority of foreign shareholders, split between the EU, the UK, and the USA.

FIGURE GEOGRAPHICAL OWNERSHIP 2013

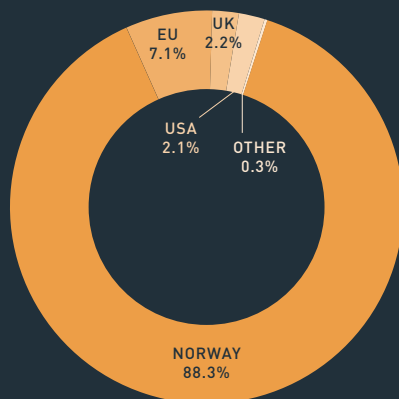
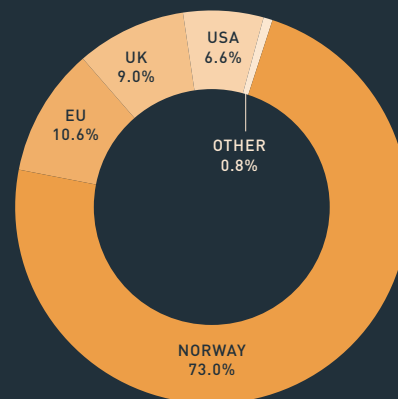


FIGURE GEOGRAPHICAL OWNERSHIP 2018



THE RETURN ON OUR SHARES

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

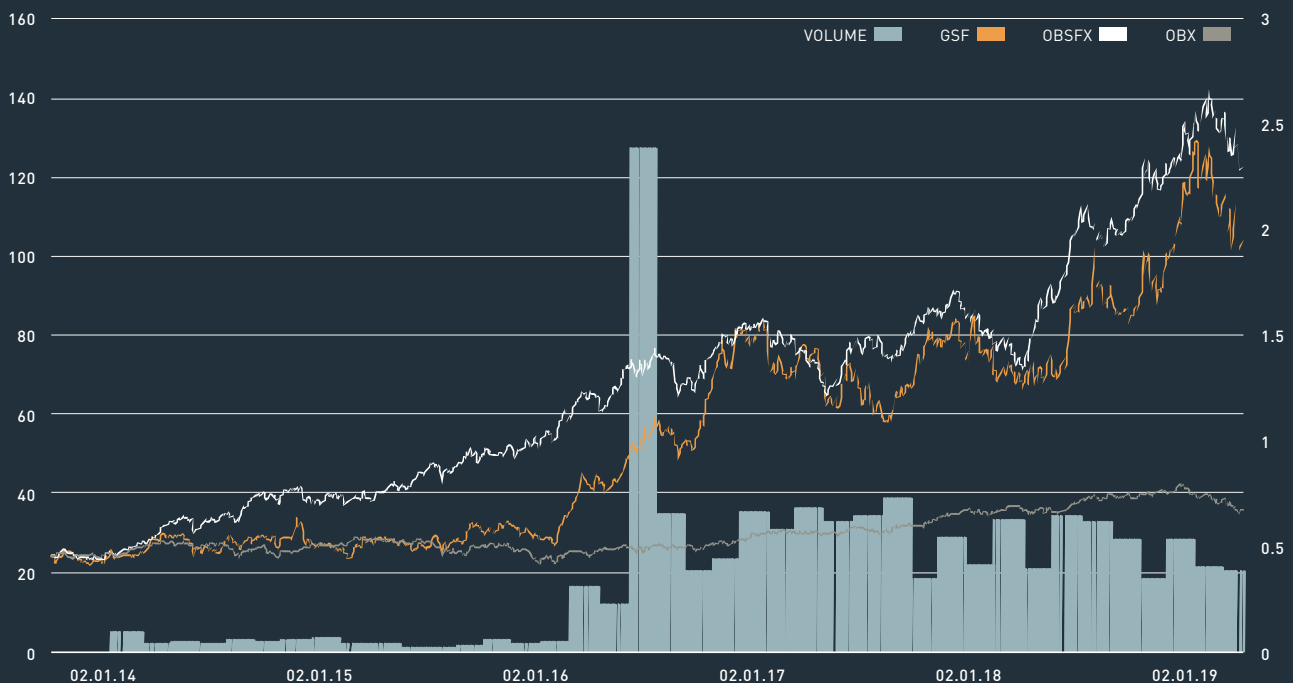
The Grieg Seafood share price increased by 42 % in 2018. The closing price at 31 December 2018 was NOK 102.30 compared to NOK 72.25 at year end 2017. Our dividend yield was 3.9 % in 2018, and adjusted for dividend of NOK 4.00 per share, the total return on our share was 46 % in 2018. By comparison, the Oslo Stock Exchange Total Return Index (OBX) and the Oslo Stock Exchange Seafood Index (OBSFX) produced a return of -0.5 % and 53 % respectively.

Over the past five years, the salmon farming industry has experienced a tremendous increase in profitability and valuation. Driven by high demand and increased prices, the Grieg Seafood share has yielded a return over the last five years of 367 % compared to 410 % for the OBSFX, and 48 % for the OBX. Since the release of shares following the exercise of forward contracts in 2016 (see below), the return of the Grieg Seafood share has substantially outperformed the Seafood Index.

THE LIQUIDITY OF OUR SHARES

From May 2016 and onward, the liquidity of our shares has increased significantly compared to prior years. This development was triggered by Mowi ASA realizing a set of old forward contracts, acquiring nearly 29 million shares in Grieg Seafood ASA, and immediately selling them in the market. Following this release of shares into the open market, the Grieg Seafood share has ranked approximately 25th in terms of trading volume among the shares on the Oslo Stock Exchange from 2016 to 2018. In 2018 a total of 116 million shares were traded, with a median of 411 341 shares per trading day.

FIGURE FIVE YEAR RELATIVE SHARE PERFORMANCE



KEY FIGURES	2014	2015	2016	2017	2018
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	13 108 181	8 251 926	167 281 077	143 109 533	116 144 510
Number of shareholders	1 028	1 156	4 390	4 433	5 124
Total value of shares traded per day (NOK million)	1.34	0.94	31.64	40.68	42.07
Average number of shares traded per day	52 433	33 008	661 190	570 158	466 444
Median number of shares traded per day	32 100	19 562	317 820	486 933	411 341
Share price 31.12 (NOK)	28.50	31.00	81.70	72.25	102.30
Average share price (NOK)	26.06	28.24	52.69	71.49	92.24
Lowest closing price (NOK)	21.80	23.10	26.70	58.00	66.20
Highest closing price (NOK)	29.80	33.60	84.45	85.10	129.50
Price/Earnings ratio	79.17	-114.81	11.38	12.26	14.61
Price/Book ratio*	1.42	1.53	2.81	2.41	2.95
Pay-out ratio (%)**	0 %	139 %	-556 %	56 %	68 %
Dividend yield (%)***	0.0 %	1.6 %	1.8 %	5.5 %	3.9 %
Return on Capital Employed (ROCE)	10 %	1 %	33 %	24 %	22 %

* P/E is calculated as Profit after tax, excluding non-controlling interest and fair value adjustments, divided on total number of shares.

**P/B is calculated as Profit after tax, excluding non-controlling interest and fair value adjustments, divided on equity to controlling interest.

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

DIVIDEND AND DIVIDEND POLICY

We aim to provide our shareholders with a competitive return on invested capital through payment of dividends in addition to share price increases. The dividend payout should follow 25 % - 35 % of the Group's net profit after tax, adjusted for the impact of fair value adjustments on biological assets. At the same time, the Group's net interest-bearing debt per kg harvested salmon should remain between NOK 15 and 20. Dividends declared and paid may be adjusted to satisfy the targeted debt level.

For the fiscal year 2017, NOK 4 was paid out per share, corresponding to a pay-out ratio of 68 % on the 2017 profit after tax. The high pay-out ratio reflects a sound financial position and strong financial performance. In June 2019, the Annual General Meeting will decide the dividend for the fiscal year 2018.

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

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. In 2018, we held our first Capital Markets Update, where we presented our Company's goals, strategy, operations, financial developments and outlook. Investors, analysts, media and other stakeholders were invited. For more information and dates of our Annual General Meeting and quarterly presentations in 2019 see details on our web site www.griegseafood.com

Analytical information and alternative performance measures

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 an improved understanding and correct pricing of our shares.

VALUE CREATION

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

VALUE DRIVERS

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 performance is driven by a multitude of operational factors affecting revenue and costs. Producing salmon takes two to three years from egg to harvest, and the costs of a harvested fish is accumulated through the production period, and do not impact the profit and loss statement (apart from fair value adjustment) before the fish is harvested. Although EBIT per kg (before fair value adjustment) is an important external benchmark measure for our regions, our operational focus is not on the cost of the harvested fish, but on the development of the cost drivers affecting our production volume and cost of salmon to be harvested in the future.

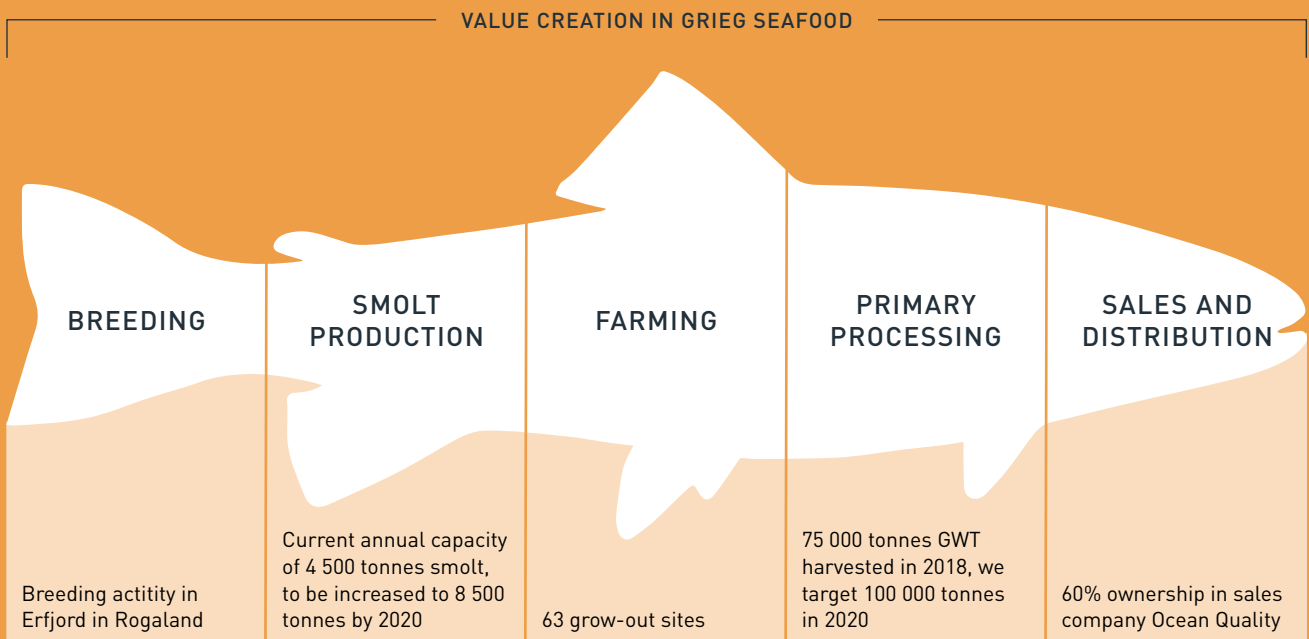


FIGURE ROCE AND EBIT/KG

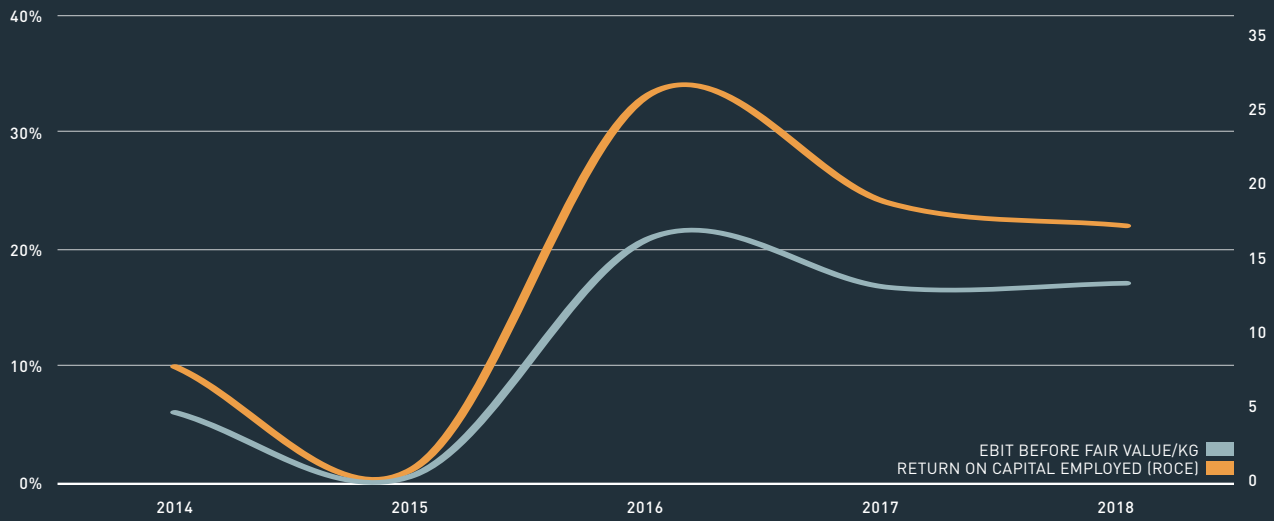


FIGURE ACHIEVED PRICE FOR GSF

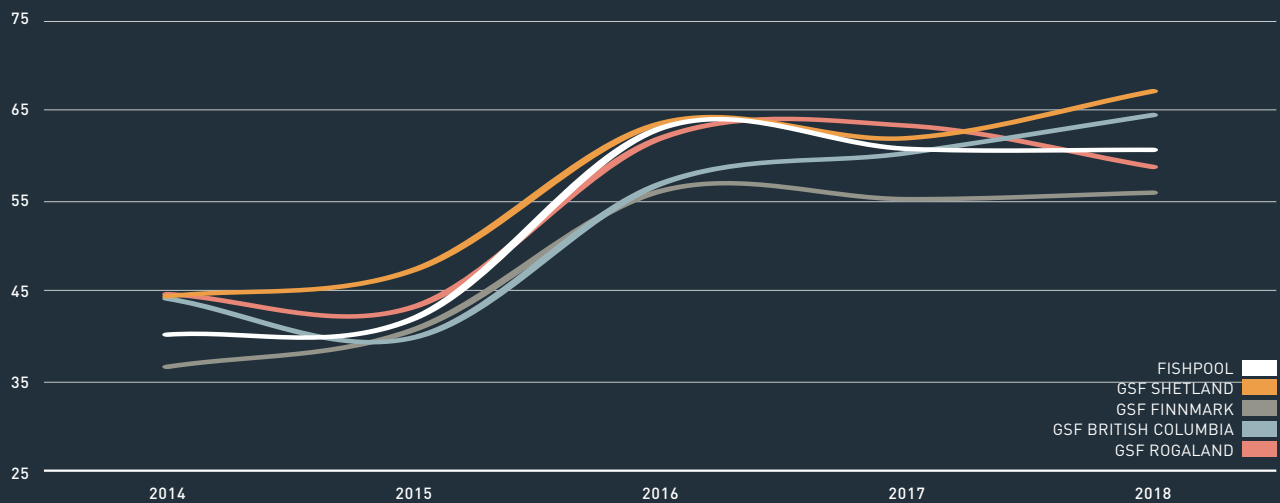


FIGURE REVENUE DRIVERS

REGIONS IN 2018	ROGALAND	FINNMARK	SHETLAND	BRITISH COLUMBIA
Survival rate (GSI)	92 %	96 %	83 %	88 %
Superior quality share	73 %	85 %	94 %	84 %

Revenue drivers

HARVEST VOLUME

How much salmon we harvest depends on the number of smolt put to sea, and how well that fish performs in terms of growth and survival. In line with our growth ambitions, we transferred approximately 26 million smolt to sea in 2018. Fish growth and survival rates can be affected by innumerable factors in sea, but certain factors are of key importance:

- Seawater temperatures
- Seawater conditions
- Diseases and health issues
- Sea lice

We strive to produce the highest quality salmon at a competitive price, overcoming the challenge of the factors above. By effectively preventing and combatting sea lice and health issues, and understanding our salmon's behavior, we work continuously to improve survival and growth rates.

Our total production volumes are limited by our farming licenses, which contain restrictions (Maximum Allowed Biomass, MAB) on the amount of live biomass we can have in sea at any time. In Shetland and British Columbia, the limitations are only imposed on a per site basis, while the Norwegian system also introduces limitations on defined areas and per company. Effective utilization of farming licenses, equipment, and personnel requires sophisticated and detailed planning of stocking and harvest across sites and regions.

QUALITY

Diseases, winter sores and other biological issues may affect the quality of our product. Salmon quality categories are relatively standardized. We categorize the quality of our salmon as superior, ordinary or production grade. "Superior" quality salmon has a positive overall impression with good meat quality and no exterior damage or faults. Downgraded salmon has from minor to significant external and/or internal faults or damage 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 1.50-2.00 per kg GWT. For salmon classified as "production grade", the deduction is NOK 5.00 -15.00 per kg GWT, depending on the extent of faults and damages. In other countries, the price deductions compared to "superior" salmon are less standardized, but the same principles apply. As other companies in the salmon farming industry may use other quality categories and criterias for grading their salmon, the quality share may not be comparable between the companies.

PRICES

Our main product, whole gutted salmon, is largely traded as a commodity, and the prices achieved largely reflect the general market price. Our achieved prices will, to some extent, deviate from the market price, based on the quality, 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.

There are several reference prices for salmon available. In Norway, Fish Pool ASA provides historic price information as well as future 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, but significant short-term variations between markets are not uncommon.

Cost drivers

The cost of inputs of producing a live salmon from roe to harvest is the main portion of total costs in our operations. In addition, the cost of harvesting and processing our salmon, as well as general administration, make up our total operational cost.

We track our performance, both internally and externally, through the cost of harvested salmon per kg. Most important is tracking the cost drivers influencing the cost of salmon to be harvested in the future, namely growth and survival.

SALMON SURVIVAL

A vast number of factors can affect salmon survival rates, for example diseases, algal blooms, water conditions, predation, and sea lice treatment. In recent years, approximately one out of five of the smolt stocked have been lost during the seawater growth phase throughout the industry. The number of fish lost per generation varies immensely across locations and regions. For salmon generations fully harvested in 2018, our survival rates showed wide variations between regions. Grieg Seafood Finnmark produced a survival rate as high as 96 % (calculated according to GSI definition), with the total survival rate in Grieg Seafood being 91 % in 2018. Accounting wise, we expense mortality exceeding a threshold level, deemed to be extraordinary, either by month or for the generation to date. Costs associated with "normal" mortality is kept in the book value of the remaining inventory, contributing to an increased cost when the fish is harvested and sold.

SALMON GROWTH

Our profitability is influenced by how quickly the salmon grows, and how efficient feed is converted into fish. Water temperatures, biological conditions, farming practices, and fish survival are key drivers for salmon growth. Higher seawater temperatures increase growth, but also increase biological risks in the form of diseases and algal blooms. This may again result in lost feeding days, lower growth and reduced survival. Through introduction of improved sensor technology, use of advanced image analysis and other technologies, we continuously improve at making better-informed decisions concerning feeding and protective measures.

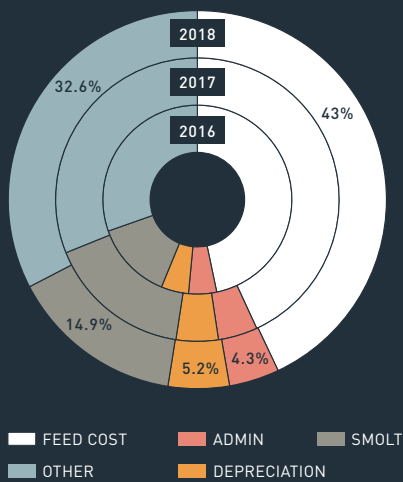
Efficient conversion of feed is crucial to achieve our future cost targets. Feed accounts for approximately 40 % of our total cost per kg harvested fish. Strong and healthy fish, combined with high feed quality and good feeding practices, is key in achieving low production costs. We measure our farming performance through feed conversion rates (amount of fish feed used to produce one kg of live salmon) and relative growth indexes (achieved growth compared to own and feed supplier expectations). Salmon growth, survival rates, and in turn EFCR (economic feed conversion rate), are strongly connected to fish health, disease, and sea lice. Treatments, starvation, and reduced appetite impact growth negatively, and reduce harvest volumes and increase cost per kg harvested fish.

COST OF HARVESTED SALMON

Our cost base consists mainly of feed, smolt, salaries, treatments, administration, well boats, harvesting costs, and depreciation. In recent years the industry has faced acute challenges with sea lice and diseases. This has caused an increase in costs both related to direct treatment, and in increased investments in equipment and technologies. This development has had a noticeable effect on the breakdown of the cost factors in the industry. In terms of total production costs per kg however, the reduction in harvested volumes, either due to lower survival rates, or lowered average harvest sizes, has had a significantly larger impact than the direct costs. As production costs per kg has increased the recent years, the directly variable cost of feed has become a smaller part of the total incurred costs per kg produced salmon. At the same time, other costs such as salaries, health costs, and maintenance, have become a larger share of the total.

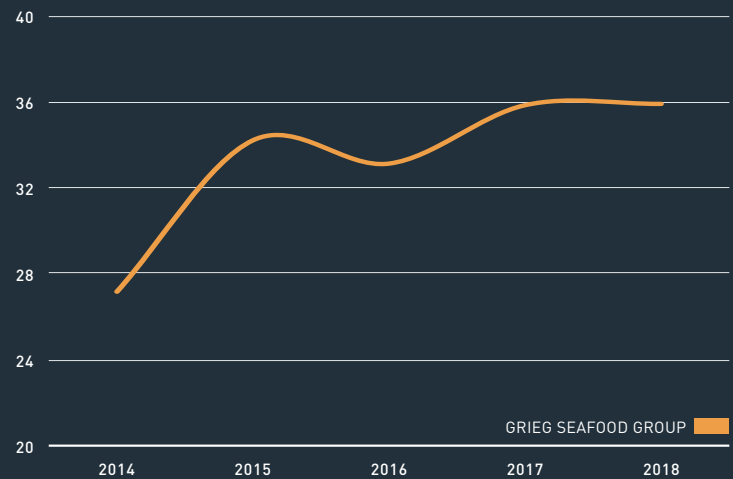
Over the past years we have seen an increase in total costs across all our farming regions. In addition to an increase in health costs related to disease and sea lice treatments, the smolt cost and depreciation have increased due to expansion of our smolt facilities and various technological equipment. In Shetland we have experienced issues of reduced mortality, low harvest volume and in turn high costs per kg. Excluding Shetland our cost per kg of harvested salmon was reduced from 2017 to 2018, and we see a positive trend going into 2019. In Norway, Grieg Seafood has reduced the gap in production costs to the other large producers and are on track to the ambition of producing at an industry average of costs by 2020.

FIGURE PRODUCTION COST
2016-2018



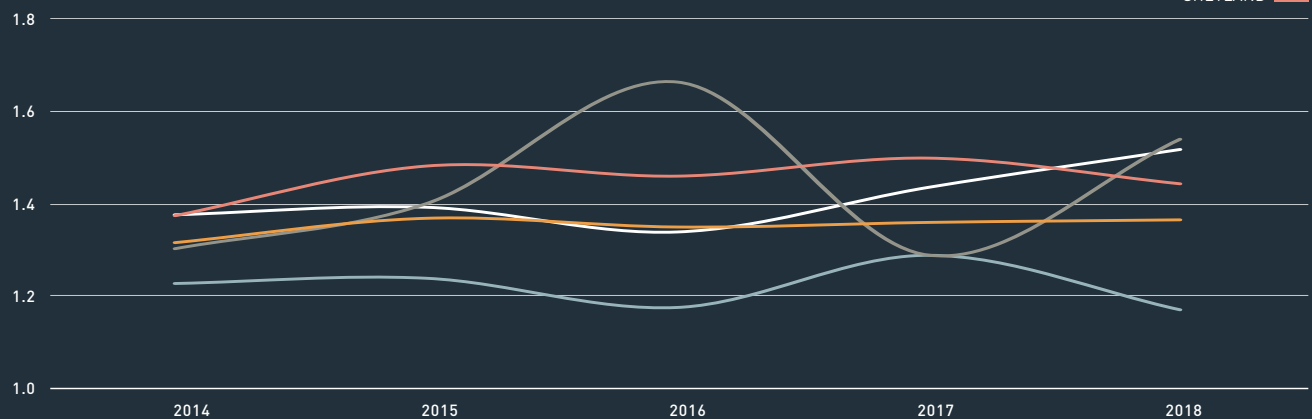
Cost capitalized to inventory

FIGURE COST OF HARVESTED FISH NOK PER KG



Excl harvesting cost

FIGURE ECONOMIC FEED CONVERSION



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' (non-controlling interest) share of bank in Ocean Quality AS from the calculation.

APM	DEFINITION AND CALCULATION	REASON FOR APPLYING APM
EBIT = EBIT before fair value adjustment of biological assets	<p>Operating profit incl. amortization and depreciation excl. fair value adjustment of biological assets.</p> <p>Unless otherwise specified, EBIT before fair value adjustment of biological assets is shortened to EBIT (earnings before interest and taxes). This also applies to all key figures where EBIT is a component, including:</p> <p>EBIT-margin (%) EBIT/ kg GWT ROCE</p>	<p>EBIT before fair value adjustment provides a more informative result as it does not consider future gains or losses on fish not yet sold. The fair value adjustment has a non-operational nature and can affect the comparability of our performance from period to period.</p> <p>EBIT before fair value adjustment is generally considered the industry measure for profitability.</p>
EBITDA = EBITDA before fair value adjustment of biological assets	<p>Operating profit before amortization and depreciation excl. fair value adjustment of biological assets.</p> <p>Unless otherwise specified, EBITDA before fair value adjustment of biological assets is shortened to EBITDA. This also applies to all key figures where EBITDA is a component, including:</p> <p>EBITDA-margin (%) NIBD/EBITDA</p>	<p>EBITDA before fair value adjustment provides a more informative result as it does not consider future gains or losses on fish not yet sold. The fair value adjustment has a non-operational nature and can affect the comparability of our performance from period to period.</p>
EQUITY RATIO EXCLUDING OCEAN QUALITY	<p>The equity ratio is calculated both with and without consolidation of Ocean Quality Group.. The bank syndicate equity covenant definition is exclusive Ocean Quality, solely considering Grieg Seafood companies both with regards to equity and total liabilities.</p>	<p>The equity ratio is applied to measure the solidity according to the Group's covenant requirements.</p>

APM	DEFINITION AND CALCULATION	REASON FOR APPLYING APM
<p>NIBD</p>	<p>Net interest-bearing debt (NIBD) comprises long-term and current debt to financial institutions after deducting cash and cash equivalents.</p> <p>NIBD is calculated in two ways:</p> <p>1) For external reporting purpose: including all long-term and current debt to credit institutions excl. factoring debt.</p> <p>2) For covenant calculation as required by the bank syndicate: as in method 1 but cash and cash equivalents are reduced with an amount corresponding to Bremnes Fryseri AS' 40% share of Ocean Quality AS' bank deposits.</p> <p>NIBD calculated according to method 2 above is used for calculation of:</p> <p>NIBD/EBITDA</p> <p>Please refer to calculation in note 10.</p>	<p>NIBD/EBITDA is a measure of solidity and one of the covenants in our bank agreement. When calculating NIBD/EBITDA NIBD is calculated according to method 2 and EBITDA is before fair value adjustment of biological assets and consolidation of Ocean Quality Group.</p>
<p>ROCE</p>	<p>Return on capital employed is calculated using values before fair value adjustment of biological assets. The ROCE is calculated as follows:</p> <p>EBIT before fair value adjustment of biological assets divided by average annual NIBD plus average annual equity before fair value adjustment of biological assets.</p> <p>The average annual values for NIBD and equity are calculated as Opening balance plus Ending balance divided by 2.</p> <p>NIBD is excluding Ocean Quality (refer to method 2 under NIBD above).</p>	<p>ROCE measures the return on invested capital. Fair value adjustment of biological assets is extracted as this reflects future gains or losses on fish not yet sold which can affect the comparability of performance from period to period.</p>
<p>EPS Adjusted for fair value of biological assets</p>	<p>Adj EPS (Adjusted earnings per share) is calculated as net profit after taxes minus non-controlling interests plus/minus fair value adjustment of biological assets net of tax effects divided by the number of shares.</p>	<p>We extract the fair value adjustment of biological assets to avoid future gains or losses on fish not yet sold due to its non-operational nature. Adjusted earnings per share is used to calculate the dividend payout ratio (dividend paid per share relative to adjusted earnings per share).</p>

ROOTED IN

PEOPLE

Every single day, whether it is sunny, stormy or freezing cold, our fantastic employees are out there working hard in the hatcheries, on the farms or at the harvesting plants. Their passion and dedication are driving Grieg Seafood forward.



Creating attractive jobs

To reach our goals and to solve our challenges, we need the best people regardless of gender or background. A good work environment is key to attract and retain the best talents.

OUR PRINCIPLES

Our people are our DNA and essential to the successful delivery of our strategy.

A **good working environment** creates attractive jobs.

Our target is to **attract the best skills**, and to be the preferred employer, regardless of industry.

We **embrace diversity** and employ the most competent, regardless of where people come from.

We have a **fair and transparent recruitment** process.

Our employees have the **right to be organized**.

We live by **our values** – Open, Ambitious, and Caring.

HOW WE WORK TO IMPROVE

- Through the use of new technology and our digital efforts within Precision Farming, we aim to stand out from the crowd and offer exciting positions. Sensor technology, big data, and analytics demands further development and training of our employees, and will also attract people with skills and background other than aquaculture.
- By being more flexible and creative, we work to attract more female workers to balance the gender gap. We have a fair and transparent recruitment process and strive to have both female and male candidates in our final interviews. We report on the SHE Index because we believe that transparency creates trust.
- Our pay and benefits policies are based on a bi-annual survey to ensure that we always pay market price or above for all jobs. We have an employee share program and share our profit with our employees. All our employees are part of our bonus program.
- We measure our employee satisfaction and working environment on a regular basis. In 2018, we conducted the Great Place to Work survey for the first time in Norway. We will continue to improve our achievements and will include all our global entities in our next survey.
- We hold quarterly feedback meetings to discuss important initiatives with our union representatives to encourage good and constructive dialog.
- We use our values, Open, Ambitious, and Caring, every day by challenging things that do not support our common culture. We believe that our employees build the culture and our Company.
- We focus on internal communication and are proud to say that we were among the first in implementing Workplace by Facebook in our industry worldwide. Through Workplace, our common communication platform, all our employees have been given a voice and an opportunity to participate actively in discussions, and to share knowledge and information across borders.

“THE PATH TOWARDS GENDER EQUALITY IN THE FISH FARMING INDUSTRY”

A thesis written by four young female students revealed that the organizational conditions within Grieg Seafood are facilitated to encourage women to reach managing positions, something which other companies in the industry ought to learn from.

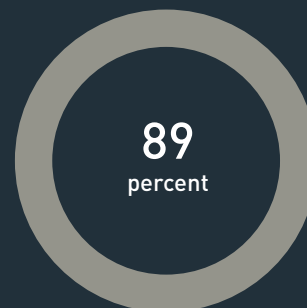


RESULTS

FIGURE GREAT PLACE TO WORK

Great Place to Work assesses and evaluates organizations and the practices that underpin workplace culture based on the experience of employees.

Grieg Seafood received a score of 89 %. The average score of Norwegian companies was 76 %, the best score being 92 %.



SCORE FOR GRIEG SEAFOOD NORWAY

FIGURE THE SHE INDEX 2018

The SHE Index scores companies based on the gender balance in management teams on different levels, as well as the companies' policies to improve female representation in management.

In 2018, we came 12th on the SHE Index, climbing to the 8th place in February 2019.



2018 RANKING



2019 RANKING



	THREE IMPORTANT TASKS FOR MAKING CHANGES TOWARDS AN EQUAL WORKFORCE
01.	Bold leadership Top management have defined policies, strategies, goals and practices.
02.	Measuring equality targets openly A diverse leadership team that sets, shares and measures equality targets openly.
03.	An empowering environment One that trusts employees, respects individuals and offers equal opportunities.

Keeping our employees safe

Accidents can be prevented by working on procedures, culture, or by improving equipment quality. We never compromise on health and safety.



OUR PRINCIPLES

Our mission is to provide a **safe work place**, while ensuring compliance and minimizing future potential liabilities.

We have a **zero-tolerance philosophy** for accidents.

Health and safety are **serious and important matters** for Grieg Seafood, and this must be felt by our employees every day.

HOW WE WORK TO IMPROVE

- We have systematic efforts to safeguard our employees' health, safety and environment (HSE).
- We have implemented a set of guidelines, procedures, and processes as important instruments to identify risk in an early phase. The aim is to prevent and manage work-related injuries, sickness, accidents, and fatalities.
- Monitoring, reviewing, and revising procedures and policies is a continuous process to keep our employees safe.
- We focus on a good culture of security, where our employees have a personal understanding of risk and consequences, by proactively involving all our managers and employees in our HSE work.
- To ensure that all our employees understand and follow our Safety Management Principles, each and every one:
 1. is encouraged to commit to take responsibility for their own personal safety in everything they do.
 2. understands the importance of working for the safety of others.
 3. needs to engage and communicate with colleagues to support safe behavior and compliance.
- We have introduced a safety excellence program, Brainsafe, in Grieg Seafood BC, which will be evaluated for global implementation.
- An employee Health & Wellness program was launched in BC during the year, focusing on improving our employees' physical and mental health. The effect on the organization will be followed closely going forward.
- Our HSE standard is based on our regions' regulations and emphasis is placed on preventing injuries and diseases. This is how we work on a daily basis. In particular, we try to organize our work environment to be fit for both genders.
- On a monthly basis, we monitor and review incidents and accidents together with our employees and union representatives.

SAFETY MANAGEMENT PRINCIPLES

All locations shall establish annual safety targets with action plans (what, who, when).

All locations shall have high standards of housekeeping.

All managers shall carry out safety walks (Walk - Observe - Communicate).

All employees shall participate in safety meetings on a regular basis.

The use of personal protective equipment and life jackets shall be specified for employees, contractors, and visitors.

A risk assessment with respect to safety shall be made for all jobs, equipment, and potentially hazardous materials.

All accidents and near-misses shall be reported and investigated, to include root-cause analysis, and with the subsequent implementation of corrective actions within reasonable time.

Conduct annual audits of the systematic HSE work.

All Regions shall have safety procedures, to help facilitate a safety focus throughout the organization.

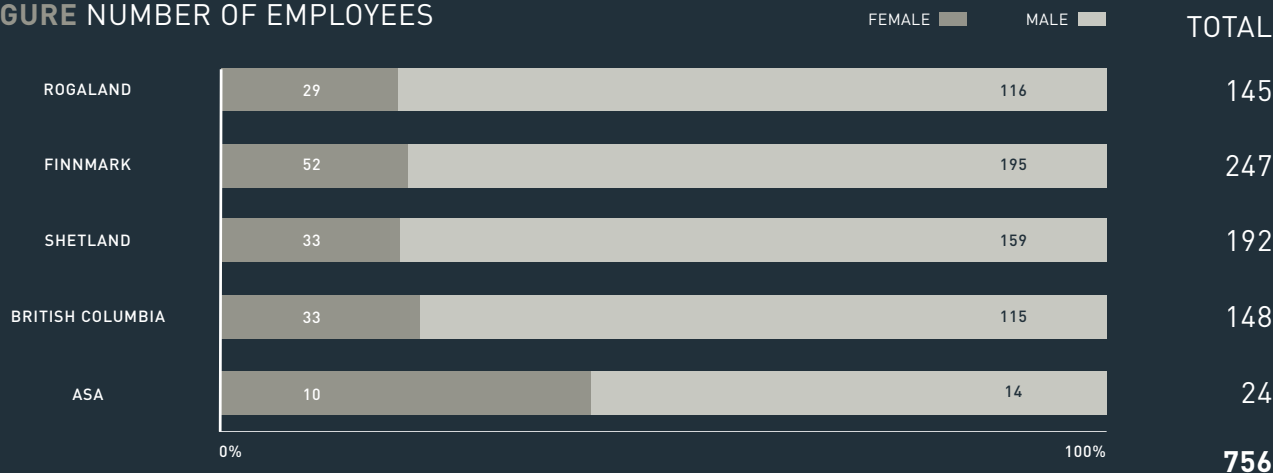
A program for systematic and regular safety training shall be in place.

RESULTS

FATALITIES 0

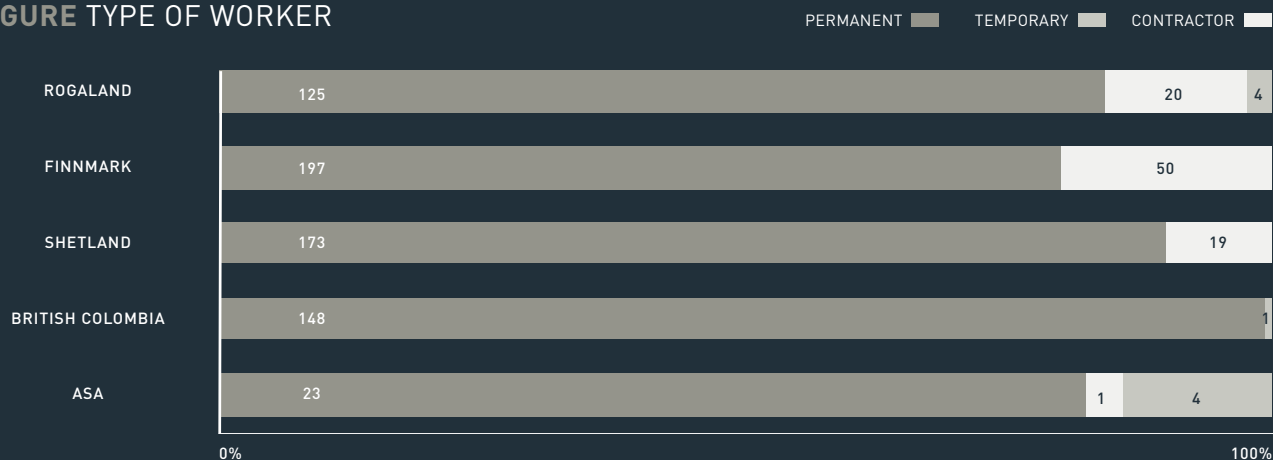
Grieg Seafood Group had no fatalities in 2018.

FIGURE NUMBER OF EMPLOYEES



The ratio between male and female employees are similar between the regions, while the management and support functions at Grieg Seafood ASA has the highest share of female employees. We report on the SHE Index to be transparent about our organization and to improve our gender balance.

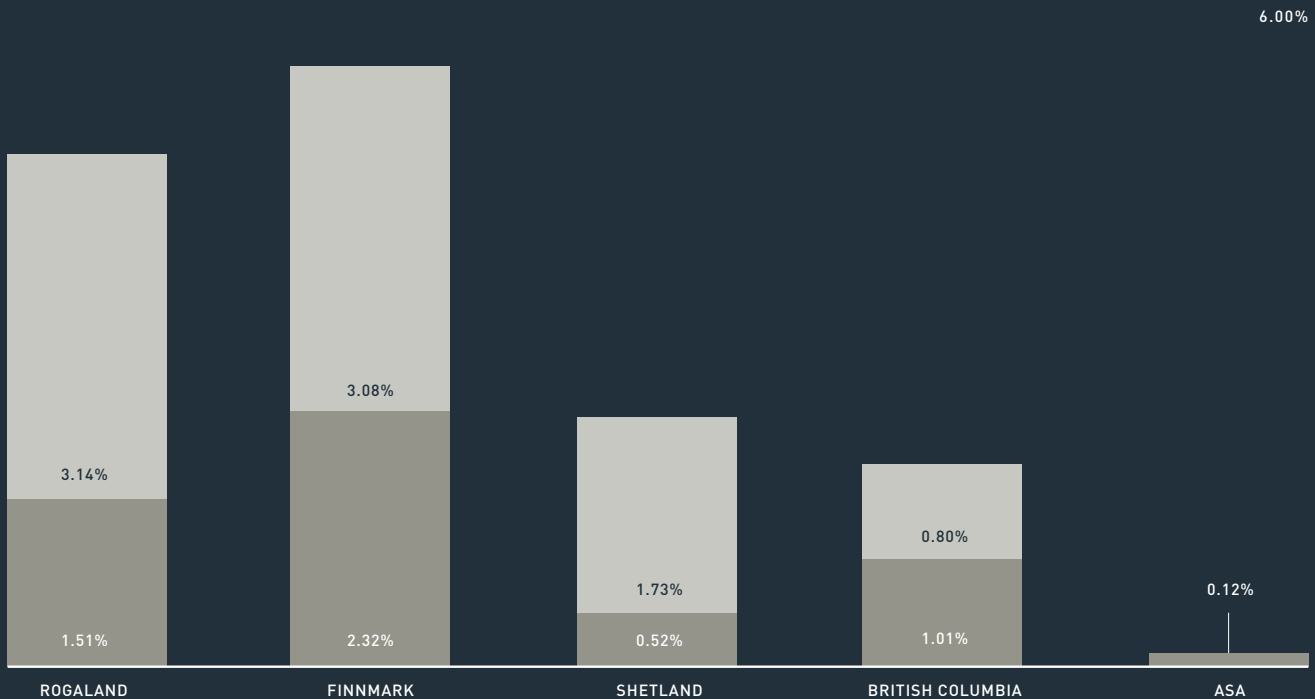
FIGURE TYPE OF WORKER



Temporary workers consists mainly of seasonal workers and apprenticeships. Most of our apprentices are offered a permanent position with us after the apprenticeship is over. Contractors are mainly used in Norway during peak periods of harvesting.

FIGURE ABSENCE RATE

SHORT TERM ■ LONG TERM ■



Main types of injuries are accidents related to being struck by objects, incidents when handling work equipment, slips, trips, and falls. The absence rate that has increased since 2017 are mainly caused by longterm absence. We also believe that we have a more accurate representation based on our new time capture system implemented in 2018. Shetland's short term absence rate has dropped compared to last year, as a result of the employees taking advantage of time off in lieu.

FIGURE H1-FACTOR/LTIR

REGIONS	H1-FACTOR/LTIR			ABSENCE RATE		
	2016	2017	2018	2016	2017	2018
Rogaland	9	11	24	3.42 %	3.17 %	4.65 %
Finnmark	13	24	18	6.10 %	4.40 %	5.40 %
Shetland	10	13	24	2.67 %	3.15 %	2.25 %
British Columbia	72	16	38	1.58 %	0.88 %	1.81 %
ASA	0	0	0	0.30 %	1.00 %	0.12 %

*H1.factor/LTIR: number of injuries leading to absence divided by the total number of work hours, multiplied by 1 000 000.

Transparency, integrity and anti-corruption

Strong business integrity and ethical conduct is essential to become a world leader and preferred provider of sustainably produced salmon.

OUR PRINCIPLES

We have **zero tolerance** for bullying, unwanted sexual attention and harassment.

We expect all employees to follow our **Code of Business Conduct**.

We expect our suppliers to follow our **Supplier Code of Conduct**.

We aim to be recognized by our stakeholders as a **dependable, reliable, and competent partner**.





NON-DISCRIMINATION

Always show respect for individuals as individuals and do not treat people as members of a class (race, ethnicity, national or other origin, disability, age, gender, sexual orientation, language, religion, or any other characteristic).

Base employment decisions on job qualifications (e.g. education, prior experience) and merit. Positive discrimination is tolerated in order to achieve equality and diversity.

Provide a work environment free from harassment and bullying.

Consult with higher-level management, if a conflict arises between these provisions and the laws, customs or practices of a particular area.

CARE FOR PEOPLE - FAIR EMPLOYMENT

All activities shall be conducted with respect for individuals as individuals and without discrimination. We do not tolerate any form of forced labor and are committed to the abolition of child labor.

SEXUAL HARASSMENT

All our employees have the right to be treated with dignity and respect. Sexual harassment in the workplace will not be permitted or accepted. Sexual harassment may include unwelcome physical, verbal or non-verbal conduct, but may appear in other forms as well.

Definition of sexual harassment

Sexual harassment is unwanted conduct of a sexual nature. The unwanted nature of sexual harassment distinguishes it from behavior that is welcome and mutual.

HOW WE WORK TO IMPROVE

- We implemented new online ethical guidelines in 2018. All our employees are required to complete our Code of Business Conduct program, ensuring that they are familiar with our ethical standards, applicable laws, and regulations.
- Our Code of Business Conduct and the culture we have built start from the top - with our Board of Directors and our owners. We have built a culture of zero tolerance for bullying, unwanted sexual attention, and harassment which we are proud of, and we aim to keep it this way.
- We comply with internal and external requirements for integrity and ethical business practices. We maintain our whistleblower procedure through an external service provider, EY. Our whistleblower channel is available to all employees at the Workplace and through our intranet.
- We have implemented a Supplier Code of Conduct. We will not work or do business with anyone that does not comply to a complete set of employee rights in accordance with international and national conventions. Decent work is a prerequisite for sustainable development, and we work systematically to avoid social dumping associated with our production, including our partners.
- We define the requirements and conditions for our suppliers and partners to ensure that all hired personnel receive proper training, competitive wages, and good working conditions as if they were employed in Grieg Seafood.
- We pay special attention to the regulations pertaining to our industry in addition to anti-corruption regulations, competition law, and workers' rights, as we believe these areas are of critical importance to our operations.
- Integrity is hard to develop, which is why we have worked close with our employees to create a common understating of what it means for us. With integrity, we do not just mean compliance with laws and regulations, but also a continuous awareness of the effect of our strategies, activities, and results on our surroundings and stakeholders.
- We strive to maintain good dialogue both internally and externally to ensure that our choices and decisions are well-founded and understood by all our employees and other stakeholders.
- We lead by example. Group members and local management are encouraged not to take on ownership or board positions in companies that Grieg Seafood has commercial relations or competes with. All relations that may involve conflict of interest are reported to ensure that business decisions are made by impartial staff members.



RESULTS



NON-COMPLIANCE: In January 2018, Ocean Quality AS was suspended from exporting Norwegian salmon to China because incorrect shipment documentation had been provided to the Norwegian Food Safety Authorities. Individuals in Ocean Quality had violated internal guidelines and deliberately re-used earlier declarations. A complete review of internal routines was performed, new routines put in place and two employees had to leave their positions. The suspension from the Chinese market was lifted in October 2018.

FINES PAID: Salmon farming is a highly regulated industry and all companies must act in accordance with local laws and regulations. During 2018, Grieg Seafood has no cases of non-compliances resulting in fines.

Data security and privacy

Protection of privacy and personal data is a human right.
We protect the information we have been trusted with.

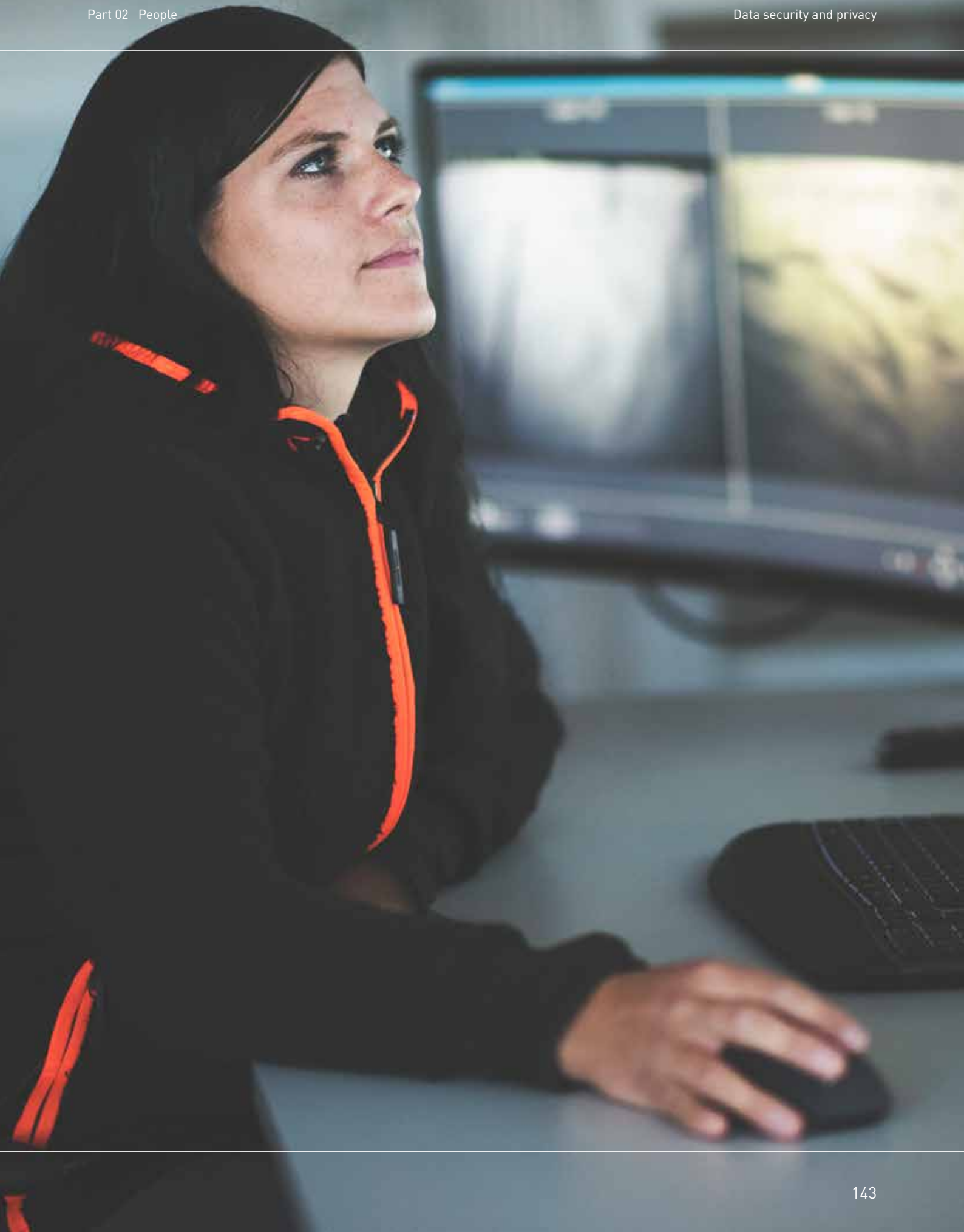
OUR PRINCIPLES

We take our **responsibility for protecting** the information we have been trusted with by our employees seriously and handle it with respect.

OUR EMPLOYEES' RIGHT
Declarations of Consent
Right to access personal information
Right to erase personal information
Right to transmit information to new employer
Right to be informed
Right to correct erroneous information
Right to limited processing of information
Right to oppose processing of information
Right to breach notification

HOW WE WORK TO IMPROVE

- The introduction of the General Data Protection Regulation (GDPR) is not a project with a start and an end – it is an ongoing process that impacts our way of handling personal data.
- We have developed policies and guidelines for data security and privacy that apply to all regions according to the GDPR standard. The regulation gives all our employees more control of their own personal data and ensures that the information is protected.



OUR STORIES

Empowering our colleagues creates more engagement

Behind the 2018 results are more than 700 hardworking and dedicated employees, in all our four regions. Grieg Seafood Shetland has used the Scandinavian leadership model to get its people to do their best for the business.

Photos: Grieg Seafood Shetland





“Our people are our DNA. Without them onboard, we will never be able to achieve any targets or strategies”

KATHLEEN MATHISEN
Chief Human Resources Officer
Grieg Seafood

“Our people are our DNA. Without them onboard, we will never be able to achieve any targets or strategies,” says Kathleen Mathisen, Chief Human Resources Officer at Grieg Seafood.

“It is important for the Company that we do not only increase employee competence in the various disciplines that we need, but also that they develop on a personal level,” she elaborates.

Over the last years, Grieg Seafood Shetland has focused on developing its managers on both a professional and personal level. The company is the result of mergers and acquisitions, of many small farmers on Shetland. Naturally, all of them brought their own culture and expectations into the company. That made collaboration and team work problematic.

“It was challenging for people from all these different backgrounds to get invested in the common goals of the Company,” says Jon Walden, Fresh Water Production Manager in Grieg Seafood Shetland.

DELEGATING DECISION-MAKING

Since 2013, the company has run annual AFF courses, a leadership- and organizational development program, originating at the Norwegian School of Economics.

“We identified improvement projects in the organization and have worked on developing managers through these projects,” says Henning Lampe-Olsen, senior consultant at the AFF program. He has been engaged in the courses, at Grieg Seafood Shetland from the beginning. The Company has run several rounds of the program, as new managers and employees have come along.

“An important principle is to delegate decision-making as far down in the organization as possible. More employees get more responsibilities and are held to account. That makes more people engaged in the company goals and strategies,” Lampe-Olsen states.

Jon Walden, who took part in the first round of the course, explains

that delegation of decisions has freed up more time to follow-up management responsibilities properly.

“It takes energy and time to manage people in a healthy way. Back in the days, I got this job on a short notice. I didn’t know how to manage people, and that was the case for many others in the company as well. The AFF course has provided us with management tools, which have improved our management ability significantly,” Walden says.

“For example, we are now aware that as managers, everything we do sends a message. How we behave, what we say and what we do is important. We must act in a way that motivates our people. That has changed the Company culture,” he elaborates.

APPLICABLE TO REAL WORKPLACE PROJECTS

Working in groups, where people’s competences are acknowledged and where everybody is properly listened to, is another central part of the AFF program.

“We were pushed out of our comfort zone and learned to get comfortable when speaking to groups. In my opinion, the success of the program was to allow us to practice speaking to our peers in a semi-formal setting,” says Niall O’Rourke, the Factory Manager at Shetland.

Each year, several real improvement projects are identified and implemented, throughout the course. For instance, team leader positions in the factory, have been removed and replaced with a single factory floor supervisor, Health, Safety and Environment resources have been increased and a new induction programme is put in place.

“The program enabled us to apply knowledge and practice to real workplace projects. The fact that the projects could be monitored throughout the program was beneficial. It has provided the Company with a base for new projects and more importantly the experience to see it through,” O’Rourke says.

“The factory has made major savings since AFF and continues to use the principles from the program to form future projects.” put in place.

WORK IN PROGRESS

Employees in Grieg Seafood Shetland have surely noted the difference.

“Before the first course started, the staff at the farms were asked what they thought about management. To say the least, we did not get a very good grade. At the end of the session, they repeated the survey, and the score we got increased significantly,” Walden explains.

“Since then, we regularly refresh the course, and put new managers through it. We still have a way to go, but we keep improving. Good management will always be an essential work in progress.”





ROOTED IN

LOCAL COMMUNITIES

We are grateful to our local communities for giving us permission to farm salmon in their fjords. In return, we do not only do what we can to ensure local biodiversity and sustainable farming methods. We also contribute to vibrant local communities in the areas where we operate.



Local value creation

We contribute to our local communities in many ways. We create full-time, well-paid jobs in rural areas, support local businesses and sponsor recreational activities for children, youth and adults alike.



OUR PRINCIPLES

We use **local suppliers** as often as we can.

We hire **local apprentices** and support aquaculture schools and training.

We engage in **local environmental projects** related to our fish farming.

We support **sports and cultural activities** in our local communities.

Good relations and a good dialogue with our local communities is important to Grieg Seafood.



Grieg Seafood Finnmark

Grieg Seafood Finnmark supports 45 local sports teams, cultural initiatives or other activities for local children and youth. For example:



BUL sports team Alta where the 2 000 members, mostly children, engage in sports activities like football, cross country skiing or handball.



The Finnmark Race, Europe's 1 200 km dog-sled race crossing the Finnmark plateau.

220

LOCAL EMPLOYEES
Many belong to the Sami Indigenous Nation.

250_{NOK}

LOCAL PROCUREMENT OF
GOODS AND SERVICES

300

LOCAL SUPPLIERS

18

NUMBER OF APPRENTICES

11

ENGAGEMENTS IN LOCAL
ENVIRONMENTAL PROJECTS

126_{MNOK}

FROM THE AQUACULTURE FUND
to municipalities where GSF Finnmark operates.

1

COLLABORATION WITH NORDKAPP HIGH
SCHOOL ABOUT A TEACHING LICENSE

70

NUMBER OF FORMAL ENGAGEMENTS
WITH THE LOCAL COMMUNITY
Such as farm visits, participation at local conferences, dialogue meetings.

!

CONTRIBUTIONS TO INFRASTRUCTURE
PROJECTS AROUND THE FARMS
For example, we will install fiber to the site Vedbotn, which will provide internet to the community around the site.



The Alta Chess Club, which provides an opportunity for children and youth to learn and compete on the national level.



Nordkapp Film Festival, where Grieg Seafood amongst other things has established a scholarship for youth who want to develop a film project.

Grieg Seafood Rogaland

Grieg Seafood Rogaland supports five local sports teams, cultural initiatives or other activities for local children and youth. For example:



4H, an organization whose goal is to develop an active and socially committed youth with respect for nature and other people.



The diving club Slettaa Dykkerklubb, a very active club in our area. They do a great job picking up garbage from the sea bed and assisting in rescue operations at sea.

160

LOCAL EMPLOYEES

446_{NOK}

LOCAL PROCUREMENT OF GOODS AND SERVICES

250

LOCAL SUPPLIERS

6

NUMBER OF APPRENTICES

4

ENGAGEMENTS IN LOCAL ENVIRONMENTAL PROJECTS

83_{MNOK}

FROM THE AQUACULTURE FUND to municipalities where GSF Rogaland operates.

1

COLLABORATION WITH STRAND HIGH SCHOOL ABOUT A TEACHING LICENSE

13

NUMBER OF FORMAL ENGAGEMENTS WITH THE LOCAL COMMUNITY

Such as farm visits, participation at local conferences, dialogue meetings. Grieg Seafood Rogaland attempts to participate in school and student projects when asked.

!

CONTRIBUTIONS TO INFRASTRUCTURE PROJECTS AROUND THE FARMS

For example, GSF Rogaland have established WFI antennas close to all their farms, which also benefits our neighbors.



The old fishing boat called The Swan with a donation for maintenance and operation so that children and youngsters can learn about our coastal culture. The boat is also used for recreation, and is adapted for wheelchair users.

CISV, an international youth exchange program. The goal is to promote cultural understanding and peace.

Grieg Seafood British Columbia

Grieg Seafood BC supported 120 initiatives for education, health and well-being, indigenous peoples, environmental activities, arts and sports. For example:



Support for Indigenous sports teams from remote coastal communities so that they and their families, grandparents and Elders can attend all-Indigenous soccer and basketball tournaments.



Support to four coastal salmon enhancement organizations committed to helping the return of wild salmon to British Columbia's rivers and streams. Led by volunteers from nearby communities, the organizations are responsible for cleaning up streams which have been clogged with branches and operating small hatcheries which rear wild salmon smolts for release into the Pacific Ocean.

150

LOCAL EMPLOYEES

10%

EMPLOYEES WITH
INDIGENOUS BACKGROUND

56

NUMBER OF FORMAL ENGAGEMENTS
WITH THE LOCAL COMMUNITY

Such as farm visits, participation at local
conferences, dialogue meetings.

13

ENGAGEMENTS IN LOCAL
ENVIRONMENTAL PROJECTS



Renovating an old church used by the Mowachaht Muchalaht First Nation and located on Nootka Island. The Land of Maquinna Cultural Society will build an interpretive centre to hold the Nation's artifacts and records of its community's history.

Each November, male employees of Grieg Seafood BC let their beards grow for the month. They fundraise for support to the Movember Foundation which raises money for research into mens' health. Grieg Seafood BC matched the donation.

Grieg Seafood Shetland

Grieg Seafood Shetland support 23 local sports teams, cultural activities or education related initiatives for local children and youth. For example:



The Shetland Folk Festival, bringing folk musicians from all over the world to Shetland for a week of music.



The 5 km fun run in Skye.

186

LOCAL EMPLOYEES

57.9 MGPB

LOCAL PROCUREMENT OF GOODS AND SERVICES

334

LOCAL SUPPLIERS

18

NUMBER OF APPRENTICES

2

ENGAGEMENTS IN LOCAL ENVIRONMENTAL PROJECTS

0.028 GBP

CONTRIBUTION PER KG SALMON HARVESTED to the Scottish Government

!

CONTRIBUTIONS TO INFRASTRUCTURE PROJECTS AROUND THE FARMS

For example, GSF Shetland has installed common use fuel tank in Dunvegan to assist all pier users, including local fishermen.



A wild salmonid monitoring program with Skye and Wester Ross Fisheries Trust. The project funds a three year PhD looking into the factors which may affect the survival of the wild salmonids around Skye, including farmed and wild fish interactions.



The Shetland Junior football team, including a girls team.

OUR STORIES

Farming salmon with respect for the indigenous land and peoples

Grieg Seafood operates many farms in British Columbia,
but they are not owned by the Canadian Government.

Photos: Grieg Seafood BC



“For millennia, sustainable harvest of the nature has given our people food, shelter and medicines.”

CHIEF SMITH TOGETHER WITH MARILYN HUTCHINSON

Director of Indigenous and Community Relations
Grieg Seafood BC

“Nature means everything to us,” says John Smith, Chief of the Tlowitsis Nation, counting 450 members today. They are one of 603 First Nations in Canada, one-third of which are located in British Columbia.

“For millennia, the sustainable harvest of nature has given our people food, shelter and medicines,” Chief Smith explains.

Three of Grieg Seafood’s farms, Noo-la, Wa-kwa and Tsa-ya, are located in the Clio Channel, which is a part of the Tlowitsis’ traditional territory.

While wild Pacific salmon has always been a vital part of the British Columbia’s working and Indigenous history, the first fish farms were established in the 1970s by the Norwegian salmon farming industry. The way it was done is not without controversy.

“The industry got permission from the government, but none of the parties consulted with Indigenous communities. They did not think about that back then. For First Nations, the real owners of the territories, the lack of consultation was a breach of trust,” says Marilyn Hutchinson, Director of Indigenous and Community Relations at Grieg Seafood British Columbia.

RECOGNIZES UNDRIP

Canada, like Norway and many other states with Indigenous peoples, pursued assimilation policies via a residential school system until 1969. Children were taken away from their families and Indigenous languages were banned.

Today, the Government of Canada has a different attitude. In 2017, it announced that it will implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), which Canada had only previously accepted on paper. In 2022, the Government of British Columbia will require a salmon farming company to have a federal permission licence and an agreement with the Nation in whose traditional territory the farms are located.

“Grieg Seafood supports the implementation of UNDRIP. We view the new policy as an opportunity to form relationships with more nations, and to strengthen our existing relationships,” Marilyn Hutchinson says.

ESTABLISHES PARTNERSHIPS

The Tlowitsis Nation is one of the Nations that has a partnership with Grieg Seafood.

“Working with the industries provides economic support and helps us improve the future for our communities. We have worked with the logging industry before, and now we are working with the salmon farming industry,” says Chief Smith.

A partnership usually contains financial contributions, training programs, support for Indigenous initiatives and assistance for Indigenous aquaculture projects. Partnerships also provide assurance that Grieg Seafood does not employ practices that harm the wild salmon.

“Wild Pacific salmon is at the very heart of Indigenous cultures here in British Columbia. It has not only been important as food, it also has social and ceremonial meaning. It is crucial that our farming practices allow wild salmon and farmed salmon to co-exist. Taking care of the wild salmon is a part of respecting First Nations,” explains Hutchinson.

Grieg Seafood is involved in several wild salmon preservation projects in the region. The Nootka Sound Watershed Society is one such initiative, which brings Indigenous groups, authorities, eNGOs and industries together to protect, restore and enhance the wild salmon in the Nootka Sound and Esperanza Inlet areas. The Society engages in wild salmon hatchery programs in the Gold River and the Burman River, performs habitat status assessments on local watersheds and has constructed a side channel to the Conuma River to boost wild salmon spawning.

“In the end, however, the most important action we can do is to ensure that our environmental footprint is as low as possible. We have worked a lot on that,” says Hutchinson.

WORKING IN ANCESTRAL TERRITORY

At the Noo-la farm, Grieg Seafood employee Marvin Antoniuk is looking for sick fish in the pens, a part of the daily routine to ensure good fish welfare. He belongs to the Tlowitsis Nation and is now working in his ancestors' traditional territory in the Clio Channel. Around 10 percent of Grieg Seafood's employees in British Columbia are Indigenous persons.

"My mother is buried not too far from here, and I can feel her presence all over the territory. This land is very dear to me. I enjoy working with the fish here, and I think we must continuously work to improve our practices," Antoniuk says passionately.

Today, the Tlowitsis people do not live on their traditional territory. On behalf of his community, Chief John Smith has bought 600 acres of land in Campbell River, a town on Vancouver Island close to the Tlowitsis territory.

"It is time to rebuild the Tlowitsis community," he says. "I want our people to be able to come home."

UNITED NATIONS DECLARATION ON THE RIGHTS OF INDIGENOUS PEOPLES (UNDRIP), ARTICLE 28

1. Indigenous peoples have the right to redress, by means that can include restitution or, when this is not possible, just, fair and equitable compensation, for the lands, territories and resources which they have traditionally owned or otherwise occupied or used, and which have been confiscated, taken, occupied, used or damaged without their free, prior and informed consent.

2. Unless otherwise freely agreed upon by the peoples concerned, compensation shall take the form of lands, territories and resources equal in quality, size and legal status or of monetary compensation or other appropriate redress.





OUR STORIES

Keeping Shetland's shores clean today, for a better tomorrow

With 900 miles of coastline to protect, Grieg Seafood Shetland is committed to keeping the islands' beaches clean, through the annual Voar Redd Up.

Photos: Grieg Seafood Shetland





“As users of the sea we are aware that a lot of debris on the beaches comes from the fisheries industries, including salmon farming.”

GRANT CUMMING
Managing Director
Grieg Seafood Shetland

“For thousands of years Shetlanders’ lives have been bound to the sea. Because of this, one of Grieg Seafood Shetland’s priorities is to protect the ocean and the shores that line it.

Grieg Seafood Shetland began participating in the Voar Redd Up in 2016, which is the UK’s most successful community litter pick. Over 20 percent of Shetland’s population takes part each year.

Grant Cumming, Managing Director of Grieg Seafood Shetland, says the event is a perfect fit for Grieg’s values and its employees.

“As users of the sea we are aware that a lot of debris on the beaches comes from the fisheries industries, including salmon farming,” Cumming explains, “and therefore we believe we have a moral duty to be involved in helping in the clean up.”

WORKING TOGETHER

The Voar Redd Up is organized through the Shetland Amenity Trust, which Grieg Seafood works with not only for the clean up, but also for wildlife reporting.

Roughly 70 Grieg Seafood employees participate in the Voar Redd Up each year alongside hundreds of community volunteers across regions such as Wadbister, Scalloway, Gofirith, Setterness, and Whalsay.

In two areas of Shetland, Grieg Seafood donates the use of their vessels to allow the retrieval of litter from beaches that are only accessible by boat. This gesture has gone a long way with some of the locals.

“Working side-by-side with community volunteers has allowed us to build new relationships with individuals who are particularly concerned about the environment,” Cumming says.

“We all have the same goal, which is clean oceans and beaches, and we take our responsibility to the environment seriously.”

REINFORCES GOOD PRACTICE

By participating in the Voar Redd Up each year, Grieg Seafood’s employees get to see the impact of their operations which affects how they work each day on their farms.

“As an industry we know we can have an impact on the amount of beach litter on our shores,” Cumming says. “If we don’t tidy up and secure equipment on our sites properly, it can quickly become flotsam and beach litter in a windy and exposed location like Shetland.”

“When we are cleaning beaches near our fish farms, it lets us see how effective we are at minimising impact on the environment, and this helps to reinforce good practise.”

Working smarter and more responsibly is why Cumming and his Grieg Shetland team will continue to play a big part in the Voar Redd Up each year. It’s a good team-building event that strengthens community ties while making a difference on Shetland’s shores.



PART 03

Operational results

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Presentation of the Board





PER GRIEG JR.
Chair (from 2009)

Per Grieg jr has been actively involved in Grieg Seafood ASA since the foundation in 1992 and has played a major role in building the Grieg Seafood Group. He has established numerous companies within several sectors and has held several directorships. He is currently the CEO of Grieg Aqua. Grieg Jr. holds a master degree in marine technology, and in business and economics.

Number of shares 31.12.2018: 58 961 996 (52.80%)



WENCHE KJØLÅS
Board member, Chair of the Audit Committee (from 2009)

Wenche Kjølås has held several top positions and directorships within a variety of industries. Past positions include CFO of Grieg Logistics and Kavli Holding AS, and board member of Cermaq ASA and Dof ASA. She is currently the CEO of Grieg Maturitas AS. Kjølås has a master in business and economics.

Number of shares 31.12.2018: 7 000 (0.01%)



KARIN BING ORKLAND
Board member, Member of the Audit Committee (from 2013)

Karin Bing Orkland has a long career with extensive experience from the financial sector and is a professional board member. She has held different management positions within DnB, including group executives vice president corporate and personal banking. Current board positions include GIEK and Storebrand ASA. Orkland has a master in business and economics.

Number of shares 31.12.2018: 0



ASBJØRN REINKIND
Deputy Chair (from 2011)

Asbjørn Reinkind has extensive experience from the food industry and branded products as well as from aquaculture. Previous positions include CEO of Denja, Toro and Rieber & Søn, and Hydro Seafood Group. Reinkind presently holds board positions in amongst others the Biomar Group and Grilstad AS. He has a master in business and economics, and further education from IMD and Insead.

Number of shares 31.12.2018: 120 000 (0.11%)



SOLVEIG M. R. NYGAARD
Board member (from 2018)

Solveig Nygaard has been working with fish health for 40 years and is a specialist in fish diseases. Nygaard has extensive experience from a variety of fish health projects, and various companies, including as CEO of FoMAS. Nygaard holds a degree in veterinary medicine, with additional education in business administration.

Number of shares 31.12.2018: 0



TORE HOLAND
Board member (from 2018)

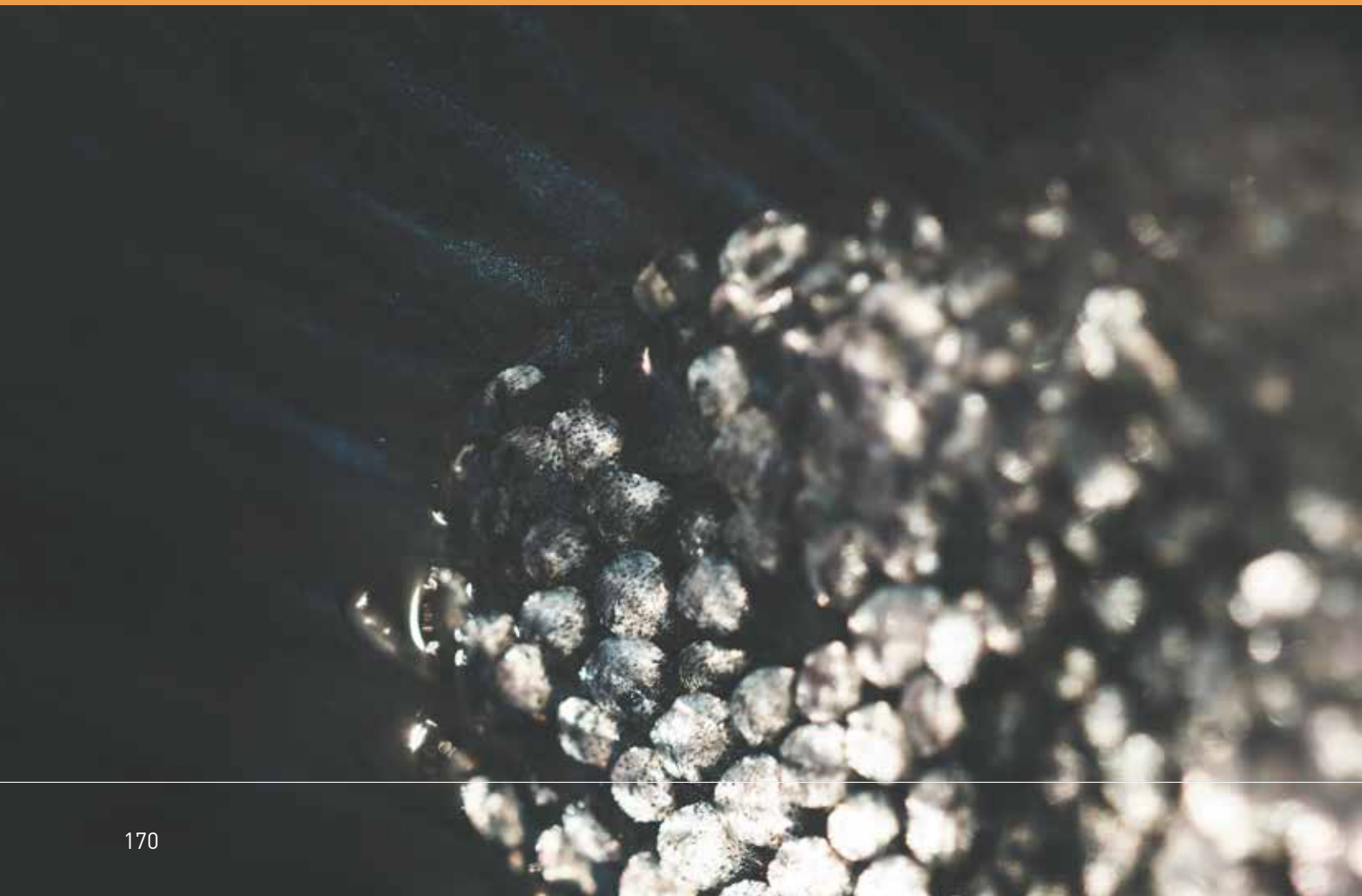
Tore Holand has 30 years of experience from key positions in the aquaculture industry. Former positions include CEO of Midt-Norsk Havbruk and CFO of Sinka-Berg-Hansen and Arnøy-laks. He has held numerous board positions in companies within salmon farming, and currently holds board position in amongst other Sisomar and Hydromerd. Holand holds a degree in fishery economics, catch and aquaculture.

Number of shares 31.12.2018: 0

None of the board members have share options.

For more details of the Board of Directors, please visit our website: <https://www.griegseafood.no/grieg-seafood-asa/directors/>

Board of directors' report



GRIEG SEAFOOD'S VISION AND AMBITIONS

The Grieg Seafood Group is one of the world's leading salmon farmers. The Group has licenses for seawater farming and land based smolt production in Finnmark and Rogaland in Norway, British Columbia in Canada, and Shetland in the UK. In 2018, the Group harvested a total of 75 000 tonnes Atlantic Salmon. The entire production is sold through the sales company Ocean Quality.

The Group was established in 1992 and has over the years grown to become a leading industry player through continuous focus on business development. The Group's vision "Rooted in Nature – farming the ocean for a better future", describes how the Group intends to make a difference and what it aims to accomplish. It also encompasses the foundation for the Group's operational development – healthy ocean, sustainable food, profitable growth and innovation, good jobs for everyone, and local value creation. Short term, the Group aims to harvest 100 000 tonnes in 2020 with cost at or below industry average and is simultaneously building a platform for sustainable growth for the longer term. The ambition is built on four strategic focus areas: post-smolt initiatives, digitalization in salmon farming, biosecurity and fish welfare, in addition to continuous evaluations of expansion opportunities.

HIGHLIGHTS 2018

- Earnings driven by highest harvest volume ever on continued strong prices.
- Harvest volume of 75 000 tonnes as expected.
- Paid dividends of NOK 4.00 per share due to good profitability during the past two years.
- High financial flexibility due to strong solidity and liquidity.
- Seawater production in Norway lower than normal due to low seawater temperatures.
- Production on Shetland impacted by biological challenges throughout the year.
- Harmful algae bloom in BC reducing survival and increasing cost.
- New operations center opened in Rogaland to improve overall operational performance.
- Smolt expansion projects in Finnmark and Rogaland completed.
- Launched share saving program for employees.
- Awarded A- by the Carbon Disclosure Project on actions related to climate change.

OPERATIONAL REVIEW AND SEGMENTS

2018 was a strong year for Grieg Seafood in which the expected harvest volume of 74 623 tonnes was reached, an increase of close to 20 % compared to 2017. This was achieved by maintaining a strict focus on sustainability and driving forward improvements to the farming operations.

Improved utilization of seawater licenses through a higher and more stable biomass has been the most important factor to increase production and harvest volume. Tools such as oxygen sensors and digital assisted feeding are a vital part of our strategy and growth initiatives. Better prediction and industrial monitoring of both feeding and biological development ensure a stable growth according to plan.

2018 started with a strong biomass situation for the industry, in general. However, the Norwegian winter turned out to be the coldest in years, which affected both growth and harvest weight, leading to losses on the spring-release.

The spot price fluctuated from week to week throughout the year, while the contract prices were more stable. Contract prices were in general somewhat higher than spot prices during the year. The contract share was 34 % in 2018 in Norway. As a result of an efficient Ocean Quality sales organization, the Group was able to achieve prices above spot, even with a high share of spot sales.

Access to equipment and measures to timely and effectively address biological challenges has increased costs recent years, and a proactive approach is therefore required to minimize the consequences. Grieg Seafood's objective is to ensure sustainable growth in the years ahead by combining skilled and motivated people, new technology, and to increasingly farm salmon on nature's terms.

In the first half of 2018, seawater production in Norway was low due to Pancreas Disease (PD) and low seawater temperatures, while through the fall, biological conditions improved, and production increased. Actions taken in 2017 to improve growth in BC have been successful, but BC was challenged with Harmful Algal Bloom (HAB) through the second and third quarter this year, which gave a lower seawater production. Also 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 the UK in recent years.

Smolt production was good during the year. The Group continues to follow its growth strategy and transferred 26 million smolt to sea during 2018, which was the same as 2017.

Good access to feed raw materials and a strong NOK/USD contributed to a stable feed price throughout 2018. Feed prices are sensitive to marine and vegetable raw material prices, seasonal variation, fish catch, and production.

ROGALAND

Harvest volume in Rogaland in 2018 was 16 293 tonnes, in line with the production plan and down 10 % compared to 2017. Sales revenues amounted to NOK 959.6 million, compared to NOK 1 150.2 million in 2017. The reduction in revenues is mainly explained by lower harvest volumes. In addition, low quality and reduced weight on harvested volumes due to

PD resulted in lower prices achieved. EBIT before fair value adjustment of biological assets for the year was NOK 219.6, or NOK 13.48 per kg. Comparable figures for 2017 were NOK 393.1 million and NOK 21.70 per kg.

Seawater production in the beginning of the year was influenced by low seawater temperatures, in addition to challenges related to PD. However, the PD situation has improved, and towards the end of the year two of 13 sites had confirmed PD, compared to seven of 12 sites at the end of 2017. This is expected to contribute to improve harvest weight and quality going forward.

Escalating treatment costs and preventive measures to mitigate biological challenges have contributed to increased harvest cost. Grieg Seafood has over time invested in increased capacity of non-chemical treatments, and is well equipped and prepared to handle possible incidents going forward. Grieg Seafood Rogaland did not carry out any sea lice treatment between July and November 2018. The biological performance has improved, the utilization of the MAB (maximum allowed biomass) has increased and the average survival rate in sea (calculated according to the GSI definition) was 92 %, slightly below target of 93 %.

Larger smolt is an important part of the production strategy and will secure growth and improve biosecurity. Shorter time in the sea reduces fish exposure to biological issues such as sea lice and PD. The ambition is to reduce production time in the sea from 18 to 12 months, by increasing average smolt size to 500 grams by 2020. Through the new smolt facility, Tytlandsvik Aqua, Grieg Seafood will increase its smolt capacity with 1 500 tonnes by 2020. Grieg Seafood Rogaland expects to receive 1 000 tonnes of smolt from this facility in 2019.

The digitalization project is going forward, and in September the new integrated operations center was opened. The project involves utilization of real-time sensor data for decision support. Centralizing tasks, including feeding and camera surveillance, also frees up time for employees to focus on fish welfare. Full coverage of all sites in Rogaland is expected by the end of 2019.

FINNMARK

Harvest volume in Finnmark in 2018 was 29 774 tonnes, above expectations and up 30 % from 2017. Sales revenue for the year was NOK 1 671.3 million compared to NOK 1 265.2 million in 2017. EBIT before fair value adjustments ended at NOK 594.9 million, or NOK 19.98 per kg, compared to NOK 351.9 million and NOK 15.42 per kg, respectively, in 2017.

Production and biological performance were strong, with a survival rate of 96 % (calculated according to the GSI definition). A majority of the harvest volume was skewed towards the second half of the year which was favorable considering the price development during the period.

As for Rogaland, access to high quality smolt is key to ensure production growth and improved biosecurity for Grieg Seafood Finnmark. The company has over time initiated several efforts to improve smolt quality, and towards the end of 2018, the expansion of the smolt facility in Adamselv completed, increasing the smolt production capacity by 800 tonnes. The number of smolt released to sea has increased and is expected to yield higher growth and reduced costs going forward. The first batch of smolt is already in production, and we expect the capacity to be fully utilized in 2020.

Operational flexibility is an important premise to achieve high utilization of the production capacity, and Grieg Seafood Finnmark works continuously towards local communities and

authorities to ensure access to new, good locations. During 2018, the company applied for four new locations in the region and received approval for two of these. In addition, Grieg Seafood Finnmark has entered into an agreement with the County Council of Finnmark to operate a restricted license of 780 tonnes.

The Finnmark region provides beneficial biological conditions for salmon farming. Seawater temperatures are favorable and interconnectivity between sites is low. However, focus on good fish welfare and safeguarding survival rates remains, and camera surveillance and sensor technology are utilized to continuously monitor the environment. Sea lice skirts and cleaner fish are the main measures utilized to prevent sea lice. However, despite somewhat higher treatments towards the end of the year, sea lice are not considered a significant biological challenge in Finnmark.

BRITISH COLUMBIA

Grieg Seafood British Columbia (BC) harvested 16 632 tonnes in 2018 compared to 9 600 tonnes in 2017. Harvest volume in 2018 was positively impacted by the strong biological performance in 2017, while the 2017 volume was impacted by limited biomass available due to low smolt stocking and losses from algal blooms in 2015/2016.

Sales revenues for 2018 were NOK 1 075.3 million compared to NOK 580.3 million in 2017. EBIT before fair value adjustment of biological assets was NOK 290.9 million, or NOK 17.49 per kg, compared to NOK 120.2 million and NOK 12.50 per kg, respectively, in 2017.

Biological performance was good during the first half of the year, with good production in sea and corresponding low costs. However, overall operational performance was impacted by incidents of HAB in the second and third quarter.

Algal bloom is an inherent risk to salmon farming in British Columbia and Grieg Seafood has a relentless focus on this challenge to secure stable sea production. Grieg Seafood BC uses technology to monitor and analyze algae movements and oxygen levels, providing vital data for improved decision making. Use of aeration systems have improved survival rates during HAB incidents in addition to allowing for feeding in marginal situations. Combined with feeding hubs and advanced feeding systems, this contributes to optimized feeding.

The survival rate during the year was 88 % (calculated according to the GSI definition), and combined with downgrades from HAB issues and early maturity during the second half of the year, cost per kg increased. This was partly offset by good price achievements on salmon with high average harvest weight.

Smolt production in 2018 was stable and according to plan. Access to high quality smolt is key to improve biology and ensure sustainable growth, and the company is expanding its smolt capacity with the aim of being self-sufficient in terms of smolt deliveries by 2020.

SHETLAND

Harvest volume in Shetland in 2018 was 11 924 tonnes, compared to 12 056 tonnes in 2017. Volume was negatively impacted by incidents of gill diseases, sea lice, and algal blooms. Total revenues amounted to NOK 799.9 million, compared to NOK 745.9 in 2017. Despite gill issues, quality on harvested salmon was good, and supported by a GBP appreciation towards NOK, the price achievement was good. EBIT before fair value adjustment of biological assets for 2018 was NOK 33.8 million or NOK 2.83 per kg, compared to NOK 68.7 million and NOK 5.70, respectively, in 2017.

The weaker result is due to biological challenges, where complex gill-related diseases resulted in high mortality, early harvest, size variations, and reduced quality of fish harvested. The survival rate for 2018 ended at 83 % (calculated according to the GSI definition).

The aquaculture industry in Shetland and on the Isle of Skye has over time endured biological challenges and the farmers are now collaborating to mitigate these challenges. Entire farming areas now operate with a three-month fallowing period, and sea lice counting and treatment activities are coordinated between farmers. Grieg Seafood Shetland collaborates closely with the other fish farmers in the region to establish a long-term, stable, and sustainable marine biology.

Grieg Seafood is further taking several actions to improve its situation. The company focuses its production on the best sites with the best biological control. Routines and systems similar to those in BC have been implemented for monitoring and mitigation of algae-related issues. The sea lice level remained high during the year. Use of aeration systems, fresh water treatments, sea lice skirts, and cleaner fish are all initiatives to improve biosecurity.

Good smolt quality is essential for fish welfare, growth, and cost going forward. The smolt provided from the company's own facility does not fulfill requirements and various initiatives to improve smolt quality is initiated.

SALES – OCEAN QUALITY

All Grieg Seafood's salmon is sold through the sales company Ocean Quality (OQ). The company also sells fish from Bremnes Fryseri AS, including fresh, processed, and frozen salmon.

Ocean Quality handles marketing, sales, and distribution. Through sales companies in Norway, the UK, and Canada, Ocean Quality sells the fish to Asia, the USA, and Canada, with Europe being the dominant market, representing 68 % of total sales in 2018.

During its eight years of operation, Ocean Quality has established good customer relations and is therefore able to deliver solid profitability back to the salmon producers. Total sales volume in 2018 was 114 720 tonnes, compared to 105 501 tonnes in 2017.

Overall demand for Atlantic Salmon remained strong in 2018, with demand for branded and certified high-quality products increasing, including the Grieg Seafood's brands; Skuna Bay and Kvitsøy. During the year, Grieg Seafood achieved ASC certification at four sites in Finnmark, and is continuously working towards additional certifications.

In January 2018, Ocean Quality Norway received a decision from the Norwegian Food Safety Authority to stop all export of Norwegian Salmon to China due to incorrect shipment documentation. Grieg Seafood Group has zero tolerance for non-compliance to regulations, and new control routines were implemented. Exporting to China was resumed during the fall.

FINANCIAL REVIEW

GROUP ACCOUNTS

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

PROFIT AND LOSS

Grieg Seafood's 2018 harvest volumes were 74 623 tonnes, compared to 62 598 tonnes in 2017. The higher volumes combined with continued strong prices generated revenues of NOK 7 500.3 million, up from NOK 7 017.5 million in 2017. The higher harvest volume is a result of Grieg Seafood's overall growth strategy and is mainly related to higher utilization of current production capacity in addition to improved biology and better fish health.

The global supply of Atlantic Salmon has flattened, while underlying demand has strengthened. This resulted in a shortage of salmon and high prices, a situation expected to persist. However, short term price fluctuations may occur, and to offset effects of possible fluctuations, Grieg Seafood has adopted a policy ensuring that some 20–50 % of all production in the coming years is hedged at fixed prices. In 2018, the share of fixed price contracts in Norway was 34 %.

EBIT for the Group before fair value adjustment of biological assets ended at NOK 1 098.8 million in 2018, compared to NOK 904.4 million in 2017. EBIT per kg was NOK 14.72, compared to NOK 14.45 in 2017.

EBIT per kg was positively affected by the increased harvest volume and high spot prices. However, PD, HAB and gill diseases had a negative impact during the year, both in terms of higher cost and lower price achievement. Total farming cost per kg for the Group was NOK 43.10, NOK 0.7 above targeted of NOK 42.40 for. This includes write-downs due to extraordinary mortality of NOK 2.78 per kg.

Fair value adjustments of biological assets were positive by NOK 256.1 million during the year, and the EBIT after fair value adjustment came to NOK 1 354.9 million. In 2017, fair value adjustments of biological assets were NOK -91.5 million, and EBIT after fair value adjustment amounted to NOK 812.9 million.

Net financial items were negatively affected by currency losses on loans and receivables during the period and came to NOK -78 million, bringing pre-tax profit to NOK 1 276.9 million. In 2017, net financial items were negative by NOK 14.5 million and pre-tax profit was NOK 798.5 million.

Taxes for the year amounted to NOK -279.8 million, bringing the profit for the period to NOK 997.1 million. Taxes in 2017 was NOK -197.6 million and net profit ended at NOK 600.9 million.

FINANCIAL POSITION

The Group's recognized asset value as at 31 December 2018 was NOK 8 142.5 million, compared to NOK 7 152.6 million at the end of 2017. Goodwill amounted to NOK 109.0 million, while the value of licenses was NOK 1 121.6 million.

The value of property, plant, and equipment amounted to NOK 2 292.9 million. Investment in non-current tangible assets are mainly related to expansions of the smolt capacity in Finnmark and Rogaland. In addition, the Group has made investments in digitalization, central feeding operations, and in capacity for handling of biological issues. The investment also includes capacity increase in Finnmark made possible by the "traffic light system".

Fair value adjustment of biological assets was positive due to higher expected sales prices than accrued production costs.

The equity of the Group as at 31 December 2018 amounted to NOK 3 883.5 million, compared to NOK 3 347.9 million in 2017. The equity share at the end of the year was 48 %, compared to 47 % last year.

FINANCING AND FUNDING

The Group's net interest-bearing liabilities were NOK 2 236.3 million at year end 2018. The amount includes factoring liabilities of NOK 573.4 million. In 2017 the comparable figure was NOK 1 763.8 million, whereof factoring amounted to NOK 500.9 million.

Net interest-bearing liabilities according to the bank covenants were NOK 1 689.5 million (NOK 1 283.6 million in 2017). The bank syndicate consists of Nordea and DNB.

During the year, the Group's syndicate loan agreement was refinanced. Two term loans of NOK 600 million and EUR 60 million were established, in addition to a revolving credit facility of NOK 1 000 million and an overdraft facility of NOK 100 million. NOK 1 285 million of the former loan was fully repaid, and new loans and credit facility were established. At the end of the year, NOK 307.0 million of the revolver and overdraft facility was utilized. NOK 1 025.0 million was repaid in 2018. The new loan agreement also allows the Group to utilize up to NOK 600 million in leasing. The majority of the Group's new feed barges and operational equipment is financed by leasing. At the end of 2018, lease liabilities amounted to NOK 360.4 million.

According to the loan covenants, the equity share is calculated excluding Ocean Quality, amounting to 53 %, compared to 52 % in 2017.

CASH FLOW

Net cash flow from operations increased from NOK 708.9 million in 2017 to NOK 819.8 million in 2018. The increase is mainly related to higher profit. The change in working capital is negative, mainly related to build up of biomass.

Net cash flow from investment activities amounted to NOK 592.5 million, compared to NOK 546.7 million in 2017. Investment in non-current assets and intangible assets amounted to NOK 733.0 million, where of NOK 169.2 was financed by leasing. Last year, the investment was NOK 552.8 million, where of NOK 9.6 million was financed by leasing. In line with the growth strategy, the Group has invested substantially in smolt production, biosecurity, and digitalization.

Net cash flow from financing was NOK -360.6 million, compared to NOK -393.4 million in 2017. As mentioned above, utilization of the credit facility increased in 2018. The increased utilization is related to build-up of biomass and investments. Dividends of NOK 466.5 million were paid in 2018, or NOK 4.00 per share, whereof NOK 24.8 million is from Ocean Quality to non-controlling interests.

Net change in cash and cash equivalents was NOK -133.2 million. Available cash at 31 December 2018 was NOK 137.9 million.

GRIEG SEAFOOD ASA

PROFIT FOR THE YEAR

The parent Company's financial statements are prepared according to Norwegian accounting principles (NGAAP).

The parent Company recorded an operating loss of NOK -61.7 million in 2018, compared to NOK -44.7 million in 2017. The decrease is mainly due to higher cost from exercising options compared to 2017.

In 2018, Grieg Seafood refinanced the syndicate loan into two currencies, NOK and EUR. The EU is the largest market, and the EUR loan would act as a hedge against currency fluctuation. By the end of the year, the NOK had depreciated against the EUR, providing a net unrealized currency loss of NOK 16.1 million. The Company provides loans to subsidiaries in foreign currency. The appreciation of the GBP and CAD towards NOK in 2018 resulted in a net loss of NOK 4.2 million compared to a currency gain of NOK 22.3 million in 2017.

Accrued dividend from Ocean Quality in the amount of NOK 20.1 million (NOK 25.4 million in 2017) and Group contributions from subsidiaries in the amount of NOK 611.0 million (NOK 534.5 million in 2017), contributed to a positive financial result. Interest expenses from external financing have increased slightly in 2018. This is due to increased funding compared to 2017. The Group has been in compliance with covenants throughout the year, which has a positive effect on the interest margin. The equity ratio at year-end was 41 %, similar as last year.

During the year, there have been two dividend payments of NOK 2.00 per share. Total payment for the year was NOK 441.7 million, or NOK 4.00 per share. The last payment was according to proxy approved on the AGM (Annual General Meeting) on 12 June 2018.

The parent Company's net cash flow from operations in 2018 was NOK -174.6 million, compared to NOK -120.3 million in 2017.

Cash flow from investing activities was NOK 500.9 million (NOK 609.9 million). The decrease is due to increased deposits to subsidiaries in 2018.

Net cash flow from financing activities was NOK -478.0 million (NOK -715.5 million). In 2018, dividends were paid while loans to subsidiaries were repaid.

There was a net change in cash and cash equivalents of NOK -151.7 million. Available cash at 31 December 2018 was NOK 5.8 million.

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 dividends 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 fair value adjustment of biological assets. At the same time, the Group's net interest-bearing debt per kg harvested salmon should remain between NOK 15-20. Based on the good cash flow and strengthened balance, the Board proposes a dividend for the fiscal year 2018 at the same level as last year and

with the same payout profile. The Board will recommend to the Annual General Meeting to approve a dividend of NOK 2.00 per share and at the same time seek approval for an authorization to pay out dividend based on the annual financial statements for 2018.

The parent Company, Grieg Seafood ASA, recorded a profit for 2018 of NOK 415.4 million, which the Board proposes to the Annual General Meeting to allocate as follows:

Provision for dividends	NOK 220.9 million
Transfer to retained equity	NOK 194.5 million
<u>Total allocated</u>	<u>NOK 415.4 million</u>

GOING CONCERN

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 Norway, the UK, and Chile. Accordingly, a strong market is likely in the time ahead. The trend towards higher consumption of fish is still strong in Europe, Asia, and the USA, which is expected to contribute to positive cash flow.

The Group has more fish in sea at the end of 2018 than the prior year, which is a good starting point for increased harvest in 2019. This is also in line with Group strategy. Costs in 2018 were at the same level as prior years, mainly due to biological challenges, especially in Shetland and BC, as well as higher costs related to preventive measures. Continuous measures to improve operational efficiency have been and are implemented, which in turn will contribute to the lower cost of fish harvested.

Strong cash flow both in 2017 and 2018 provides a good basis for down payment of debt. In 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.

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, exchange rates, and liquidity.

The Group's internal controls 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 established a framework for managing and eliminating most of the risk that can prevent the Group from attaining its goals.

For further information see the risk management section and the principles of corporate governance in this Annual Report.

FINANCIAL RISK

The Group operates within an industry characterized by high volatility, which entails greater financial risk. The financial risk is managed by a central unit at the Group's head office. 2018 provided a good financial market for the aquaculture industry, with good access to liquidity in the market.

The Group has renegotiated its syndicated bank loan agreement, which will secure the working capital needed to achieve stated growth targets. The agreement matures in five years. 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 form the basis for calculating liquidity requirements. This forecast also forms the basis for financing needs. At the end of 2018, the Group had NOK 793 million in available liquidity. The revolving credit is flexible, as it can be drawn upon 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 major currency exposure is to CAD and GBP. The 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 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 and currency risk have been transferred to the sales company, Ocean Quality. The production companies sell in local currencies to the sales company, which hedges its transactions against currency fluctuations related to CAD/USD, EUR/NOK, GBP/EUR and USD/NOK and, if required, other currencies.

At year-end, contracts are concluded until the first quarter of 2021. Long term foreign currency contracts are hedging instruments, where unrealized currency gain or losses 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.

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 the various regions. The Group's existing loans are based on floating rates, but separate fixed rate contracts have been entered into to reduce interest rate risk. It is the Group's policy to have between 20-50 % 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 three months NIBOR.

LIQUIDITY RISK

In line with the Group's growth strategy, to harvest 100 000 tonnes in 2020 and ensure sustainable growth, the interest-bearing liabilities have increased. The Group has invested substantial amounts during the year and built up biomass, as well as paid out dividend. The refinancing this year has made the Group financially equipped to carry out further investments in increased smolt stocking and new locations for sea production.

At year end, the Group had a good level of free liquidity. Ocean Quality has factoring agreements for its operations in Norway and UK, implying transfer of credit-insured receivables to the factoring company. This enables early settlement of trade receivables. 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 the Board seek to maintain a high equity ratio 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

The greatest operational risk is related to biological developments with regards to both the smolt and the aquaculture operations. Book value of live fish in the balance sheet at year end was NOK 3 195 million. To reduce risk, the Group focuses on production of Atlantic Salmon as its main product. Training of employees and establishing good internal routines to reduce operational risk is a priority.

The aquaculture industry has experienced major issues with sea lice and algae in recent years. The Group collaborates actively with authorities and other aquaculture players to implement measures and initiate activities to reduce biological risk. One of the initiatives is joint fallowing and zoning. A digitalization process has been initiated across the Group to facilitate operational improvements. Through utilization of sensor technology, the ambition is to reduce the algae challenges in BC and on Shetland. The introduction of sensor technology to monitor algal blooms enables the Group to determine at an early stage the type of algae and the appropriate feeding response. This is of vital importance as different types of algae has various effect on the salmon.

With regards to sea lice, which are developing resistance to pharmaceuticals, there is an ongoing development from pharmaceutical to mechanical treatment. In preventing sea lice, use of wrasse is also a proven remedy, and has provided good results in Rogaland.

The Group has a zero-tolerance policy for escapes. Grieg Seafood Shetland reported two escape incidents during the year, with 22 212 escaped fish.

Salmon price developments are highly volatile, with great fluctuations within relatively short time spans. However, there has been a stable increase in the demand for salmon over recent years, while the growth in supply has been limited. This development is expected to continue going forward. Supply is also impacted by other factors, such as government regulations, sea temperatures, outbreaks, diseases, and other indirect and direct factors, which affect production and hence also supply.

MARKET RISK

There are several issues that could affect the trade flows of salmon in 2019. The Brexit outcome represents an uncertainty for the Scottish industry and the Norwegian exporters. If the UK leaves the EU, the salmon industry will experience operational and economic changes for the trade between the UK and the rest of the world. Nearly 70 % of the Scottish salmon was destined for other markets than the domestic in 2018. For Grieg Seafood Shetland, 40 % of the volume in 2018 was going to other markets. However, the Board believe potential problems around an exit will be temporary, but some challenges must be assumed in the adaptation.

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

CORPORATE AND SOCIAL RESPONSIBILITY

Sustainability lays the foundation for Grieg Seafood's operations – it is the license to operate and the motivation to perform. Sustainability is also core business, driving results and generating value for all stakeholders.

Grieg Seafood's overarching goal is to sustainably produce food in the ocean, expressed in the Company's vision "Rooted in nature – farming the ocean for a better future".

This sustainability strategy is built on five pillars:

- Rooted in healthy oceans
- Rooted in sustainable food
- Rooted in profit and innovation
- Rooted in people
- Rooted in local value creation

The pillars define our focus areas, founded in external expectations to the Company and the Company's own goals and ambitions. The Board is proud of the award where the Company received the second highest grade, A-, by the Carbon Disclosure Project for its work to cut carbon emission.

The Company's reporting on corporate social responsibility is based on several standards, such as the Global Reporting Initiative (GRI) and the Global Salmon Initiative (GSI). The sustainability strategy is described in Part 1, while the measures and results are presented in Part 2 of this Annual Report.

RESEARCH AND DEVELOPMENT – ACHIEVING SUSTAINABLE GROWTH

Innovation and research in biology and technology is a prerequisite for sustainable farming, maintaining healthy oceans, and farming profitability going forward.

Grieg Seafood continuously allocates resources for research and development. Through active participation in 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 long-term solutions to biological and technical challenges and improved operational efficiency.

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.

EMPLOYEES

To reach goals and to solve challenges, Grieg Seafood needs the best people, regardless of gender or background. The Group has a majority of male employees and managers. In total (including Ocean Quality) 819 people were employed at 31 December 2018 in the Group, whereof 641 were men and 178 were women. The employment policy facilitates the maintenance and recruitment of qualified employees of both genders. A good work environment is key to attract and retain the best talent.

Human resources are managed locally according to local rules and instructions, and in accordance with Group guidelines. The Company continuously works to strengthen global routines and guidelines for HR and HSE-work throughout the Group and works actively to reduce sick leave and the number of HSE incidents. The working environment is considered to be good.

To strengthen the Company's culture and encourage loyalty among employees, Grieg Seafood launched a new share saving program, giving employees the opportunity to become shareholders in the Company. It is the Board's intention that the program shall be a continuing part of the Company's employee incentive scheme.

The Board wishes to thank the employees for their effort in 2018.

The Company's employee policy is described in detail under the section "Rooted in people" in this Annual Report.

CORPORATE GOVERNANCE

Grieg Seafood ASA has adapted The Norwegian Code of Practice for Corporate Governance, last revised on 17 October 2018, and seeks to comply where applicable with this Code of Practice.

The Company's compliance with corporate governance is disclosed in the corporate governance statement in this Annual Report and on the website www.griegseafood.com.

POST-BALANCE SHEET EVENTS

In February 2019, the European Commission Director General Competition performed an inspection at Grieg Seafood Shetland to explore potential anticompetitive behavior in the salmon industry. Grieg Seafood aims to be open, transparent and forthcoming and will provide all necessary information requested by the European Commission in its investigation. Currently, there is no new information.

OUTLOOK

Profitability in the salmon farming industry is volatile, and there will always be uncertainty related to the assessment of future prospects. In 2018, sea lice levels above expectations reduced harvest weights and overall volume growth. Going forward, improved competence and increased capacity for disease treatments and sea lice handling, as well as increased use of large smolt, are some of the initiatives expected to improve biology. For 2019 global supply of Atlantic Salmon is expected to increase 4–6 %.

Underlying demand for Atlantic Salmon is strong. A growing Asian middle class, which is both able and willing to purchase high-quality food, and has stronger preferences for healthy and sustainably produced food in the US and Europe, drives demand. Demand is expected to absorb increased supply, supporting continued strong prices going forward. So far in 2019, prices are up compared to last year, while outlook for increased harvest volume in the fall is expected to dampen prices somewhat during second half of the year.

Grieg Seafood has a clear ambition of sustainable growth going forward. To fulfill this ambition, several opportunities will be pursued, including acquisitions, joint ventures, and development of new concepts. The Company's application for ten development licenses for the offshore fish farming concept "Blue Farm" was rejected in 2018. The decision is appea-

led. However, short term, improved utilization of current capacity is Grieg Seafood's priority for growth. Flexibility in use of existing sites allows for a higher capacity utilization while also providing for better biology. The Group continuously works with local communities and authorities to secure access to new, good locations.

Another priority is the Company's post-smolt strategy. Larger smolt are more robust and resilient and require less production time in the sea. This will drive growth, improve biology and fish welfare, and ultimately reduce cost. Being self-supplied is a priority. Capacity expansions are ongoing, and the Company expects to see positive results from this already in 2019.

In 2018, a the new "the traffic light system" for the regulation of future growth of the Norwegian salmon farming industry was implemented. The system defines 13 production areas along the coast. Depending on the sanitary situation, an area can be allowed for up to 6 % growth. Finnmark is considered a "green area", giving Grieg Seafood the opportunity to acquire additional production capacity. Rogaland however, is a yellow area, with expansion opportunities currently on hold. Consequently, access to sufficient amounts of large smolt becomes even more important to secure growth.

For 2019 and 2020, Grieg Seafood targets harvest volumes of 82 000 and 100 000 tonnes, respectively. The stocking of larger smolt is important to ensure future growth, and in 2019 Grieg Seafood plans to stock 26 million smolt.

Throughout 2018, initiatives to improve operational efficiency are already providing promising results. This work will continue across the organization and combined with a continuous development of competences and the building of a culture for knowledge sharing, the Board has high expectations for the development of Grieg Seafood 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 2018 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.

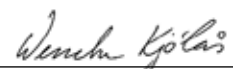
Bergen, 11 April 2019
The Board of Directors of Grieg Seafood ASA



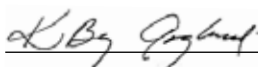
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Vice Chair



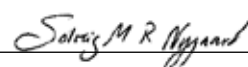
PER GRIEG JR.
Chair



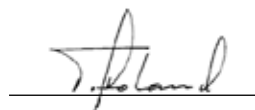
WENCHE KJØLLÅS
Board Member



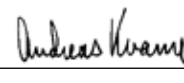
KARIN BING ORKLAND
Board Member



SOLVEIG M.R. NYGAARD
Board Member



TØRE HOLLAND
Board Member



ANDREAS KVAME
CEO



Principles of Corporate Governance

Adopted by the Company's Board of Directors
on 20 April 2007 and updated on 11 April 2019.



1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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 evaluate the Company's principles for corporate governance.

The Company's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES) as recommended by the Norwegian Corporate Governance Board on 17 October 2018. 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. BUSINESS

2.1 GRIEG SEAFOOD ASA

The Company's business is defined in the Company's Articles of Association section 3:

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

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

Grieg Seafood's vision is: «Rooted in nature - farming the ocean for a better future», creating value for shareholders and other stakeholders through sustainable and cost-efficient growth. Focus areas to meet targets are post-smolt strategy, digitalization, biosecurity and fish welfare, in addition to capacity expansions.

The Board of Directors has established objectives and strategies and risk profiles for the business within the scope of the definition of its business, to create value for its shareholders. The Company's objectives, strategies, and risk profile are subject to annual review by the Board.

The Company aims to comply with all relevant laws and regulations and with the Norwegian Code of Practice for Corporate Governance. This also 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.

2.3 MANAGEMENT OF THE GROUP

Control and management of the Group 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. EQUITY AND DIVIDENDS

3.1 EQUITY

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

At 31 December 2018, the Company's consolidated equity was NOK 3 884 million, equivalent to 48 % of total assets, and a debt-to-equity ratio of 1.11. The Board of Directors considers the current capital structure to be satisfactory in relation to the Company's objectives, strategy, and risk profile.

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, at a level at least the same as for 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. In addition, the Board must ensure that there are adequate financial resources to prepare the way for future growth and investment and taking into account the wish to minimize capital costs.

The Board of Directors at Grieg Seafood has adopted a dividend policy whereby 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 15-20. 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.

During the year, the Company has paid out dividend of NOK 4.00 per share. This corresponds to a pay-out ratio of 68 % of net profit after tax adjusted for fair value adjustments on the previous year's accounts.

3.3 BOARD AUTHORIZATION

The Board can 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 based on the last financial statements approved within the scope of the Public Companies Act. Upon granted authorization, the Board determines from which date the shares are traded ex-dividend.

The Board has general authorization 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 11 166 200 shares of nominal value NOK 4.00 each. The authorization covers merger decisions as provided for in the Norwegian Public Limited Companies Act, Section 13-5. The board is entitled to increase the share capital on several occasions and to itself determine the amount of the share capital increase in each case.

As at 31 December 2018, no shares have been issued pursuant to this authorization.

This authorization remains in effect until 30 June 2019.

Divergences from the Code of Practice: The Code of Practice recommends that the mandate should be limited to specified purposes to make it possible for shareholders to vote separately on each mandate.

The Board has general authorization 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 4.00 per share and not more than NOK 150.00 per share when acquiring its own shares. As at 31 December 2018, no shares have been acquired pursuant to this authorization.

This authorization remains in effect until the next AGM, but not later than 30 June 2019.

The Company will observe the Code of Practice in respect of new proposals to authorize 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 AND TRANSACTIONS WITH CLOSE ASSOCIATES

4.1 SHARE CLASS

The Company has one class of shares, and all shares carry the same rights. At 31 December 2018, 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 on equal treatment for shareholders and transactions with close associates shall be observed.

As at 31 December 2018, the Company held 1 228 424 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.

There were no transactions with related parties in 2018 pursuant to the requirement above. For more details see note 14, 17 and 22 in this Annual Report.

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. There were no capital increases in 2018.

5. SHARES AND NEGOTIABILITY

There are no limitations with regards to owning, trading, or voting on the Company's shares. All shares are freely negotiable to all parties.

Divergences from the Code of Practice: None.

6. GENERAL MEETINGS

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

The Board of Directors will make its best efforts with respect to the timing and facilitation of General Meetings to ensure that as many shareholders as possible may exercise their rights by participating in General Meetings, thereby making the General Meeting an effective forum for the views of shareholders and the Board of Directors.

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 web page. 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, normally five days prior to the AGM date.

Shareholders can vote on each individual matter, including on each individual candidate nominated for election. Shareholders 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 authorization to the chair 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 chair of the Board, member of the Nomination Committee and the Group CEO will be represented at the meeting. The chair of the Board will normally preside at the meeting. The Board of Directors will ensure that the General Meeting also is able to appoint an independent presider if requested by the AGM.

The Board shall not contact 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. In 2018, Grieg Seafood Group held its AGM on 12 June. The next AGM will be held on 13 June 2019.

Divergences from the Code of Practice: The Code of Practice recommends that all the members of the Board of Directors and the Nomination Committee are present at the General Meeting.

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 Articles 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 12 June 2018, and comprises Elisabeth Grieg (chair), Helge Nielsen, and Yngve Myhre. Elisabeth Grieg was elected for two years while Helge Nielsen and Yngve Myhre were re-elected for one year. 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. The nomination committee's recommendation to the AGM should be submitted in good time and follow the summons to the AGM, 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.

All shareholders are entitled to submit proposals to the nomination committee for candidates for election to the board of directors and other appointments. Proposals must be submitted to the nomination committee no later than two months prior to the AGM. Information on how to propose candidates can be found on the Company's website.

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

Divergences from the Code of Practice: The Code of Practice recommends that all shareholders should be given the opportunity to submit proposals to the nomination committee for candidates for election to the Board of Directors and other appointments in a simple and easy manner. The Company will observe the Code of Practice in respect of new proposals to facilitate that all shareholders can propose candidate to the Board and the Nomination Committee.

8. BOARD OF DIRECTORS: COMPOSITION AND Independence

8.1 NUMBER OF BOARD MEMBERS

Pursuant to the Articles of Association Section 6, the Company's Board of Directors comprises up to seven members elected by the General Meeting.

The chair of the Board is elected by the Board. In the event of a tied Board vote, the chair has the casting vote. The managing director is appointed by the Board and has both a right and a duty to attend Board meetings. The managing director is only entitled to vote on Board decisions if he is elected as a member of the Board.

8.2 ELECTION PERIOD

All board members are elected by the AGM for a period of two years. Board members may be re-elected.

8.3 INDEPENDENT BOARD MEMBERS

At 31 December 2018, the Board of Directors consisted of the following six members:

Name	Role	Considered independent	Served since	Term expires	2018 Meeting participation	% of shares in GSF per 31.12.18
Per Grieg jr.	Chair	No	20.05.2009	AGM 2019	100 %	52.80 %
Asbjørn Reinkind	Vice chair	Yes	27.05.2011	AGM 2019	100 %	0.11 %
Karin Bing Orgland	Board member	Yes	12.06.2013	AGM 2019	100 %	0.00 %
Wenche Kjølås	Board member	No	20.05.2009	AGM 2020	100 %	0.01 %
Tore Holand	Board member	Yes	12.06.2018	AGM 2020	100 %	0.00 %
Solveig M.R. Nygaard	Board member	Yes	12.06.2018	AGM 2020	100 %	0.00 %

The Company's annual report and the website provides information to illustrate the expertise of the members of the Board of Directors. An overview of the Board members' ownership of shares in the Company appears in the relevant note to the accounts in this Annual Report. Divergences from the Code of Practice: None.

9. THE WORK OF THE BOARD OF DIRECTORS

9.1 DUTIES AND WORK PLAN

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the Board of Directors and the chief executive officer (CEO), the division of work between the Board of Directors and the CEO, the annual plan for the Board of Directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders, and confidentiality.

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.

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.

To ensure an unbiased and satisfactory consideration of matters under consideration, members of the Board of Directors and executive management cannot consider items in which they have a special and prominent interest. For cases under consideration the Board of Directors jointly assesses each Board member's partiality.

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.

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 chair of the Board is or has been actively involved, Board discussions shall be chaired by the vice chair.

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 Grieg Seafood Group annual accounts for 2018.

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

9.3 ANNUAL ASSESSMENT

Each year, the Board shall carry out an assessment of its work in the previous year. The assessment is based on results from questionnaires completed anonymously by each member of the board and members of group management

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.

The audit committee currently consists of Karin Bing Orgland and Wenche Kjølås.

9.5 REMUNERATION COMMITTEE

The remuneration committee is governed by a separate instruction adopted by the Board of Directors. The members of the remuneration committee are appointed by and among the members of the Board of Directors and shall be independent of the Company's executive management. At 31 December 2018, the remuneration committee consisted of the following members: Per Grieg jr. and Asbjørn Reinkind.

The primary purpose of the remuneration committee is to assist and facilitate the decision-making of the Board of Directors in matters related to the remuneration of the executive management of the Group, review recruitment policies, career planning and management development plans, and prepare matters relating to other material employment issues with respect to the executive management.

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 remuneration committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations. The composition of the committee is subject to assessment each year.

Divergences from the Code of Practice: None.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has a responsibility to ensure that the Group has proper risk management and internal control adaptable to statutory provisions for the Group. 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 organize its business activities and procedures in order to safeguard its own values and those of its customers, and to realize 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 Group's Board of Directors, management and other employees. Internal control is designed to provide reasonable assurance that the Group'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 Group 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 Group'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, 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 the 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 Group'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 minimize the potential negative effects on the Group's financial results. 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.

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 updated every month. Every month, each region submits a report containing given Key Performance Indicators (KPIs). The main KPIs are: EBIT/kg, feed factor, number of smolt transferred to sea, 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 constitute the greatest risks for the Company. The risk assessment is reviewed by the Audit Committee in connection with quarterly reporting.

Divergences from the Code of Practice: None.

11. REMUNERATION OF THE BOARD OF DIRECTORS

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.

No board members participate in any incentive or share programs.

Board remuneration is shown in the financial statements of both the Company and the Group.

Divergences from the Code of Practice: None.

12. REMUNERATION OF EXECUTIVE PERSONNEL

12.1 SENIOR EMPLOYEES

The Group management consists of the Group CEO, the director of operations (COO), the financial director (CFO), and the 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.

The salary paid to the members of the senior management group consists of a fixed and a variable element. Under the bonus scheme the variable salary 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 program. The last approval from the General Assembly was 7 June 2017. The Group CEO, CFO, COO, the HR director, and the four regional managers are included in the synthetic options program. 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 web page.

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 chair of the Board before the amount of remuneration is determined.

General schemes for the allocation of variable benefits, including bonus schemes and options programs, 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 program.

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 guidelines for reporting financial and other information to the securities market is defined within the framework established by securities and accounting legislation and the rules and regulations of the stock exchange. The Company also complies with the Oslo Stock Exchange Code of Practice for IR of 1 March 2017.

The Board of Directors has adopted an investor relations policy, to clarify roles and responsibilities related to financial reporting and regulate contact with shareholders and the investor market. This policy is based upon the key principles of openness and equal treatment of market participants to ensure they receive correct, clear, relevant, and up-to-date information in a timely manner.

The IR policy is available on the Company's website.

In addition, the Board has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures.

The Company shall at all times provide its shareholders, the Oslo Stock Exchange, and other stakeholders (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 web page 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 web page 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 English. The Company has procedures to ensure that this is done. The Board of Directors' communication with shareholders and other stakeholders is delegated to the chair of the Board, or other appointed persons in specific cases. The chair of the Board shall ensure that the shareholders' views are communicated to the entire Board.

Divergences from the Code of Practice: None.

14. TAKE-OVERS

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 authorization 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 of 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 Board of Directors ensure that 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 Board invites the auditor to 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 the auditor when neither the Group CEO nor anyone else from the management is present.

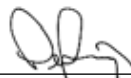
The auditor also attends meetings of the audit committee to consider quarterly reports and other relevant matters. The auditor's fee appears in the relevant note in this Annual Report showing the division of the fee between audit and other services.

Divergences from the Code of Practice: None.

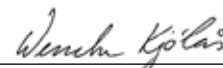
Bergen, 11 April 2019
Grieg Seafood ASA



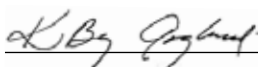
ASBJØRN REINKIND
Vice Chair



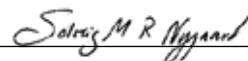
PER GRIEG JR.
Chair



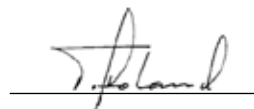
WENCHE KJØLÅS
Board Member



KARIN BING ORMLAND
Board Member



SOLVEIG M.R. NYGAARD
Board Member



TØRE HOLLAND
Board Member



ANDREAS KVAME
CEO

ANNUAL ACCOUNTS

Grieg Seafood Group Accounts



Income statement

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	NOTE	2018	2017
Sales revenues	6	7 500 316	7 017 456
Other income	6	25 853	21 771
Other gains and losses	6	26 157	-1 514
Share of profit from associates	5	-2 328	-550
Raw materials and consumables used	7	-3 852 855	-3 724 200
Salaries and personnel expenses	15/16	-541 047	-482 827
Other operating expenses	11/20/24	-1 821 623	-1 724 604
EBITDA before fair value adjustments of biological assets		1 334 473	1 105 533
Depreciation property, plant and equipment	9	-230 262	-196 237
Amortization licenses and other intangible assets	8	-5 393	-4 895
EBIT before fair value adjustments of biological assets		1 098 818	904 400
Fair value adjustment of biological assets	3/7	256 097	-91 463
EBIT after fair value adjustments of biological assets		1 354 916	812 937
Financial income	23	18 874	42 333
Financial expenses	23	-96 865	-56 789
Net financial items		-77 991	-14 457
Profit before tax		1 276 925	798 480
Income tax expense	13	-279 805	-197 581
Net profit for the year		997 120	600 899
ALLOCATED TO			
Controlling interests		972 506	570 537
Non-controlling interests		24 615	30 362
PROFIT AVAILABLE TO SHAREHOLDERS IN PARENT COMPANY			
Earnings per share (NOK)	18	8.81	5.17
Diluted earnings per share (NOK)	18	8.81	5.17

Comprehensive income statement

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	NOTE	2018	2017
Net profit for the year		997 120	600 899
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT/LOSS IN SUBSEQUENT PERIODS			
Currency effect on investment in subsidiaries		-5 889	16 729
Change in fair value of equity instruments		11	-295
Currency effect on loans to subsidiaries	3	-4 193	22 333
Cash flow hedges	3	15 026	-24 821
Tax effect		-2 571	409
Other comprehensive income for the period, net of tax		2 383	14 355
Total comprehensive income for the period		999 503	615 254
ALLOCATED TO			
Controlling interests		968 766	595 332
Non-controlling interests		30 738	19 922

Statement of financial position

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	NOTE	31.12.2018	31.12.2017
ASSETS			
Goodwill	8	109 013	109 038
Deferred tax assets	13	1 718	3 574
Licenses	8/10	1 121 662	1 068 552
Other intangible assets	8/10	25 175	18 384
Property, plant and equipment	9	2 292 912	1 871 804
Investments in associates	5	37 122	9 450
Equity instruments		1 160	1 150
Other non-current receivables		167	167
Total non-current assets		3 588 929	3 082 121
Inventories	7/10	126 092	92 262
Biological assets	7/10	3 195 142	2 698 352
Trade receivables	3/10/20	925 232	761 407
Other current receivables	21	166 432	198 527
Derivatives and other financial instruments	3/12	2 743	48 232
Cash and cash equivalents	3/19	137 920	271 715
Total current assets		4 553 561	4 070 494
Total assets		8 142 490	7 152 615

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Share capital	17	446 648	446 648
Treasury shares	17	-4 914	-5 000
Other equity		84 152	87 892
Retained earnings		3 308 166	2 774 824
Total controlling interests		3 834 053	3 304 364
Non-controlling interests		49 458	43 541
Total equity		3 883 511	3 347 905
LIABILITIES			
Deferred tax liabilities	13	877 639	721 689
Cash-settled share options	16	8 493	8 848
Loans	10	1 298 713	1 191 688
Other non-current borrowings	10	14 047	15 353
Finance lease liabilities	10/11	292 358	201 899
Total non-current liabilities		2 491 251	2 139 476
Overdraft facility	10	46 597	-
Current portion of non-current borrowings	10	107 109	98 873
Current portion of finance lease liabilities	10/11	68 083	58 353
Factoring liabilities	3/10	573 377	500 976
Cash-settled share options	16	9 010	6 746
Trade payables	3	649 352	585 378
Tax payable	13	130 287	157 244
Public tax payable		29 346	16 486
Derivatives and other financial instruments	3/12	5 905	28 462
Other current liabilities	25	148 663	212 717
Total current liabilities		1 767 729	1 665 233
Total liabilities		4 258 979	3 804 710
Total equity and liabilities		8 142 490	7 152 615

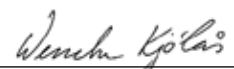
BERGEN, 11 APRIL 2019
GRIEG SEAFOOD ASA



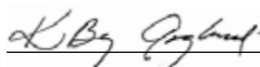
ASBJØRN REINKIND
Vice Chair



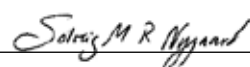
PER GRIEG JR.
Chair



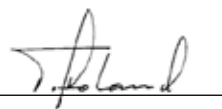
WENCHE KJOLÅS
Board Member



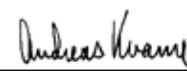
KARIN BING ORKLAND
Board Member



SOLVEIG NYGAARD
Board Member



TØRE HOLAND
Board Member



ANDREAS KVAME
CEO

Statement of changes in equity

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	SHARE CAPITAL	TREASURY SHARES*	OTHER EQUITY**	RETAINED EQUITY	NON-CONTROLLING INTERESTS	TOTAL
Equity at 01.01.2017	446 648	-5 000	63 098	2 645 935	56 270	3 206 951
PROFIT FOR 2017				570 537	30 362	600 899
Currency effect on investment in subsidiaries	-	-	16 729	-	-	16 729
Currency effect on loans to subsidiaries	-	-	16 973	-	-	16 973
Change in fair value of equity instruments	-	-	-295	-	-	-295
Cash flow hedges	-	-	-8 613	-	-10 439	-19 052
Other comprehensive income	-	-	24 794	-	-10 439	14 355
Total comprehensive income 2017	-	-	24 794	570 537	19 922	615 254
Dividend paid	-	-	-	-441 648	-	-441 648
Dividend paid to minority shareholders	-	-	-	-	-32 651	-32 651
Total equity attributable to shareholders 2017	-	-	-	-441 648	-32 651	-474 299
Total change in equity 2017	-	-	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
PROFIT FOR 2018				972 506	24 615	997 120
Currency effect on investment in subsidiaries	-	-	-5 889	-	-	-5 889
Currency effect on loans to subsidiaries	-	-	-3 271	-	-	-3 271
Change in fair value of equity instruments	-	-	11	-	-	11
Cash flow hedges	-	-	5 409	-	6 123	11 532
Other comprehensive income	-	-	-3 740	-	6 123	2 383
Total comprehensive income 2018	-	-	-3 740	972 506	30 738	999 503
Sale of treasury shares	-	86	-	2 528	-	2 614
Dividend paid	-	-	-	-441 691	-	-441 691
Dividend paid to minority shareholders	-	-	-	-	-24 821	-24 821
Total equity attributable to shareholders 2018	-	86	-	-439 163	-24 821	-463 898
Total change in equity 2018	-	86	-3 740	533 342	5 917	535 605
Equity at 31.12.2018	446 648	-4 914	84 152	3 308 166	49 458	3 883 511

* The recognized amount equals the nominal value of the parent company's holding of treasury shares.

** Other equity, reclassified through OCI

AMOUNTS IN NOK 1 000

SPECIFICATION OF RETAINED EQUITY	EFFECT OF SHARE-BASED REMUNERATION	PURCHASE/ SALES OF TREASURY SHARES *	ACCUMULATED INCOME EXCL. ACCUMULATED DIVIDEND	TOTAL
Book value at 01.01.2017	1 094	-13 036	2 657 877	2 645 935
Changes in 2017	-	-	128 889	128 889
Changes in 2018	-	2 528	530 814	533 342
Book value at 31.12.2018	1 094	-10 508	3 317 580	3 308 166

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

AMOUNTS IN NOK 1 000

SPECIFICATION OF OTHER EQUITY, RECLASSIFIED THROUGH OCI	CHANGES IN FAIR VALUE OF EQUITY INSTRUMENTS	CURRENCY EFFECT ON LOANS TO SUBSIDIARIES	CURRENCY EFFECT ON INVESTMENT IN SUBSIDIARIES	CASH FLOW HEDGES	TOTAL
Book value at 01.01.2017	787	47 400	12 863	2 048	63 098
Changes in 2017	-295	16 973	16 729	-8 613	24 794
Changes in 2018	11	-3 271	-5 889	5 409	-3 740
Book value at 31.12.2018	503	61 102	23 703	-1 156	84 152

Cash flow statement

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD GROUP	NOTE	2018	2017
EBIT after fair value adjustment of biological assets		1 354 916	812 937
Depreciation and amortization	8/9	235 655	201 133
(Gain)/loss on sale of property, plant and equipment		4 992	669
Share of profit from companies applying equity method of accounting	5	2 328	550
Fair value adjustment of biological assets	7	-256 097	91 463
Change in inventories and biological assets excl. fair value		-241 400	-384 223
Change in trade and other receivables		-131 731	3 904
Change in trade payables		63 974	91 844
Change in other accruals		-64 607	51 831
Change in non-current, cash-settled share-option liability	16	-355	4 234
Taxes paid for the period	13	-147 833	-165 464
Net cash flow from operating activities		819 841	708 877
Proceeds from sale of property, plant and equipment	8/9	1 295	2 182
Payments on purchase of property, plant and equipment	9	-665 192	-548 641
Property, plant and equipment financed by leasing	10	169 216	9 600
Payments on purchase of intangible assets	8	-67 842	-4 180
Investment in associate companies	5	-30 000	-10 000
Change in other non-current receivables		10	4 295
Net cash flow from investing activities		-592 514	-546 744
Repayment of non-current revolver credit facility	10	-40 000	300 000
Repayment of non-current syndicate loan	10	-985 000	-
Draw-down non-current syndicate loan (refinancing)	10	1 180 284	-
Change in non-current interest-bearing debt and leases	10	-57 244	-157 144
Change in factoring liability	10	72 401	-1 559
Other financial items		6 951	-7 597
Dividend incl. allocation to non-controlling interests		-466 512	-474 299
Interest expense		-71 449	-52 787
Net cash flow from financing activities		-360 569	-393 387
Net change in cash and cash equivalents		-133 242	-231 253
Cash and cash equivalents at 01.01.		271 715	503 613
Currency translation of cash and cash equivalents		-554	-645
Cash and cash equivalents at 31.12.		137 920	271 715

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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. The 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 on 11 April 2019.

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

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 at 31 December 2018:

Grieg Seafood Hjaltdland UK Ltd, including all subsidiaries, and Ocean Quality UK Ltd are domiciled in the UK. Grieg Seafood BC Ltd and Ocean Quality North America Inc. are domiciled in Canada. Ocean Quality Premium Brands, Inc. (formerly named Ocean Quality USA Inc.) and Ocean Quality USA Inc. (new company, established in 2018) are domiciled in the USA. Ocean Quality (Shanghai) is domiciled in China, operating as a cost center and does not invoice any sale of fish. The remaining companies are domiciled in Norway.

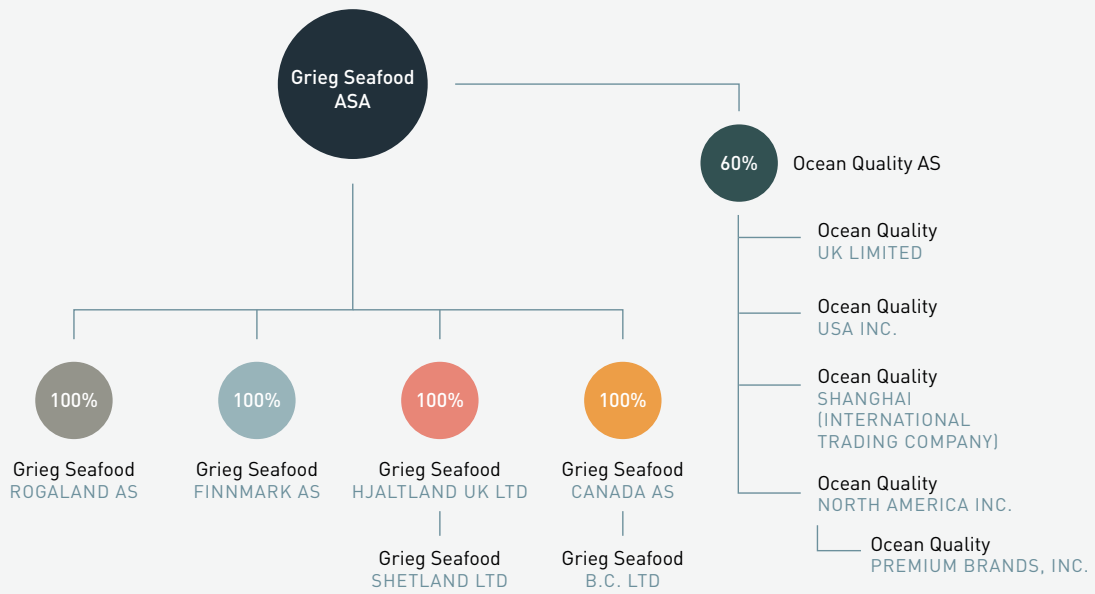
Grieg Seafood Hjaltdland UK Ltd. and Grieg Seafood Canada AS are holding companies, which wholly own the production companies Grieg Seafood Shetland Ltd. and Grieg Seafood BC Ltd., respectively. Grieg Seafood ASA has a 60% stake in Ocean Quality AS and the other subsidiaries are wholly owned.

Grieg Seafood Shetland Ltd owns the following, dormant companies (no activities in these companies): Grieg Seafood Isle of Sky Ltd, Collafirth Salmon Ltd, Hjaltdland Hatcheries Ltd, Fish Holm Ltd, Lerwich Fish Traders Ltd, Shetland Product, Skelda Salmon Farms Limited and Vidlin Seafarms Ltd.

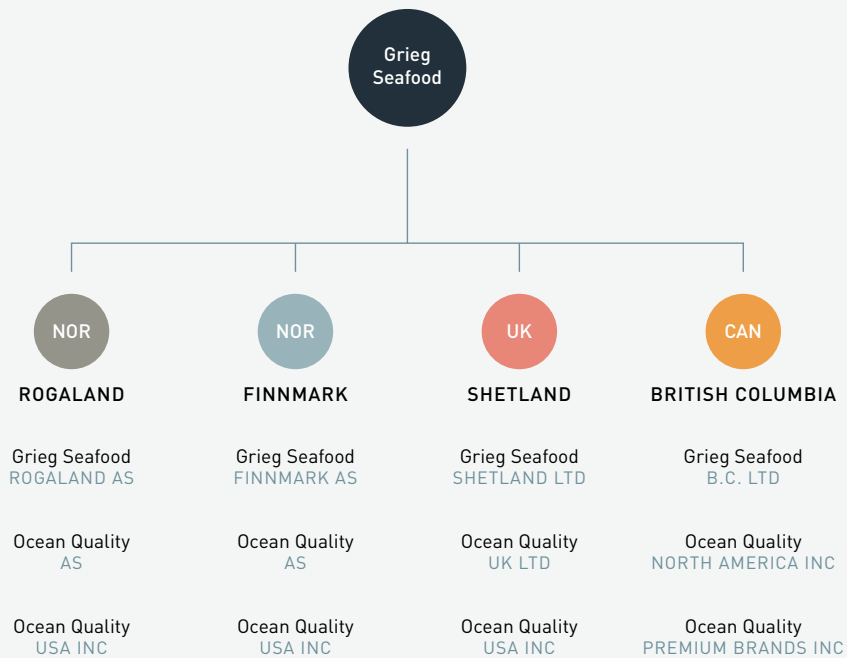
Ocean Quality AS wholly owns Ocean Quality UK Ltd, Ocean Quality USA Inc., Ocean Quality (Shanghai) and Ocean Quality North America Inc., while the latter wholly owns Ocean Quality Premium Brands, Inc..

All amounts are stated in NOK thousand unless otherwise specified.

Group structure



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, equity instruments, and financial assets/liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in accordance 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.

NEW STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards for the first time for the annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contract with Customers

These standards did not have any significant impact on the financial statement. Due to the implementation of IFRS 9, the model for calculating loss allowance has changed. The changes have not had any effect on the estimated amount for losses. Please refer to Note 20 for further information.

The new standard IFRS 16 Leases will be implemented from 1 January 2019. This standard will have a material impact on the Group's financial statement, which are fully described in Note 26. Please refer to Note 26 for further information about the new standards.

CONSOLIDATION PRINCIPLES SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The purchase method of accounting is applied for acquisitions. The consideration is measured as the fair value of any transferred assets, liabilities or issued equity instruments. The fair value of all the assets or liabilities resulting from contingent consideration agreements is included in the consideration. Identifiable assets and liabilities and contingent liabilities assumed in a business

combination are initially measured at fair value at the acquisition date. 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 business combinations are expensed as they are incurred. In the case of multi-stage acquisitions, the proportion of ownership from any earlier purchases is restated at fair value at the date of control, with changes in value recognized through profit or loss.

Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Other contingent consideration that is within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss in accordance with IFRS 9. If it is not within the scope of IFRS 9 then it shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss.

Intragroup transactions, intercompany balances, and unrealized profits and losses between Group companies are eliminated. Reported figures from the subsidiaries are restated when this is necessary to achieve consistency with the Group's accounting policies.

CHANGES IN SHAREHOLDINGS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

Transactions with non-controlling owners of subsidiaries that do not involve loss of control are treated as equity transactions. When shares are purchased from non-controlling owners, the difference between the consideration and the proportionate percentage of net assets recognized in the subsidiary's balance sheet relating to such shares is recognized in the parent company's owners' equity. Gains or losses on disposals of non-controlling owners are similarly recognized in equity.

DIVESTMENT OF SUBSIDIARIES

When the Group no longer has control, any residual ownership interest is measured at fair value with changes in value recognized through profit or loss. Thereafter the fair value is deemed to equate to cost, and the interest is recognized either as an investment in associates or as a financial asset. Amounts previously recognized in other comprehensive income relating to this company are treated as if the Group had disposed of the underlying assets and liabilities. This could mean that amounts that were previously recognized in other comprehensive income are reclassified through profit or loss.

ASSOCIATES

Associates are entities over which the Group exercises significant influence, but not control. Significant influence will generally exist when the Group has a shareholding of between 20% and 50% of the voting rights. Investments are recognized at cost at the time

of acquisition, and the Group's share of the results in subsequent periods is recognized through profit or loss. The amount recognized 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 are thus part of the Group's value chain, are classified on a separate line before the Group's EBIT. In the event of a reduction in a shareholding in an associate where the Group exercises significant influence, only a proportionate share of amounts previously recognized in other comprehensive income is reclassified through profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and added to the value of the investment in the balance sheet. The Group's share of other comprehensive income of the associate is recognized in the consolidated statement of comprehensive income plus the amount of the investment in the balance sheet. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables for the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If necessary, the subsidiaries' financial statements are restated to achieve consistency with the Group's accounting policies.

At the end of each accounting period, the Group determines whether there is any need to recognize an impairment of the investment in the associate. In such cases, the impairment amount is measured as the difference between the recoverable amount of the investment and its book value, and the difference is recognized in income on a separate line together with the item "Share of profit from associates".

In the event of any gains or losses on transactions between the Group and its associates, only the proportionate share relating to external shareholders is recognized. Unrealized losses are eliminated unless there is a need to recognize an impairment for 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. Dilution gains and losses arising on investments in associates are recognized in the income statement.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with 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 statements are 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 in force at the transaction date. Foreign exchange gains resulting from the settlement of such transactions that are not denominated in the entity's functional currency, are recognized through profit or loss. Translation differences on monetary items (assets and liabilities), that are not denominated in the entity's functional currency, are also recognized through profit or loss.

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:

The balance sheet is translated using the closing rate at the balance sheet date.

- 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).
- Translation differences are recognized in other comprehensive income and specified separately.

When a foreign operation is sold, the exchange difference, which in previous periods was recognized in other comprehensive income, is not accrued. The accumulated exchange difference on the sale of the foreign operation is hence reversed in other comprehensive income. Gains or losses on the sale are recognized on a basis of zero exchange difference in the net profit on ordinary activities.

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 using the closing currency rate at the balance sheet date.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Cost 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 recognized in the asset's carrying amount or 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 recognized in the income statement during the financial period in which they are incurred.

Land and buildings mainly comprise factories and offices. Land is not depreciated. Other operating assets are depreciated in accordance with the straight-line method so that the cost, or remeasured value, is written down to residual value over its expected useful economic life as follows:

NOTE 2 CONT.

- 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 adjusted if necessary.

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 recognized on a net basis and represent the difference between the sales price and the carrying amount.

INTANGIBLE ASSETS

Intangible assets that arise internally within the Group are not recognized. Goodwill and licenses with an indefinite economic life are subject to annual impairment tests. Impairment tests are performed more frequently if indications of impairment exist. Amortized licenses are tested for impairment only if there are indications that future earnings do not justify the asset's carrying amount.

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.

For the purpose of impairment testing, goodwill is allocated 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.

LICENSES

Fish-farming licenses with an indefinite useful life are not amortized 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 licenses to have indefinite useful lives:

Licenses granted with an indefinite useful life, where the company has no other contractual restrictions relating to the use of the license. Licenses granted with a finite useful life, but where the license holders can renew the licenses without incurring considerable expenses.

Licenses with a finite useful life are amortized over their useful lives. These relate to water licenses for hatcheries and some

specific seawater licenses. The following sections provide a description of licenses 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 licenses, as well as impairment testing.

NORWAY

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

The aquaculture permit allows the production of salmon in limited geographic areas 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 licenses

Each license for salmon in the sea is subject to a production limit in the form of "maximum allowed biomass" (MAB). MAB does not directly limit the tonnes of fish produced within a year, but rather limits the biomass that can be kept in the sea at any time. Normally, a license has a limit of 780 tonnes MAB, while in Troms and Finnmark counties, a standard license has a limit of 945 tonnes MAB (provided all associated locations are situated in Troms and Finnmark), but in conjunction with the new traffic light system, Finnmark acquire additional production capacity and have now 964 tonnes MAB. See the Salmon Allocation Regulation § 15 ("laksetildelingsforskriften"). Such licenses are limited in number and only subject to application, following politically determined licensing rounds.

Hatchery licenses

Young salmon are defined as eggs, juveniles, parr or smolt to be released in another location, see Salmon Allocation Regulation § 4 f. Such licenses 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 smolt over 250 grams; however, the regulations allow for applications to produce a certain percentage of fish up to 1 kg. Grieg Seafood has authorization up to 1 kg.

R&D and broodstock licenses

These licenses 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 licenses include both a land and sea phase, i.e. the broodfish and egg production are covered by the same licensing process.

Harvesting cage licenses

Licenses utilized 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 licenses, including relating to scope, time limitations, etc., see the Aquaculture Act § 5, second paragraph. Nonetheless, the preparatory work for the Aquaculture Act specifies that licenses are normally granted without a time limit.

Grieg Seafood's general food fish licenses and hatchery licenses are not time-limited under current regulations. After the reform in 2009, a number of licenses were time-limited, mainly for 15 years. As no government practices have been established relating to the renewal of broodstock licenses, the current understanding is that expiration of licenses allows for application for renewal based on demand. A license for harvesting cages is valid for ten years and must be renewed on expiration, provided that the license is still connected to an approved harvesting facility.

Disposal and withdrawal

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

The Aquaculture Act § 9 reviews the basis for withdrawal of an aquaculture license. This states that there must be significant breaches of the terms of an aquaculture license 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 licenses must be in place:

1. Water Environment (Controlled activities) "CAR" license – issued by the Scottish Environment Protection Agency (SEPA)
2. Planning permission – issued by the local authorities (Town and Country Planning Act)
3. Crown Estate Lease/Permission (The Crown Estate Act 1961)
4. Aquaculture Production Business License (APB) – issued by Aqua Animal Health
5. Marine License (Navigation) – issued by the Scottish government

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

Duration and renewal

1. CAR license – 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 license

may be withdrawn

3. Crown Estate Lease/Permission – 25 years' duration. The normal procedure is to renew the licenses on expiration.
4. APB – indefinite duration subject to compliance with the license's conditions.
5. Marine License – application for renewal required every six years.

Renewal 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 licenses must be in place:

1. Aquaculture license – issued by the Department of Fisheries and Oceans
2. License 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 license – duration of one year, renewal each year is a formality.
2. License 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.

New renewal process in Canada West

In June 2018, the Government of British Columbia announced a new policy regarding renewal of aquaculture licenses in the Broughton area. The new policy requires agreement with the local First Nations prior to applying for license renewal from Fisheries and Ocean Canada (DFO). The authorities want to cooperate with companies that have licenses where the production might conflict with the wild salmon and find alternative solutions such as moving the licenses to new areas. For Grieg Seafood BC, this is not a challenge.

OTHER INTANGIBLE ASSETS

Acquired customer portfolios and computer software licenses are recognized in the balance sheet at cost and amortized over their estimated useful lives. Customer portfolios are recognized in the balance sheet at cost at the date of purchase. Amortization 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 with an indefinite useful life are not amortized but are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever there are indications that future earnings do not justify the carrying amount.

NOTE 2 CONT.

An impairment loss is recognized 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

Until 31 December 2017, the Group classified its financial assets and financial liabilities in the following three categories:

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

From 1 January 2018, the Group classifies its financial assets and liabilities in the following measurement categories:

- at fair value through profit or loss or OCI, and
- at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. A financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, except for maturities greater than 12 months after the balance sheet date, which 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 reorganization.

Loans and receivables are carried at amortized cost using the effective interest method.

EQUITY INSTRUMENTS

Equity instruments are non-derivatives that are either designated in this category or not classified in any other category. These are recognized in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Equity instruments are stated at fair value. Changes in value are

recognized in the statement of total comprehensive income.

When securities classified as equity instruments are sold or impaired, the accumulated fair value adjustments recognized in equity are recognized through profit or loss as "other financial income/losses from investments in securities". Interest on securities classified as equity instruments calculated using the effective interest method is recognized through profit or loss. Dividends on shares classified as equity instruments are recognized through profit or loss 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 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 derecognized 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.

Ordinary purchases and sales of investments are recognized 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 recognized 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 equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for equity instruments the cumulative loss – measured as the difference between the cost and fair value, less any impairment loss on that financial asset previously recognized through profit or loss – is derecognized in equity and recognized in the income statement. Impairment losses recognized 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.

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, INCLUDING DERIVATIVES AND HEDGING

Financial assets/liabilities classified as equity instruments are recognized at fair value, with changes in value recognized through profit or loss.

The Group applies hedge accounting under IFRS 9 for non-current 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 recognized in other comprehensive income.

Short-term foreign currency forward contracts are recognized at fair value through profit or loss.

Derivatives are initially recognized 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 to hedge operating revenues are recognized in revenues. Other currency and interest derivatives are recognized net in the income statement under "other financial income/ financial expenses".

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

Assets/liabilities in this category are classified as current assets/current liabilities 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 realizable value. Cost is determined using the first-in, first-out (FIFO) method. The net realisable value is the estimated sales price less the estimated costs of completion and sale.

BIOLOGICAL ASSETS

The accounting treatment of live fish by enterprises applying IFRS is regulated by IAS 41 Agriculture. IAS 41 comprises a hierarchy of methods for accounting measurement of biological assets at level 3. The basic principle is that such assets shall be measured at fair value less costs to sell. Fair value is defined in IFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". According to IFRS 13, the highest and best use of the biological asset establishes the valuation premises.

Considering the industry's common goal to harmonize the model, Grieg Seafood made adaptations to the model during Q4 2018. The previous calculation was based on a growth model which has been the standard model in the salmon industry, while the new calculation is cash-flow based (present value model). Changes to the model involve calculation techniques and do not represent a change in accounting policy. The changes in the new model affected profit or loss by NOK -45.4 million in Q4 2018.

In the calculation model used for 2017, the estimated profit was recognized in a straight-line basis in parallel with the biological development, and historical carried expenses were added. As a result, the fair value was affected by company-specific factors, including the method of recording mortality.

Biological assets comprise of live fish, smolt and fish in sea. The fish are divided into two main groups, depending on the stage of the life cycle. At the earliest stage of the life cycle, the fish are

classified in group 1) roe, fry and smolt. This fish is kept onshore. When the fish is large enough to be released to sea, they are classified in group 2) consumer products or biomass in sea.

- Fish onshore (smolt) are recognized at accumulated cost. The best estimate of fair value is considered to be the accumulated cost because of very little biological transformation. This assessment must be seen in the light of the fact that smolt are currently released to sea at a stage when their weight is still relatively low.
- For fish in sea, the fair value is calculated by applying a cash-flow based present value model.

The fair value of fish in the sea is estimated for each location.

In accordance with the principle for highest and best use, the Industry Group considers that the fish have optimal harvest weight when they have a live weight of 4.76 kg, which corresponds to 4 kg gutted weight. Fish with a live weight of 4.76 kg or more are classified as ready for harvest (mature fish), while fish that have still not achieved this weight are classified as not ready for harvest (immature fish).

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

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

When estimating the actual accumulated cost at the respective seawater facility, direct costs (fish feed and similar) are allocated to each group of fish, set into sea at the same location. Financial costs are not included in the costs of production.

The sales price for fish in the sea are based on the forward price from Fish Pool. Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian Salmon size 3-6 kg gutted weight. The volume on Fish Pool is limited, but Grieg Seafood's opinion is that the observable forward prices must be seen as the best approach to a price for the sale of salmon. With regard to foreign countries, the most relevant price information available for the expected harvesting period is applied. For fish in the sea, the forward price in Norway is adjusted for historical differences in achieved prices between Norway and Canada/the UK.

NOTE 2 CONT.

The price/net sales value is adjusted for quality differences (superior, ordinary and prod.), and for logistics expenses and sales commissions. Estimated harvesting expenses are deducted.

The volume (biomass) is based on the actual number of individuals in the sea at the balance sheet date, adjusted to cover estimated mortality up to harvest date and multiplied by the estimated harvest weight per individual at the time of harvest. The fish in sea is adjusted for gutting waste, as the price is measured for gutted weight. 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 recognized through profit or loss and presented as "fair value adjustment of biological assets".

Onerous contracts are contracts where the expenses of fulfilling the contracts are higher than the economic yield the company expects to gain by fulfilling the contracts. The Group enters into contracts related to future deliveries of salmon. As biological assets are recognized at fair value, the fair value adjustments of the biological assets will be included into the estimated expenses required to fulfil the contract. This implies that the Group may experience loss-making (onerous) contracts according to IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost for the products. If that occurs, a provision is made for the estimated negative value.

Changes arising from physical delivery contracts are recognized as "fair value adjustment of biological assets". The liability in the balance sheet is recognized as other current liabilities (see Note 7).

Fish farming naturally comes with a certain level of loss of fish along the production cycle, and our budgets are typically produced with an inherent assumption of a 0.5-1% monthly mortality. The losses associated with normal levels of survival are not directly recognized in profit or loss. In periods where specific abnormal incidents lead to reduced survival, we immediately recognize write-downs of the biomass inventory, to better reflect the actual biomass in sea or on land. The write-down cost is recorded as they arise under raw materials and consumables used in the income statement.

TRADE RECEIVABLES

Trade receivables arise from the trading of goods or services within the ordinary operating cycle, and under normal terms of payment are initially recognized at nominal value. Trade receivables with longer terms of payment are discounted to present value. In line with IFRS 9, loss allowances are based on expected lifetime losses. The new IFRS standard requires loss provisions also for new and "fresh" loans, by making a write-down for expected credit losses based on expected default in the next twelve months. For receivables where the credit risk has increased substantially after the establishment, a write-down shall be made for the expected credit loss over the maturity of the receivables. The model for calculating loss allowance classifies the trade receivables into two

groups: normal risk and high-risk, based on their country of origin. Furthermore, the trade receivables are classified as credit-insured receivable or not. According to internal policy, 85% of all trade receivables must be credit insured. 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. Loss allowance is recognized as "other operating expenses" in the income statement. The new accounting standard has not had any significant effect on the amount of loss allowance.

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. The overdraft facility is included in current borrowings in the balance sheet.

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 initially recognized at fair value when the funds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost applying the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 value, 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 substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred income liability is settled. Deferred tax assets are recognized 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 pays premiums to local, defined-contribution schemes for all employees. The company's pension schemes meet the requirements in the Mandatory Occupational Pension Act. Pension premiums are recognized in the income statement through operations on an ongoing basis. Employer's social security contributions are expensed based on paid pension premiums. 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 Norwegian Confederation of Trade Unions (LO)/the Confederation of Norwegian Enterprise (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. Pension premiums are recognized in the income statement through operations as they arise.

SHARE-BASED REMUNERATION

The Group operates a share-based management remuneration scheme with settlement in cash, where individual employees are obliged to buy shares proportionate to their annual salary. The fair value of the employee services received in exchange for the grant of the options is recognized 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 be vested and recognizes the impact of the revision relative to original estimates, if any, in the income statement. The Black and Scholes option pricing model is used for valuation. The company's obligations are recognized under non-current liabilities if the latest possible redemption date is more than one year into the future.

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 recognizes 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 SCHEMES

The Group recognizes 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 recognized 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 recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized 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 as 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 recognized 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 intragroup sales. Revenue is recognized when it can be reliably measured, and it is reasonably certain that the economic benefits 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. Revenues from the Group are mainly generated from sale of fresh and frozen salmon, and processed fish. Furthermore, the Group also sells roe and ensilage, and harvest services to external companies, however these services constitute less than 1 % of total revenues. In terms of IFRS 15, there is only one performance obligation within each customer contract. The sales price is determined upon contract settlement and is based on available market price. The payment is settled upon delivery.

INTEREST INCOME

Interest income is recognized in the income statement based on the effective interest rate. If impairments are recognized for receivables, the carrying amount will be reduced to the recoverable amount. The recoverable amount is the estimated future cash flow discounted by the original effective interest rate. Following an impairment, interest income is recognized based on the amortised cost and original effective interest rate.

DIVIDEND INCOME

Dividend income from investments or equity instruments, is recognized when the right to receive payment is established. Dividend income from entities recognized under the equity method are not recognized but recorded as a reduction in the carrying value of the investment.

LEASES

FINANCE LEASES

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 leases. Finance leases are recognized in the balance sheet 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

NOTE 2 CONT.

rate in the different periods of the outstanding lease obligation in the balance sheet. The lease obligation, less interest costs, is classified as other non-current liabilities. The interest expense is recognized in the income statement as a financial expense over the lease term so as to achieve a constant interest expense on the outstanding obligation in each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the expected useful life of the asset and the lease term.

OPERATING LEASES

Leases, or other arrangements described in IFRIC 4, of which more than an insignificant 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 term of the lease.

DIVIDENDS

Dividends payable to the company's shareholders are recognized 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 capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the income statement.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events;
- obligations that are not recognized because it is not probable that they will lead to an outflow of resources entailing financial benefits from the company.
- obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements apart from contingent liabilities resulting from the acquisition of an entity. Material contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability crystalizing is remote.

Contingent liabilities acquired through the purchase of operations are recognized at fair value even if it is not probable that the liability will crystallize. The assessment of probability and fair value is subject to constant review. Subsequent measurement is at the higher of the amount initially recognized (less any amount recognized as revenue) and the amount according to the general provision measurement rules.

Contingent assets are not recognized in the financial statement, but are 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 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 divestment of operations are presented under investing activities.

The Group has prepared an overview of changes in the Group's liabilities in accordance with IAS 7, Statement of Cash Flows. This includes changes due to cash flow (e.g. utilization and repayments of loans) and changes without cash flow effect such as acquisitions, sales, calculated interest rates and unrealized currency translation differences.

Changes in financial assets are disclosed if cash flows have been, or will be, included in the cash flow from financing activities. This may be the case for instance for assets pledged as security for financial liabilities. These changes have been implemented starting with the annual financial statements for 2017.

EARNINGS PER SHARE

Earnings per share are calculated by allocating the profit for the year to the company's shareholders based on 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 Financial risk management

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 disposable 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 2018, the Group had interest-bearing liabilities, including finance leases and factoring of NOK 2 396 million, see Note 10. Funding mainly takes the form of bank loans. The level of liabilities 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 foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the volatility of the financial markets and seeks to minimize 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.

I) MARKET RISKS

(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, recognized assets, and liabilities and net investments in foreign operations. The Group enters into foreign currency forward contracts to manage this risk.

TRADE RECEIVABLES AND TRADE PAYABLES (CURRENCY IN NOK 1 000)	NOK	USD	EUR	GBP	CAD	JPY	OTHER CURRENCIES	TOTAL
2018								
Trade receivables	131 760	164 470	437 337	153 281	16 894	16 566	4 923	925 232
Trade payables	470 931	825	17 403	69 716	86 096	-	4 380	649 352
2017								
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

NOTE 3 CONT.

NET INTEREST-BEARING LIABILITIES (CURRENCY IN NOK 1 000)	NOK	USD	EUR	GBP	CAD	JPY	OTHER	TOTAL
2018								
Cash and cash equivalents	81 372	10 418	1 320	16 683	29 013	-1 594	707	137 920
Interest-bearing liabilities *	1 667 216	106 755	888 220	-275 774	-8 229	12 900	5 253	2 396 341
Net interest-bearing liabilities	1 585 844	96 336	886 899	-292 457	-37 242	14 494	4 545	2 258 420
2017								
Cash and cash equivalents	-259 213	-70 775	-6 325	401 404	201 645	1 451	3 528	271 715
Interest-bearing liabilities *	1 599 795	54 555	238 431	143 019	-	14 391	4 909	2 055 100
Net interest-bearing liabilities	1 859 008	125 329	244 756	-258 384	-201 645	12 940	1 381	1 783 386

* Overview of interest-bearing liabilities, 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 base currency of the syndicated bank loan was previously solely in NOK, however after the renegotiation of the syndicate agreement in February 2018, the term loan was split into NOK 600 million and EUR 60 million. This was carried forward as a great proportion of the sales revenues are denominated in EUR, and hence the EUR loan would act as a hedge against currency fluctuation. Further, converting to EUR loan would reduce the interest cost.

The parent company extends current and non-current loans to the subsidiaries denominated in these companies' functional currency. All non-current loans are considered to be equity in these companies, as they will not be repaid. The currency effect of loans is recognized under "currency effect of net investments" in consolidated comprehensive income. The numerical effects for 2018 and 2017 are presented below.

AMOUNTS IN NOK 1 000

CURRENCY EFFECTS ON LOANS TO SUBSIDIARIES	2018	2017
Currency effect	-4 193	22 333
Tax effect (22 %)	923	-5 360
Net effect recognized in equity	-3 271	16 973

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 liabilities (in NOK 1 000).

CURRENCY IN NOK 1 000

10% APPRECIATION AGAINST	USD	EUR	GBP	CAD
(Gain)/loss before tax in profit or loss on interest-bearing liabilities	-9 634	-88 690	29 246	3 724

Forward currency contracts

Hedge accounting has been applied to foreign currency forward contracts relating to non-current physical delivery contracts. The effect on profit is recorded in other comprehensive income. Current forward currency contracts are not subject to hedge accounting. Value changes in current forward contracts affect profit or loss, as these contracts are recognized at fair value through profit or loss, see accounting policies (Note 2).

FORWARD CURRENCY CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

SOLD	AMOUNT (CURRENCY IN 1 000)	BOUGHT	AMOUNT (CURRENCY IN 1 000)	WEIGHTED HEDGING RATE	MARKET RATE	MATURITY INTERVAL *	MARKET VALUE (NOK 1 000) 31.12.2018
USD	222	NOK	1 756	7.9283	8.6885	09.01.2019	-171
EUR	366	NOK	3 515	9.6164	9.9483	02.01.2019 - 07.01.2019	-121
GBP	214	NOK	22 866	10.6900	11.1213	02.01.2019 - 09.01.2019	-952
JPY	7 380	NOK	546	0.0740	0.0790	04.01.2019 - 09.01.2019	-98
NOK	7 644	GBP	700	10.9259	11.1213	02.01.2019 - 09.01.2019	146
USD	6 550	CAD	8 781	1.3410	1.3636	09.01.2019 - 01.02.2019	-967
Total							-2 162

*Maturity specified as an interval for multiple contracts

HEDGING CONTRACTS THROUGH COMPREHENSIVE INCOME AT FAIR VALUE

SOLD	AMOUNT (CURRENCY IN 1 000)	BOUGHT	AMOUNT (CURRENCY IN 1 000)	WEIGHTED HEDGING RATE	MARKET RATE	MATURITY INTERVAL *	MARKET VALUE (NOK 1 000) 31.12.2018
USD	1 900	NOK	16 583	8.7277	8.6885	02.01.2019 - 04.01.2019	55
EUR	6 706	NOK	66 926	9.9806	9.9483	02.01.2019 - 06.03.2020	-72
JPY	774 691	NOK	58 437	0.0754	0.0790	04.01.2019 - 08.01.2021	-3 741
SEK	135	NOK	131	0.9727	0.9701	02.01.2019 - 04.01.2019	0
CHF	12	NOK	107	8.8827	8.8280	03.01.2019	1
NOK	3 047	GBP	275	11.0810	11.1213	02.01.2019 - 04.01.2019	15
Total							-3 743

*Maturity specified as an interval for multiple contracts

FORWARD CURRENCY CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

SOLD	AMOUNT (CURRENCY IN 1 000)	BOUGHT	AMOUNT (CURRENCY IN 1 000)	WEIGHTED HEDGING RATE	MARKET RATE	MATURITY INTERVAL *	MARKET VALUE (NOK 1 000) 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	16.01.2018	-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

NOTE 3 CONT.

HEDGING CONTRACTS THROUGH COMPREHENSIVE INCOME AT FAIR VALUE

SOLD	AMOUNT (CURRENCY IN 1 000)	BOUGHT	AMOUNT (CURRENCY IN 1 000)	WEIGHTED HEDGING RATE	MARKET RATE	MATURITY INTERVAL *	MARKET VALUE (NOK 1 000) 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	03.01.2018	-0
CHF	13	NOK	113	8.4016	8.4091	03.01.2018	-0
NOK	1 324	DKK	1 000	1.3240	1.3218	03.01.2018	-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

(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 or 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 NOK 20.0 million in 2018 and NOK 15.9 million in 2017 due to the floating rate of interest on loans and deposits. The sensitivity analysis is based on average net interest-bearing liabilities during 2018 and 2017, irrespective of concluded interest rate swap agreements.

AMOUNTS IN NOK 1 000

SENSITIVITY	CHANGE IN INTEREST RATE POINTS	2018	2017
Effect on profit before income tax	-/+ 1%	-/+ 20 025	-/+ 15 934

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 interest-bearing liabilities 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 duration of four years. The Company constantly evaluates whether these periods should be rolled over.

AGREEMENT	PRINCIPAL (NOK 1 000)	FIXED RATE (%)	BASIS OF FLOATING RATE	MATURITY	MARKET VALUE 31.12.2018 (NOK 1 000)	MARKET VALUE 31.12.2017 (NOK 1 000)
Fixed rate paid - floating rate received	400 000	1.69	Nibor 3 months	27.03.2019	-394	-3 965
Fixed rate paid - floating rate received	260 000	1.28	Nibor 3 months	20.10.2021	1 252	-106
Total					858	-4 071

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

Hedge accounting under IFRS 9 is not applied to interest rate swap agreements. Changes in value of interest rate swap agreements are recognized as fair value changes through profit or loss (see Note 23) and 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 at 31 December 2018, 17% of the estimated harvest volume in 2019 in Norway is hedged under fixed price contracts. The total share of fixed price contracts in 2018 was 34% in Norway. In the UK, 23% of the estimated harvest volume in 2019 is hedged under fixed-price contracts. The financial contracts are presented gross in the balance sheet with changes in value recognized through profit/loss as part of the Fair value adjustment of biological assets. As biological assets are recognized at fair value, the expected costs to meet contract terms will be included in the fair value adjustment. As at 31 December 2018, the Group had financial salmon contracts for 2019 totalling NOK 1.9 million, of which all were sales contracts.

At year-end 2018, the Group had physical delivery contracts recognized as liability, totalling NOK 0.5 million.

Fair value of financial derivatives

The carrying value of derivatives and other financial instruments as at 31 December is shown below. 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.

AMOUNTS IN NOK 1 000	2018		2017	
	ASSETS	CURRENT LIABILITIES	ASSETS	CURRENT LIABILITIES
FAIR VALUE OF FINANCIAL DERIVATIVES				
Forward currency contracts at fair value through profit or loss	-	-2 162	5 319	-742
Forward currency hedging contracts at fair value through comprehensive income	-	-3 743	-	-18 769
Interest rate swap agreements	858	-	-	-4 071
Financial salmon contract - purchase contracts	-	-	231	-
Financial salmon contract - sales contracts	1 885	-	42 683	-
Total financial instruments at fair value	2 743	-5 905	48 232	-23 581

II) 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 about the factoring agreement 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 Group has implemented IFRS 9, effective from 1 January 2018, and in that regard the model for calculating loss allowance on trade receivables has changed. For further information about the model and loss allowance, please refer to note 20.

AMOUNTS IN NOK 1 000		2018	2017
MAXIMUM CREDIT RISK EXPOSURE	NOTE		
Trade receivables	20	925 232	761 407
Other receivables	21	166 432	198 527
Cash and cash equivalents	19	137 920	271 715
Total		1 229 585	1 231 648

NOTE 3 CONT.

AMOUNTS IN NOK 1 000

CHANGE IN LOSS ALLOWANCE	2018	2017
01.01.	11 368	8 378
Change in provision	564	2 990
31.12.	11 932	11 368

III) 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 was renegotiated in February 2018. The agreement includes a non-current credit facility of NOK 1 000 million and a bank overdraft facility of NOK 100 million. For further information about the agreement and other non-current liabilities, see Note 10.

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.

AMOUNTS IN NOK 1 000

31.12.2018	3												TOTAL	
	< 3 MONTHS	MONTHS	- 1 YEAR	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10		> 10 YEARS
Non-current loan instalments	49 106	49 106	98 212	98 212	98 212	754 181	-	-	-	-	-	-	-	1 147 027
Loan interest - floating	5 442	14 395	17 728	15 896	14 113	2 247	-	-	-	-	-	-	-	69 821
Non-current credit facility	-	-	-	-	-	260 000	-	-	-	-	-	-	-	260 000
Interest non-current credit facility	1 540	4 791	6 412	6 394	6 394	1 074	-	-	-	-	-	-	-	26 605
Finance leases	18 266	49 817	54 458	48 267	41 396	35 556	27 669	24 317	22 116	20 203	11 217	7 160	-	360 442
Interest finance leases	2 629	7 113	7 898	6 284	4 881	3 702	2 849	2 134	1 457	907	349	109	-	40 311
Trade payables	649 352	-	-	-	-	-	-	-	-	-	-	-	-	649 352
Export credits	-	8 897	-	-	-	-	-	-	-	-	-	-	-	8 897
Factoring liabilities	573 377	-	-	-	-	-	-	-	-	-	-	-	-	573 377
Total liabilities	1 299 712	134 119	184 706	175 052	164 995	1 056 761	30 518	26 451	23 574	21 110	11 566	7 269	-	3 135 832

AMOUNTS IN NOK 1 000

31.12.2017	< 3 MONTHS	3 MONTHS - 1 YEAR	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	> 10 YEARS	TOTAL
Non-current loan instalments	22 500	67 500	895 000	-	-	-	-	-	-	-	-	-	985 000
Loan interest - floating	5 348	15 432	8 277	-	-	-	-	-	-	-	-	-	29 056
Non-current credit facility	-	-	300 000	-	-	-	-	-	-	-	-	-	300 000
Interest non-current 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 liabilities	500 976	-	-	-	-	-	-	-	-	-	-	-	500 976
Total liabilities	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

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 non-current 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 RECEIVABLES AND TRADE PAYABLES

The nominal value less write-downs for realized 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 for 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. Grieg Seafood considers three components to be key parameters for valuation; price, monthly discount rate and estimated harvest biomass volume. In the following table is a sensitivity analysis, showing the change in the fair value of the biological assets, and hence the Group profit before tax, in the event of changes in these parameters.

AMOUNTS IN NOK 1 000

SENSITIVITY ANALYSIS OF BIOMASS - EFFECT ON PRE-TAX PROFIT	2018	2017
Change in discount rate +1%	155 255	N/A
Change in discount rate -1%	-139 099	N/A
Changes in sales price +1 NOK/kg	57 516	34 808
Changes in sales price -1 NOK/kg	-57 516	-34 808
Changes in biomass volume +1% kg	33 009	13 953
Changes in biomass volume -1% kg	-33 009	-9 389

NOTE 4 Critical accounting and 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 in accordance with IFRS. 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 recognized 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, LICENSES AND PROPERTY, PLANT AND EQUIPMENT

The Group tests whether goodwill and licenses 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 market competition, 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 licenses over time. Any change in these critical assumptions will result in related write-downs, or the reversal of write-downs of the value of licenses 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.

CLASSIFICATION OF LICENSES

All licenses where the Group have no other contractual restrictions relating to use of the licenses have indefinite lives and, as such are not amortized. Also, licenses granted with a finite useful life, but where the license holders can renew the licenses without incurring considerable expenses are assessed as indefinite lives. However, the Group's licenses in each country are subject to certain requirements and the Group risk penalties, sanctions or even license revocation if we fail to comply with license requirements or related regulations. Also, local government may change the way licenses are renewed. For further information, please see note 8.

BIOLOGICAL ASSETS

The Group's biological assets comprise smolt and fish in the sea. Biological assets are measured at fair values less costs to sell. The measurement unit is the individual fish, however, for practical reasons, cash flows and estimates are carried out per locality. The fair value model assessed by the Group calculates the net present value of expected cash flow. Valuation is based on a number of different premises, many of which are non-observable. The premises are divided into the four following categories:

1. Sales price
2. Production cost
3. Volume
4. Discount rate

For mature fish (ready for harvesting) at the balance sheet date, uncertainty mainly involves realized prices and volume. For immature fish (not ready for harvesting), level of uncertainty is higher. Price, volume, discount rate, and remaining production costs are the main uncertainty factors; however, uncertainty is also related to biological transformation and mortality prior to harvest date for the fish.

Sales price

Salmon sales prices are volatile. 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 mature (ready for harvesting). Changes in price assumptions have the greatest impact on the fair-value estimate. The market price constitutes the basis for calculating fair value for both mature and immature fish. The forward prices for superior Norwegian salmon weighing 3-6 kg gutted weight from Fish Pool are applied. For fish ready for harvest, the forward price for the following month is applied. For fish not ready for harvest the forward price for the month when the fish is expected to be harvested is applied. Fish harvested before optimal harvest weight of 4.0 kg gutted weight (4.76 kg live weight) an additional price adjustment is required. The price is adjusted for export margin and clearing costs. This accounts for both fish ready for harvest and not ready for harvest.

Production cost

The planned point of harvesting is assumed to be when the fish reaches a live weight of 4.76 kg, however, there may be uncertainty regarding the estimated growth rate. For immature fish the fair value is adjusted by the estimated remaining cost necessary to grow the fish to optimal harvest weight. Forecasted production costs include provisions for estimated feed prices, costs of treatment of lice and other 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.

Volume

Estimated harvest volume is based on estimated number of fish at the balance sheet date less estimated future mortality multiplied by optimal harvest weight (4.76 kg). Actual harvest volume may differ from the estimated volume due to changes in biological conditions or due to special events, such as a mass mortality. Estimated number of fish is based on the number of smolt released to sea, and mortality is a given percentage of the fish in sea. The normal estimated harvest weight is assessed to be the live weight of fish that results in gutted weight of 4.0 kg. If there are any specific conditions at the balance sheet date resulting in the fish being harvested before they reach optimal weight, the estimated harvest weight is adjusted. Mortality during the period from the balance sheet date to the date when the fish reach harvest weight is estimated to be 1% of the number of incoming fish per month.

Discount rate

The sales income and remaining expenses are allocated to the same period as the fish is harvested. The cash flows from all localities where the Group has fish in the sea will then be distributed over the entire period it takes to farm the fish in the sea. With the current size of the smolt released and the frequency of the smolt releases, this period may be up to 18 months. The estimated future cash flow is discounted by a monthly rate, which was 6% at 31 December 2018. The discount rate takes into account both risk adjustment (risk related to volume, cost and price), compensation for the value of the licenses (hypothetical rent) and time value (tying up capital). The risk adjustment shall reflect the price discount a hypothetical buyer would demand as compensation for the risk assumed by investing in live fish rather than a different investment. The longer it takes to reach harvest date, the higher the risk that something may occur that will affect the cash flow. Three significant factors could have an impact on the cash flow; volume, costs and prices. The one thing all three factors have in common is that the sample space is asymmetrical.

Due to limited access to licenses for farming fish, the license value is currently considered to be very high. For a hypothetical buyer of live fish to take over and continue to farm the fish, the buyer needs a license, locality and other permits required for such production. However, in a hypothetical market for the purchase and sale of live fish, one must assume that this would be possible. In that scenario, a hypothetical buyer would claim a significant discount to allocate a sufficient share of the returns to the buyer's own licenses. It is difficult to create a model that would allow a hypothetical annual lease cost to be derived from prices for sold licenses as the curve in the model would be based on projections of future profit performance in the industry.

A discount must be made for the time value of the tied-up capital linked to the share of the present value of the cash flow allocated to the biomass. The buyer who is investing in live fish rather than some other type of investment, would claim compensation for the alternative cost. The production cycle for salmon in the sea currently takes up to 18 months. The cash flow will therefore extend over a similar period. Assuming a constant sales price throughout the period, the cash flow would decrease for each month, as costs are incurred to farm the fish to harvested weight. The cost increase for every month the fish are in the sea. As such, the effect of deferred cash flow is lower than what would be the case if the cash flow had been constant. This component is however deemed important due to the major values the stock of fish represents. Please refer to Note 2 and Note 7 for further information on estimation and calculation of fish values.

Significant assumptions sensitivity

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the Group has built expertise in assessing these factors. There are three components to be key parameters for valuation; average price, estimated biomass volume and monthly discount rate. Please refer to Note 3 for a sensitivity analysis of these factors.

NOTE 5 Investment 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 EBIT when the relevant associates operate in the same position in the value chain as the Group. For 2018 and 2017, no investments were classified on a separate line after EBIT.

In 2018, the Group, through Grieg Seafood Rogaland AS, has invested NOK 30 million in Tytlandsvik Aqua AS to acquire 33.33% of the company's shares. The remaining shareholdings are held by Bremnes Seashore AS (33.33%) and Vest Havbruk AS (33.33%). Through Tytlandsvik Aqua AS, the partners will secure increased and improved access to post smolt and are planning for an annual production capacity of 3 000 tonnes, of which Grieg Seafood's share of the volume is 50%. A total of approximately NOK 300 million has been invested in the facility, which was completed according to plan at the end of the year. The production started at the beginning of 2019. 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. Recognized share of profit in 2018 was NOK -2.3 million and the book value was NOK 37 million at 31 December 2018.

AMOUNTS IN NOK 1 000

ASSOCIATES CLASSIFIED AS OPERATIONS	EQUITY INTEREST AT 31.12.2018	BOOK VALUE AT 01.01.2018	SHARE OF THE PROFIT FOR THE YEAR	CHANGES IN THE PERIOD, REPAID CAPITAL	BOOK VALUE AT 31.12.2018
Tytlandsvik Aqua AS	33.33%	9 450	-2 328	30 000	37 122
Total associates classified as operations		9 450	-2 328	30 000	37 122

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 (NOK 1 000)
Tytlandsvik Aqua AS	01.06.2017	16.67%	
Completed share issue through the year	2018	16.66%	
Total ownership		33.33%	3 905

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

Tytlandsvik Aqua AS has the same financial year as the Group. The following table displays abridged, provisional financial information as at 31 December 2018 (100%).

AMOUNTS IN NOK 1 000

AT 31.12.2018	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL EQUITY	OPERATING INCOME	PRE-TAX PROFIT/LOSS
Tytlandsvik Aqua AS	260 973	189 251	71 722	210	-4 128

AMOUNTS IN NOK 1 000

ASSOCIATES CLASSIFIED AS OPERATIONS	EQUITY INTEREST AT 31.12.2017	BOOK VALUE AT 01.01.2017	SHARE OF THE PROFIT FOR THE YEAR	CHANGES IN THE PERIOD, REPAID CAPITAL	BOOK VALUE AT 31.12.2017
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 (NOK 1 000)
Tytlandsvik Aqua AS	01.06.2017	16.67 %	7 050

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

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 %).

AMOUNTS IN NOK 1 000

AT 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

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.

The Group has implemented IFRS 15, effective from 1 January 2018. The implementation did not have a material effect on the financial statement. The Group's revenues mainly comprises revenues from sale of whole and processed fish and some ensilage. Furthermore, the Group also generates revenues from sale of roe and harvest services to external parties. Sales revenues are recognized when the goods are delivered and both title and risk have been transferred to the customer. This will normally be upon delivery. In 2018, sale of whole fish (fresh and frozen) constituted 93 % (2017: 95%) of the Group's total sales revenues, while processed fish constituted 7 % (2017:4%).

AMOUNTS IN NOK 1 000

GEOGRAPHICAL MARKET	UK	NORWAY	BC	ELIM.	SALES REVENUES 2018		SALES REVENUES 2017	
EU	220 393	3 572 354	-	-	3 792 746	51 %	3 551 889	51 %
UK	534 129	767 764	-	-	1 301 892	17 %	1 124 107	16 %
USA	94 099	309	697 594	-	792 002	11 %	611 049	9 %
Canada	223	63 868	188 515	-	252 606	3 %	209 022	3 %
Russia	-	-	-	-	-	-	-	-
Asia	46 429	701 095	301 232	-	1 048 755	14 %	1 256 321	18 %
Other markets	2 758	309 025	531	-	312 313	4 %	265 069	4 %
Total	898 031	5 414 415	1 187 871	-	7 500 316	100 %	7 017 456	100 %

AMOUNTS IN NOK 1 000

SALES REVENUES DISTRIBUTED BY PRODUCTS	NORWAY *		BC		UK		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Fresh whole fish	5 287 188	5 400 795	910 697	519 091	767 753	742 326	6 965 638	6 662 212
Frozen whole fish	21 253	18 217	-	-	4 777	-	26 030	18 217
Fresh processed fish	279 321	238 499	164 411	60 850	24 478	3 016	468 210	302 365
Frozen processed fish	11 421	13 471	-	-	2 530	426	13 951	13 896
Other products	25 957	20 248	164	352	366	166	26 487	20 766
Total	5 625 140	5 691 229	1 075 272	580 293	799 904	745 934	7 500 316	7 017 456

* Eliminations are included in this segment

Information reported to Group management from the reporting segments

AMOUNTS IN NOK 1 000

GEOGRAPHICAL SEGMENTS	NORWAY ROGALAND		NORWAY FINNMARK		CANADA BC		UK SHETLAND		OTHERS/ ELIMINATIONS *		GRIEG SEAFOOD GROUP	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sales revenues	959 604	1 150 166	1 671 334	1 265 156	1 075 272	580 293	799 904	745 934	2 994 202	3 275 907	7 500 316	7 017 456
Other income **	24 005	11 643	-	6 718	15 878	-	10 065	3 431	-24 095	-21	25 853	21 771
Other gain/losses **	464	586	-1 615	262	-2 719	-24	295	2 308	29 732	-4 646	26 157	-1 514
Share of profit from associates	-2 328	-550	-	-	-	-	-	-	-	-	-2 328	-550
Operating costs before depreciation and amortisation	-714 119	-731 218	-984 074	-845 442	-752 703	-425 686	-730 113	-634 209	-3 034 517	-3 295 075	-6 215 526	-5 931 630
EBITDA before fair value adjustment of biological assets	267 626	430 627	685 645	426 694	335 728	154 583	80 151	117 464	-34 677	-23 835	1 334 473	1 105 533
Depreciation, amortization and reversals	-47 989	-37 563	-90 728	-74 758	-44 864	-34 421	-46 400	-48 808	-5 673	-5 583	-235 655	-201 133
EBIT before fair value adjustment of biological assets	219 637	393 064	594 917	351 936	290 864	120 162	33 751	68 656	-40 350	-29 418	1 098 818	904 400
Harvesting volume (tonnes GWT)	16 293	18 111	29 774	22 831	16 632	9 600	11 924	12 056			74 623	62 598
EBIT/kg (NOK)	13.48	21.70	19.98	15.42	17.49	12.50	2.83	5.70			14.72	14.45
Assets	1 799 591	1 616 948	2 454 923	2 068 196	1 293 051	1 283 521	1 141 181	1 253 714	1 453 744	930 236	8 142 490	7 152 615
Total assets	1 799 591	1 616 948	2 454 923	2 068 196	1 293 051	1 283 521	1 141 181	1 253 714	1 453 744	930 236	8 142 490	7 152 615
Liabilities	661 483	511 473	851 729	767 531	520 559	797 428	956 532	931 516	1 268 676	796 762	4 258 979	3 804 710
Total liabilities	661 483	511 473	851 729	767 531	520 559	797 428	956 532	931 516	1 268 676	796 762	4 258 979	3 804 710

*** Others/ eliminations**

A proportion of non-controlling interests (Bremnes Fryseri AS) is reported with ownership expenses and other posts as an elimination. A share 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. NOK 2 364 million, while other operational expenses including cost of goods sold amounts to appr. NOK 2 136 million.

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 6 CONT.

GROUP EBIT	2018	2017
EBIT before fair value adjustment of biological assets	1 098 818	904 400
Fair value adjustment of biological assets (Note 7)	256 097	-91 463
EBIT after fair value adjustment of biological assets	1 354 916	812 937
Net financial items (Note 23)	-77 991	-14 457
Profit before tax	1 276 925	798 480
Estimated taxes	-279 805	-197 581
Profit for the year	997 120	600 899

NOTE 7 Biological assets and other inventories

	TONNES		NOK 1 000	
	2018	2017	2018	2017
Biological assets at 01.01.	54 677	45 626	2 698 352	2 459 625
Currency translation differences	N/A	N/A	-11 446	24 095
Increase due to production	90 683	83 605	3 154 824	2 773 680
Decrease due to abnormal mortality/loss	-5 061	-4 348	-207 716	-132 425
Decrease due to sales	-83 900	-70 206	-2 728 092	-2 284 225
Fair value adjustment at 01.01.	N/A	N/A	-682 089	-824 487
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	971 309	682 089
Book value of biological assets at 31.12.	56 399	54 677	3 195 142	2 698 352

RECOGNIZED FAIR VALUE ADJUSTMENT

Change in fair value adjustment of biological assets (1)	289 220	-142 398
Currency adjustment of fair value adjustment of biological assets	8 363	-6 169
Change in physical delivery contracts relating to fair value adjustment of biological assets (2) (see Note 25)	-458	37 078
Change in fair value of financial derivatives from salmon (Fish Pool contracts) (3)	-41 028	20 026
Total recognition of fair value adjustment of biological assets	256 097	-91 463

The biological assets are, in accordance with IAS 41, measured at fair value, unless the fair value cannot be measured reliably. Broodstock and smolt are measured at cost less impairment losses. Fair value of biological assets is, for 2018, calculated on a discounted cash flow-based present value model, which does not rely on historical cost. For 2017 the fair value was based on a growth model with proportionate allocation of expected net profit based on size of the fish and historical carried expenses added. Please refer to Note 2 for further information.

Recognized value adjustments of biological assets include:

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

Provisions allocated to future physical delivery contracts that require fair value adjustments are recognized as other current liabilities in the balance sheet. The contracts are calculated based on the same forward prices used for fair value calculation of biological assets. Value adjustment of financial derivatives from salmon are recognized 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 policies for biological assets, please refer to Note 2 and Note 4.

BASIS FOR VALUES 31.12.2018	BC	SHETLAND	NORWAY
Weighted price per kg GWT	CAD 9.75	GBP 6.04	NOK 60.58
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.

STATUS OF BIOLOGICAL ASSETS	NUMBER OF FISH (1 000)	BIOLOGICAL ASSETS (TONNES)	ACCRUED COST OF PRODUCTION (NOK 1 000)	FAIR VALUE ADJUSTMENT (NOK 1 000)	BOOK VALUE (NOK 1 000)
2018					
Biological assets onshore *	23 668	712	153 451	-	153 451
Immature fish in sea, round weight < 4.76 kg	33 409	53 624	2 006 654	944 047	2 950 701
Mature fish in sea, round weight > 4.76 kg	351	2 063	63 728	27 262	90 990
Total	57 428	56 399	2 223 833	971 309	3 195 142
2017					
Biological assets onshore *	17 132	465	118 789	-	118 789
Immature fish in sea, round weight < 4.76 kg	31 753	53 654	1 878 468	677 719	2 556 187
Mature fish in sea, round weight > 4.76 kg	112	559	19 006	4 370	23 376
Total	48 996	54 677	2 016 263	682 089	2 698 352

* Smolt production

NOTE 7 CONT.

Abnormal mortality - write-down

Cost related to abnormal mortality will be immediately recognized in profit or loss and presented as "decrease due to abnormal mortality/loss" in the table above. Normal mortality is classified as part of the production cost. The classification of mortality only affects the note presentation, and hence not the fair-value calculation. The main causes of abnormal mortality during 2018, were harmful algal bloom, environmental issues in BC, gill disease and treatment losses in Shetland and pancreas disease (PD) in Rogaland.

ABNORMAL MORTALITY - WRITE-DOWN	NUMBER OF FISH (1 000)	BIOLOGICAL ASSETS (TONNES)	AVERAGE SIZE (KG)	ACCRUED COST OF PRODUCTION (NOK 1 000)
2018				
Biological assets onshore *	961	214	0.22	23 602
Immature fish in sea, round weight < 4.76 kg	1 027	2 951	2.88	112 926
Mature fish in sea, round weight > 4.76 kg	427	1 895	4.43	70 109
Total	2 415	5 061	2.10	206 638
2017				
Biological assets onshore *	205	113	0.55	6 854
Immature fish in sea, round weight < 4.76 kg	1 617	3 157	1.95	93 630
Mature fish in sea, round weight > 4.76 kg	242	1 078	4.46	22 963
Total	2 064	4 348	2.11	123 445

* Smolt production

AMOUNTS IN NOK 1 000

OTHER INVENTORIES	2018	2017
Raw materials (feed) at cost price	63 453	62 122
Roe	10 090	8 682
Other (frozen fish, supplementary products)	52 549	21 458
Total inventories	126 092	92 262
Impairment of inventories recognized at year-end	205	5 743

AMOUNTS IN NOK 1 000

COST OF RAW MATERIALS AND CONSUMABLES USED	2018	2017
Inventories at 01.01. (inverted number)	-92 262	-89 164
Raw materials and consumables used	-3 886 685	-3 727 298
Inventories at 31.12.	126 092	92 262
Total	-3 852 855	-3 724 200

Raw materials and consumables used mainly comprises feed, roe, recognition of extraordinary mortality, and external purchase of fish in the sales company, Ocean Quality.

NOTE 8 Intangible assets

2018	GOODWILL	FISH FARMING LICENSES – INDEFINITE LIVES	FISH FARMING LICENSES – FINITE LIVES	OTHER INTANGIBLE ASSETS *	TOTAL
Book value at 01.01.	109 038	1 044 786	23 766	18 384	1 195 975
Currency translation differences	-25	-2 042	-506	1	-2 573
Additions	-	57 000	-	10 843	67 842
Disposals	-	-	-	-	-
Amortization	-	-	-1 342	-4 051	-5 393
Reclassifications	-	-	-	-	-
Book value at 31.12.	109 013	1 099 744	21 917	25 175	1 255 850

ACCUMULATED VALUES

Acquisition cost	198 615	1 099 757	51 907	50 885	1 401 166
Accumulated amortization	-	-13	-29 990	-25 710	-55 714
Accumulated impairments	-89 602	-	-	-	-89 602
Book value at 31.12.	109 013	1 099 744	21 917	25 175	1 255 850

* Other intangible assets mainly comprise software.

2017	GOODWILL	FISH FARMING LICENSES – INDEFINITE LIVES	FISH FARMING LICENSES – FINITE 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	-	-	-	4 180	4 180
Disposals	-	-	-	-36	-36
Amortization	-	-	-1 362	-3 533	-4 895
Reclassifications	-	-	-	175	175
Book value at 31.12.	109 038	1 044 786	23 766	18 384	1 195 975

ACCUMULATED VALUES

Acquisition cost	198 641	1 044 799	52 414	40 042	1 335 895
Accumulated amortization	-	-13	-28 648	-21 658	-50 319
Accumulated impairments	-89 603	-	-	-	-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.

NOTE 8 CONT.

LICENSES

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

Canada - BC

All owners of industrial open net pens must be approved by Fisheries and Oceans Canada (DFO), who has regulated the industry since 2009. In June 2018, a change in the regulation regarding renewal of licenses requires that a company needs to obtain support from local First Nations in the area where the company has its licenses together with the DFO. The new regulation will be effective from 2022. Grieg Seafood BC already got a number of licenses approved by First Nations, however the company needs to apply for more. Each local First Nations establishes its own protocol and procedures for engaging with companies operating in its territory. Grieg Seafood BC are working with all local First Nations in their area of its operations and have positively engaged with all of them. The new regulation will contribute to a more sustainable future for local communities and workers. We expect that the changes will not affect the definition of indefinite useful life of licenses in Canada.

UK	CAPACITY
FARM/AREA	TONNES
Bight of Foraness	2 100
Boatsroom Voe	216
Cole Deep	2 178
Coleness	752
Collafirth Delting Site 3	1 200
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, Lunnaess	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	1 332
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	51 384

NORWAY	CAPACITY	
LICENSE CATEGORY	TOTAL NUMBER	
	TONNES	
Seawater licences	41	37 706
R&D permit	1	780
Broodstock	3	2 340
Smolt	3	2 765
Harvesting cage	2	1 106
Education *	2	1 560

CANADA	CAPACITY
FARM/AREA	TONNES
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

* Finnmark and Rogaland are renting education licenses from Finnmark and Rogaland County respectively.

IMPAIRMENT TESTING OF GOODWILL AND LICENSES

No impairments were recognized for goodwill or licenses in 2018 or 2017. Goodwill and licenses with indefinite economic lives are subject to an annual impairment test. Tests are performed more frequently where indications of impairment exist. Licenses with finite 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. An impairment is deemed to exist when the carrying value is higher than the recoverable amount.

AMOUNTS IN NOK 1 000

CASH-GENERATING UNIT	LOCATION	BOOK VALUE OF RELATED GOODWILL	BOOK VALUE OF LICENSES	TOTAL
British Columbia (BC)	Canada	10 167	158 775	168 942
Finnmark	Norway	-	356 814	356 814
Shetland	UK	78 384	471 100	549 484
Rogaland	Norway	20 463	134 972	155 435
Total value		109 013	1 121 662	1 230 676

Goodwill arises on the acquisition of the subsidiaries and is allocated to the Group's cash-generating units (CGUs), which are identified by operating segment. An annual impairment test is carried out for goodwill and licenses. 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.

ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS	BC	FINNMARK	SHETLAND	ROGALAND
Budget period	3 years	3 years	3 years	3 years
Increase in revenues in budget period	7 %	17 %	43 %	56 %
EBITDA margin 1)	19% -25%	38% - 42%	5% -18%	39% - 41%
EBITDA margin in terminal period	28 %	42 %	18 %	41 %
Harvest growth – tonnes 2)	14 %	19 %	52 %	58 %
Required rate of return 3)	8.2 %	8.2 %	8.2 %	8.2 %
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 2018. The estimated future price level is calculated using Fish Pool projections for future prices, taking into account quality reductions and shipping. The prices for 2019 and 2020 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 all regions. Higher output is assumed in all regions towards 2020.
2. The growth rate in the harvested volume in the budget period (nominal growth rate) is measured against the 2018 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 2021, the annual reinvestment is assumed to be equal to annual depreciation.

NOTE 8 CONT.**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 towards 2020. The increased harvest volume assumes an increase in utilization of existing production capacity and licenses, reflecting the Group's smolt strategy. The Group expanded its smolt hatchery in Rogaland in 2017 and in Finnmark in 2018. 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 utilization of locations and licenses. Finnmark was granted two new locations in 2018, 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. Measures to secure the intake water have been successful. The Company is constantly striving to increase utilization of its favorable 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 utilization 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 2021, 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 two percentage point and reduce EBIT/kg by NOK 2 would result in a need to recognize impairments for the Shetland CGU of NOK 125 million and NOK 128 million, respectively. The other CGUs are not sensitive to equivalent changes in the same assumptions. For the Finnmark CGU, an isolated change in the price/kg of NOK 14.0 would result in a need to recognize an impairment of NOK 200 million. Similarly, an isolated increase in the WACC of 10% would result in a need to recognize an impairment of NOK 38 million in the BC CGU.

NOTE 9 Property, plant and equipment

2018	BUILDINGS/ PROPERTY	PROD. PLANTS AND BARGES	NETS, CAGES AND MOORINGS	OTHER EQUIPMENT	TOTAL
Book value at 01.01.	459 618	767 920	459 139	185 126	1 871 804
Currency translation differences	-433	-416	-2 294	-905	-4 048
Reclassification of non-current assets	-	22 378	2 038	-24 417	-
Additions *	40 576	343 932	170 660	110 024	665 192
Disposals	-79	-3 969	-2 481	-3 243	-9 771
Depreciation	-22 515	-87 461	-92 193	-28 094	-230 262
Book value at 31.12.	477 168	1 042 385	534 869	238 491	2 292 912

ACCUMULATED VALUES

Acquisition cost	722 823	1 949 109	1 246 601	438 089	4 356 622
Accumulated depreciation	-245 655	-866 833	-711 732	-199 766	-2 023 986
Accumulated impairments	-	-39 891	-	168	-39 723
Book value at 31.12.	477 168	1 042 385	534 869	238 491	2 292 912

Book value of finance leases included above	-	193 463	105 648	113 201	412 312
Depreciation of finance leases included above	-	-14 821	-15 504	-8 558	-38 882
Of which book value of non-depreciable property	40 015				

* Investments in 2018 related to expansion of the hatcheries in Rogaland and Finnmark, operations center in Rogaland, digitalization, new equipment such as aeration systems, algal monitoring and general maintenance.

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	1 448	18 731
Reclassification of non-current assets	-	-	-	-253	-253
Additions *	89 833	252 895	166 954	38 958	548 640
Disposals	-	-5 848	-628	-2 981	-9 457
Depreciation	-21 125	-69 288	-78 879	-26 945	-196 237
Book value at 31.12.	459 618	767 920	459 139	185 126	1 871 804

ACCUMULATED VALUES

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	-	-39 891	-	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 and general maintenance.

NOTE 10 Borrowings and finance leases

The company has a syndicated loan provided 50/50 by DNB and Nordea. To cater for major investment needs relating to the company's growth strategy in the period leading up to 2020, the company has renegotiated its syndicated bank loan before its original maturity in 2019. The company has set growth targets, including increased smolt capacity and new locations, which will entail an increased need for working capital. The new agreement includes two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million, alongside overdraft facilities of NOK 100 million. Repayments of NOK 50 million and EUR 5 million will be made for term loans of respectively NOK 600 million and EUR 60 million, split into half-yearly instalments. The drawdown rate of the EUR loan is 9.6691. The agreement has a term of five years and matures on 28 February 2023. The former syndicated loan and non-current credit facility, totaling NOK 1 285 million at 31 December 2017, was fully repaid, and new loans and credit facility were established.

The 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 2018, the NIBD/EBITDA for the Group excluding Ocean Quality was 1.3 and the equity ratio was 53%. Consequently, the Group fully complied with all covenants at the year-end.

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 recognized as factoring liabilities, which is interest-bearing. The factoring agreement includes covenants stipulating minimum book equity in Ocean Quality AS of 12% of the appropriated financing limit. As at 31 December 2018, Ocean Quality AS was in compliance with the covenant.

AMOUNTS IN NOK 1 000

NON-CURRENT LIABILITIES AND FINANCE LEASE OBLIGATIONS (INTEREST-BEARING)	2018	2017
Non-current syndicated loan	1 048 816	895 000
Non-current credit facility	260 000	300 000
Finance lease liabilities	292 358	201 899
Total	1 601 174	1 396 899

NON-CURRENT LIABILITIES (NON-INTEREST BEARING)

Subordinate loans	14 047	15 353
Total	14 047	15 353

Amortization effect of loans	-10 102	-3 312
Total non-current liabilities	1 605 119	1 408 939

CURRENT LIABILITIES (INTEREST-BEARING)	2018	2017
Current portion of non-current borrowings	98 212	90 000
Current portion of finance lease liabilities	68 083	58 353
Overdraft facility	46 597	-
Factoring liabilities	573 377	500 976
Export loan	8 897	8 873
Total current liabilities (interest-bearing)	795 165	658 202

NET INTEREST-BEARING LIABILITIES	2018	2017
Total non-current interest-bearing liabilities (see above)	1 601 174	1 396 899
Total current interest-bearing liabilities (see above)	795 165	658 202
Gross interest-bearing liabilities	2 396 340	2 055 100
Cash and cash equivalents	137 920	271 715
Loans to other companies	22 100	19 600
Net interest-bearing liabilities	2 236 320	1 763 786
Quote of factoring liabilities	573 377	500 976
Quote of Bremnes' share of cash OQ AS (40%)	-26 595	-20 797
Net interest-bearing liabilities according to covenants	1 689 537	1 283 606

PAYMENT PROFILE NON-CURRENT LIABILITIES	2019	2020	2021	2022	2023	LATER	TOTAL
Non-current syndicated loan	98 212	98 212	98 212	98 212	754 181	-	1 147 027
Non-current credit facility	-	-	-	-	260 000	-	260 000
Subordinated loan	-	-	-	-	-	14 047	14 047
Finance leases	68 083	54 457	48 268	41 395	35 556	112 683	360 442
Total	166 295	152 669	146 479	139 607	1 049 737	126 730	1 781 517

	2018	2017
Liabilities secured by mortgages/charges on assets	2 396 340	2 055 100

ASSETS PLEDGED AS SECURITY	2018	2017
Licences	1 121 662	1 068 552
Property, plant and equipment	2 292 912	1 871 804
Trade receivables	925 232	761 407
Inventories and biological assets	3 321 234	2 790 614
Total assets pledged as security	7 661 040	6 492 377

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

DESCRIPTION OF LIABILITIES	CURRENCY	FIXED OR FLOATING INTEREST RATE	EFFECTIVE INTEREST RATE	FINAL MATURITY (MTH/YEAR)	2018		2017	
					CURRENT PORTION	NON-CURRENT PORTION	CURRENT PORTION	NON-CURRENT PORTION
GRIEG SEAFOOD ASA								
Non-current syndicated loan	NOK	Floating	Price grid	02/2023	98 212	1 038 713	90 000	891 688
Syndicated loan- credit facility	NOK	Floating	Price grid	02/2023	-	260 000	-	300 000
OCEAN QUALITY								
Export loans	GBP		5.5%		8 897	-	8 873	-
Factoring liabilities	Multiple currency	Floating			573 377	-	500 976	-
GRIEG SEAFOOD								
Finance leases					68 083	292 358	58 353	201 899
Subordinated loan					-	14 047	-	15 353
Total					748 569	1 605 119	658 202	1 408 939

NOTE 10 CONT.

AMOUNTS IN NOK 1 000

BOOK VALUE OF GROUP LOANS BY CURRENCY	31.12.2018	NOK	GBP	EUR	USD	CAD	OTHER
Non-current syndicated loan	1 136 925	564 898	-	572 027	-	-	-
Syndicated loan- credit facility	260 000	260 000	-	-	-	-	-
Bank overdraft facility *	46 597	407 609	-415 913	21 318	47 413	-15 196	1 365
Export loan	8 897	-	8 897	-	-	-	-
Factoring **	573 377	79 965	122 346	294 874	59 341	-	16 851
Finance leases	360 441	344 579	8 897	-	-	-	6 967
Subordinated loan	14 047	-	14 047	-	-	-	-
Total	2 400 284	1 657 051	-261 727	888 220	106 755	-15 196	25 183

* Other currency effects mainly relate to DKK

** Other currency effects mainly relate to JPY and SEK

	2018	2017
Average interest rate on loans and credit facility	2.20%	2.21%
Average interest rate on EUR term loan	1.21%	N/A

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	
	2018	2017	2018	2017
Loan (non-current and credit facility)	1 298 713	1 191 688	1 298 713	1 191 688
Total	1 298 713	1 191 688	1 298 713	1 191 688

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

AMOUNTS IN NOK 1 000

LIABILITIES ARISING FROM FINANCING ACTIVITIES

CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES	FINANCE LEASES MATURITY < 1 YEAR	FINANCE LEASES MATURITY > 1 YEAR	LOANS WITH MATURITY < 1 YEAR	LOANS WITH MATURITY > 1 YEAR	TOTAL
At 31.12.2016	67 116	250 452	601 025	1 000 963	1 919 556
Change in factoring liabilities	-	-	-1 559	-	-1 559
Repayment finance lease liabilities	-10 116	-57 294	-	-	-67 410
Repayment non-current syndicated loan	-	-	-	-90 000	-90 000
Utilization non-current credit facility	-	-	-	300 000	300 000
Draw down finance leases	930	8 670	-	-	9 600
Foreign currency adjustments	423	71	383	-610	267
At 31.31.2017	58 353	201 899	599 849	1 210 353	2 070 453
Change in factoring liabilities	-	-	72 401	-	72 401
Repayment finance lease liabilities	-8 652	-60 401	-	-	-69 053
Repayment non-current syndicated loan (former agreement)	-	-	-90 000	-1 195 000	-1 285 000
Draw down non-current syndicated NOK term loan incl. credit facility	-	-	50 000	850 000	900 000
Draw down non-current syndicated EUR term loan	-	-	48 212	531 935	580 147
Repayment non-current syndicated term loan (NOK and EUR)	-	-	-	-49 174	-49 174
Draw down overdraft facility	-	-	46 597	-	46 597
Repayment non-current credit facility	-	-	-	-40 000	-40 000
Draw down finance leases	18 376	150 839	-	-	169 216
Foreign currency adjustments	6	21	24	14 749	14 800
At 31.12.2018	68 083	292 358	727 082	1 322 863	2 410 387

NOTE 11 Leases

OPERATING LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group leases offices, docks, berths, etc. with terms of 5–10 years. The Group also leases 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 has entered into new lease agreements for vessels in 2018, starting in 2019. The agreements have a duration for four and five years with annual payment of NOK 54 million and NOK 45 million, respectively.

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	177 079	107 162	69 488	46 933	39 087	29 168	6 271	6 187	6 187	3 520	27 807	518 888
Present value of future minimum lease payments (5% discount rate)	168 647	97 199	60 026	38 612	30 626	21 765	4 457	4 188	3 988	2 161	17 071	448 739
										2018		2017
Lease payments charged in the year (see Note 26)										195 785		169 061

FINANCE LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group has signed finance leases for barges, cage installations, plant, machinery and other equipment. The lease term for equipment of this kind is normally 7-8 years. The Group must give written notification if it wishes to terminate these agreements.

OVERVIEW OF FUTURE MINIMUM FINANCE 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 payments	77 825	62 356	54 551	46 276	39 258	30 518	26 451	23 574	21 110	11 566	7 268	400 752
Future financial expenses relating to finance leases	9 742	7 898	6 284	4 881	3 702	2 849	2 134	1 457	907	349	109	40 311
Present value of finance leases	68 083	54 458	48 268	41 395	35 556	27 669	24 317	22 116	20 203	11 217	7 159	360 441
										2018		2017
Book value of leased assets (equipment, vessels)										412 312		306 077
Book value of lease commitment										360 441		260 251

NOTE 12 Classifications of financial instruments

FINANCIAL INSTRUMENTS AT 31.12.2018	FVPL ¹⁾	AMORTIZED COST	FVOCI ²⁾	TOTAL
FINANCIAL ASSETS				
Equity instruments	-	-	1 160	1 160
Trade receivables	-	952 232	-	952 232
Other receivables	-	166 432	-	166 432
Derivatives ³⁾	2 743	-	-	2 743
Cash and cash equivalents	-	137 920	-	137 920
Total financial assets	2 743	1 256 584	1 160	1 260 487
FINANCIAL LIABILITIES				
Loans	-	1 410 972	-	1 410 972
Overdraft facility	-	46 597	-	46 597
Finance lease liabilities	-	360 442	-	360 442
Factoring liabilities	-	573 377	-	573 377
Export loan ⁴⁾	-	8 897	-	8 897
Cash-settled share options	17 503	-	-	17 503
Derivatives ³⁾	2 162	-	3 743	5 905
Trade payables	-	649 352	-	649 352
Total financial liabilities	19 665	3 049 637	3 743	3 073 045

FINANCIAL INSTRUMENTS AT 31.12.2017	FVPL ¹⁾	AMORTIZED COST	FVOCI ²⁾	TOTAL
FINANCIAL ASSETS				
Equity instruments	-	-	1 150	1 150
Trade receivables	-	761 407	-	761 407
Other receivables	-	198 527	-	198 527
Cash and cash equivalents	-	271 715	-	271 715
Total financial assets	-	1 231 648	1 150	1 232 798
FINANCIAL LIABILITIES				
Loans	-	1 297 041	-	1 297 041
Finance lease liabilities	-	260 251	-	260 251
Factoring liabilities	-	500 976	-	500 976
Export loan ⁴⁾	-	8 873	-	8 873
Cash-settled share options	15 594	-	-	15 594
Derivatives ³⁾	9 693	-	18 769	28 462
Trade payables	-	585 378	-	585 378
Total financial liabilities	25 287	2 652 519	18 769	2 696 575

1) FVPL: Fair value through profit or loss.

2) FVOCI: Fair value through other comprehensive income.

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

4) Export loan is reported in "Current portion of non-current borrowings" in the balance sheet.

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.

AMOUNTS IN NOK 1 000

TRADE RECEIVABLES	2018	2017
COUNTERPARTIES WITH NO EXTERNAL CREDIT RATING		
Group 1	1 204	39 689
Group 2	838 932	641 737
Group 3	85 096	79 981
Total trade receivables	925 232	761 407

BANK DEPOSITS	2018	2017
AAA	-	-
AA	137 920	271 715
A	-	-
Total bank deposits	137 920	271 715

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 Taxes

AMOUNTS IN NOK 1 000

BREAKDOWN OF TAX EXPENSE	2018	2017
Tax payable Norway	126 441	152 146
Tax payable abroad	4 810	2 918
Underprovision for tax previous year	-4 065	8 817
Change in deferred tax Norway	85 450	-18 308
- of this discontinued operations	-	-
Change in deferred tax abroad	67 170	52 008
Taxes	279 805	197 581

TAX RECONCILIATION

Profit before tax	1 276 925	798 480
Taxes calculated at nominal tax rate	301 823	200 019
Withholding tax	1 012	1 226
Change in deferred tax liabilities because of tax rate change	-25 053	-18 842
Utilization of loss carried forward, not previously recognized	-	560
Tax losses carried forward not recognized	-148	6 597
Other permanent differences	2 171	8 021
Taxes	279 805	197 581

CHANGE IN BOOK VALUE OF DEFERRED TAX

Balance sheet value at 01.01.	721 689	674 684
Currency conversion	-3 637	7 877
Effect of equity transaction	5 765	32 311
Tax effect of loans to subsidiaries (see Note 3)	923	-5 360
Other effects	279	7 178
Change in deferred tax recognized in income in period	152 620	4 999
Deferred tax liability at balance sheet date	877 639	721 689
Weighted average tax rate	21.91 %	24.74 %

The nominal tax rate in Norway is 23%. The nominal tax rate for 2018 in Canada was 27% and on Shetland 19%.

The significant 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 offset.

AMOUNTS IN NOK 1 000

DEFERRED TAX	LICENSES	NON-CURRENT ASSETS	BIOLOGICAL ASSETS	RECEIVABLES /PENSIONS	INVENTORIES	DEFERRED CAPITAL GAIN	CURRENT LIABILITIES	TOTAL
2017								
Opening balance 01.01.	169 845	41 519	448 192	20 020	4 041	526	0	684 143
Recognized in income in the 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
At 31.12.	167 245	53 719	487 427	31 790	3 921	348	0	744 450

2018

Recognized in income in the period	-1 925	9 411	153 813	-6 221	5 084	-76	-	160 085
Currency translation differences	-385	12	-2 226	-	2	-	-	-2 596
Other effects	-	-	-1 986	3 494	-	-	-	1 508
At 31.12.	164 935	63 142	637 028	29 063	9 007	271	0	903 446

AMOUNTS IN NOK 1 000

DEFERRED TAX ASSET	LOSS CARRY FORWARDS	NON-CURRENT ASSETS	PENSIONS	RECEIVABLES /PENSIONS	LEASING OBLIGATIONS	TAX CREDITS	OTHER LIABILITIES	TOTAL
2017								
Opening balance 01.01.	-7 761	-	0	-1 562	-0	0	-135	-9 458
Recognized in income in the 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 combinations	3 610	-	-	-	-	-	-	3 610
At 31.12.	-20 796	-	0	-2 125	-0	-1 374	-2 041	-26 336

2018

Recognized in income in the period	-3 869	-	-	701	-1 783	615	-3 130	-7 465
Currency translation differences	-120	-	0	-	-28	45	361	258
Other effects	351	-	-	-	-	-	-99	252
Effect of business combinations	5 766	-	-	-	-	-	-	5 766
At 31.12.	-18 669	-	-	-1 424	-1 811	-714	-4 909	-27 526

NOTE 13 CONT.

	2018	2017
Net deferred tax	875 920	718 114
Deferred tax classified as non-current assets	1 719	3 574
Deferred tax classified as non-current liabilities	877 639	721 689
Tax payable classified as current liabilities	130 287	157 244

NET CHANGE IN DEFERRED TAX RECOGNIZED IN INCOME:	2018	2017
Change in deferred tax in Norway	85 450	-18 308
Change in deferred tax abroad	67 170	52 008
Change in book value of deferred tax	152 620	33 700
Change in the period for positions with net deferred tax	160 085	56 448
Change in the period for positions with net deferred tax asset	-7 465	-22 749
Change in book value of deferred tax	152 620	33 700

Loss carried forward

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

DEFERRED TAX ASSETS RELATING TO A TAX LOSS CARRIED FORWARD ARE DIVIDED AMONG THE FOLLOWING JURISDICTIONS:	2018	2017
Norway	-478	-5 266
UK	-18 191	-15 530
Canada	-	-
Total	-18 669	-20 796

There is no time limit on the utilization 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.

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 2 376 044 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 pays

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.

NOTE 14 CONT.**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, 11 April 2019
The Board of Grieg Seafood ASA

NOTE 15 Salaries and personnel expenses

AMOUNTS IN NOK 1 000

SALARIES AND PERSONNEL EXPENSES	2018	2017
Salaries	412 680	371 518
Social security costs	32 545	30 698
Share options granted to directors and key employees ,incl. social security costs [see Note 16]	15 173	13 247
Pension costs	20 402	11 858
Other personnel costs	60 247	55 507
Total	541 047	482 827
Average number of employees	769	707

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

Share savings program

Grieg Seafood has established a share savings program for its employees in 2018. It is the Board's intention that the plan shall be a continuing part of the company's employee incentive scheme.

The Board shall, however, have the right to decide, in its sole discretion, whether the plan will be extended in the future, and the terms of the plan.

Employees may invest up to NOK 20 000 per year. There is a 3 years lock-up period. The saved amount is deducted from the monthly net salary and used to purchase Grieg Seafood shares on behalf of the employees. The purchase will be made from transfer of Grieg Seafood's treasury shares or bought in the market. The purchase price and the number of shares acquired by the company will be reported in accordance with the applicable regulations.

At 31 December 2018, the equity effect of the share savings program was NOK 2 614 million, of which loan to employees constitutes NOK 2 092 million.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO SENIOR OFFICERS IN 2018	SALARY	BONUS	RETAINED, NOT YET PAID	OPTIONS EXERCISED DURING THE YEAR	OTHER REMUNERATION	TOTAL
Andreas Kvame (CEO)	2 685	630	389	2 522	90	6 316
Atle Harald Sandtorv (CFO)	1 748	335	207	1 607	97	3 993
Knut Utheim (COO)	1 748	195	149	1 607	97	3 796
Kathleen O. Mathisen (CHRO)	1 466	347	314	1 448	92	3 667
Total remuneration paid to senior officers	7 647	1 508	1 058	7 184	376	17 772

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

NOTE 15 CONT.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO BOARD MEMBERS IN 2018	TOTAL
Per Grieg jr. 1)	434
Wenche Kjølås 2)	280
Karin Bing Orgland 2)	280
Asbjørn Reinkind 1)	302
Ola Braanaas (until 12.06.2018) 3)	123
Solveig M.R. Nygaard (from 12.06.2018)	114
Tore Holand (from 12.06.2018)	114
Total remuneration including social security costs	1 646

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

- 1) Payment for work performed on the Remuneration Committee of NOK 17 115 is included in the remuneration paid to Per Grieg jr. and Asbjørn Reinkind.
 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.
 3) Payment for work performed on the Remuneration Committee of NOK 8 558 is included in the remuneration paid to Ola Braanaas.

The amounts include social security costs.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO SENIOR OFFICERS IN 2017	SALARY	BONUS	RETAINED, NOT YET PAID	OPTIONS EXERCISED DURING THE 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 officers	6 962	2 195	1 508	5 630	527	16 821

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO BOARD MEMBERS IN 2017	TOTAL
Per Grieg jr. 1)	434
Wenche Kjølås 2)	280
Karin Bing Orgland	280
Asbjørn Reinkind 1)	302
Ola Braanaas 1)	245
Total remuneration including social security costs	1 540

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

- 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.

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 2018, 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 perform the calculations. The table below shows the movement in outstanding options during 2017 and 2018.

OVERVIEW 2018 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2017	GRANTED OPTIONS	EXERCISED OPTIONS	EXPIRED OPTIONS	OUTSTANDING OPTIONS AT 31.12.2018	OF WHICH CASH-SETTLED
Andreas Kvame (CEO)	Cash settlement	658 272	-	55 275	2 997	600 000	600 000
Atle Harald Sandtorv (CFO)	Cash settlement	311 274	-	35 230	-	276 044	276 044
Knut Utheim (COO)	Cash settlement	352 366	-	35 230	17 136	300 000	300 000
Kathleen O. Mathisen (CHRO)	Cash settlement	300 000	-	100 000	-	200 000	200 000
Others	Cash settlement	1 329 634	-	262 677	66 958	999 999	999 999
Total		2 951 547	-	488 412	87 091	2 376 044	2 376 044

OVERVIEW 2017 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2016	GRANTED OPTIONS	EXERCISED 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	189 536	-	2 951 547	2 951 547

OPTIONS

ALLOCATION: YEAR - MONTH	EXPIRY DATE: YEAR - MONTH	STRIKE PRICE NOK PER SHARE AT 31.12.2018	STRIKE PRICE NOK PER SHARE AT 31.12.2017	2018	2017
2015-06	2018-06	-	29.76	-	251 547
2015-06	2019-06	31.60	29.76	576 044	600 000
2016-12	2019-06	-	84.12	-	300 000
2017-11	2020-05	88.78	83.62	900 000	900 000
2017-11	2021-05	88.78	83.62	900 000	900 000
Total				2 376 044	2 951 547

	2018	2017
Cash-based options available for settlement	1 476 044	1 151 547
Weighted average exercise price on outstanding options (NOK per option)	66.49	43.94

NOTE 16 CONT.

		NOK/OPTION			AMOUNTS IN NOK 1 000				
2018	OPTION CATEGORY	LISTED PRICE ON ALLOCATION	CALCULATED VALUE PER OPTION ON ALLOCATION	CALCULATED TOTAL VALUE ON ALLOCATION *	TOTAL VALUE OF ALL OPTIONS AT 01.01.2018	CHANGE IN PROVISION CB-OB *	EXERCISED OPTION 2018	ACC. COST RECOGNIZED IN EQUITY AT 31.12.2018	RECOGNIZED LIABILITY CASH SETTLEMENT AT 31.12.2018
Former employees with expired options	Equity option							6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	4 255	-1 679	2 522	-	2 575
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	1 857	-223	1 607	-	1 634
Knut Utheim (COO)	Cash	25.50	3.97	793	2 868	-1 095	1 607	-	1 773
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	237	-237	1 448	-	-
Andreas Kvame (CEO)	Cash	83.00	2.26	906	147	1 563	-	-	1 709
Atle Harald Sandtorv (CFO)	Cash	83.00	2.79	557	90	967	-	-	1 057
Knut Utheim (COO)	Cash	83.00	2.79	557	90	1 040	-	-	1 130
Kathleen O. Mathisen (CHRO)	Cash	83.00	2.38	475	77	821	-	-	898
Other options allocated in 2015	Cash	25.50	3.60	2 876	5 227	-2 200	2 859	-	3 027
Other options allocated in 2016	Cash	79.00	3.34	669	441	-441	2 896	-	-
Other options allocated in 2017	Cash	83.00	2.35	1 880	305	3 394	-	-	3 699
Total				11 212	15 594	1 909	12 939	6 887	17 503

*) Amounts exclude social security costs

		NOK/OPTION			AMOUNTS IN NOK 1 000				
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 OPTION 2017	ACC. COST RECOGNIZED IN EQUITY AT 31.12.2017	RECOGNIZED 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

AMOUNTS IN NOK 1 000

ACCRUED COSTS RELATED TO CASH OPTIONS	2018	2017	CLASSIFICATION IN FINANCIAL STATEMENTS
Change in provisions	1 909	4 234	Other provisions for liabilities
Exercised options during the year	12 939	8 416	Salaries and personnel expense / cash
Total costs excl. social security costs	14 848	12 650	
Social security costs	325	597	Public taxes payable
Total costs incl. social security costs	15 173	13 247	Salaries and personnel expense

Costs relating to cash-based remuneration in 2018 totalled NOK 15 173 thousand. This is recognized 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 2018 outstanding options with the right to cash settlement were stated at NOK 17 503 thousand, of which NOK 8 493 thousand were classified as non-current liabilities. Issued options are cancelled on termination of employment.

ESTIMATES USED TO CALCULATE ALLOCATION OF OPTIONS

Anticipated volatility (%)	41.49%
Risk-free rate of interest (%)	1.07%
Estimated qualification period (years)	1.56

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

As at 31 December 2018, 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 at NOK 14.40 per share. 21 November 2018, the company sold 21 576 shares to employees for use in the share savings program. The sales price was NOK 121.56 per share, which provided a gain of NOK 107.16 per share. After the transaction the company have 1 228 424 treasury shares.

SHARE CAPITAL AND NUMBER OF SHARES	NOMINAL VALUE (NOK)	TOTAL SHARE CAPITAL (NOK 1 000)	NO. OF ORDINARY SHARES
	4.00	446 648	111 662 000
Holdings of treasury shares	4.00	-5 000	-1 250 000
Sale of treasury shares to employees	4.00	86	21 576
Total at 31.12.2018		441 734	110 433 576

NOTE 17 CONT.

	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
THE LARGEST SHAREHOLDERS IN GRIEG SEAFOOD ASA	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Grieg Aqua AS	56 018 799	50.17 %	-	-
Grieg Holdings AS **	-	-	55 801 409	49.97 %
OM Holding AS	6 039 379	5.41 %	5 164 379	4.63 %
Folketrygdfondet	3 760 350	3.37 %	2 949 137	2.64 %
Ystholmen Felles AS (2017: Nye Ystholmen AS)	2 928 197	2.62 %	2 928 197	2.62 %
State Street Bank and Trust Comp	2 055 051	1.84 %	2 602 761	2.33 %
Verdipapirfondet Pareto Investment	1 926 457	1.73 %	1 915 000	1.71 %
Verdipapirfondet Alfred Berg Gamba	1 700 796	1.52 %	1 700 796	1.52 %
Grieg Seafood ASA	1 228 424	1.10 %	1 250 000	1.12 %
Handelsbank Nordiska Sambolagsfond	1 057 190	0.95 %	-	-
Euroclear Bank S.A./N.V.	965 253	0.86 %	1 038 097	0.93 %
State Street Bank and Trust Comp	891 700	0.80 %	2 602 761	2.33 %
Clearstream Banking S.A.	866 255	0.78 %	1 286 414	1.15 %
JPMorgan Chase Bank, N.A., London	828 120	0.74 %	1 477 767	1.32 %
The Bank of New York Mellon SA/NV	766 040	0.69 %	518 635	0.46 %
The Northern Trust Comp, London Br	685 964	0.61 %	559 802	0.50 %
Pictet & Cie (Europe) S.A.	603 115	0.54 %	92 506	0.08 %
VPF Nordea Avkastning	602 577	0.54 %	648 523	0.58 %
VPF Nordea Kapital	574 943	0.51 %	674 006	0.60 %
UBS Switzerland AG	566 035	0.51 %	587 369	0.53 %
JPMorgan Chase Bank, N.A., London	552 773	0.50 %	745 897	0.67 %
Total –20 largest shareholders	84 617 418	75.78 %	84 543 456	75.71 %
Other shareholders	27 044 582	24.22 %	27 118 544	24.29 %
Total shares	111 662 000	100.00 %	111 662 000	100.00 %

	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT	31.12.2018	31.12.2018	31.12.2017	31.12.2017
BOARD OF DIRECTORS				
Per Grieg jr. *	58 961 996	52.80 %	58 961 996	52.80 %
Asbjørn Reinkind (Reinkind AS)	120 000	0.11 %	120 000	0.11 %
Wenche Kjølås (Jawendel AS)	7 000	0.01 %	7 000	0.01 %
Karin Bing Orgland	-	-	-	-
Solveig Nygaard	-	-	-	-
Tore Holand	-	-	-	-
GROUP MANAGEMENT				
Andreas Kvame (CEO)	39 165	0.04 %	35 000	0.03 %
Atle Harald Sandtorv (CFO)	24 208	0.02 %	21 793	0.02 %
Knut Utheim (COO)	23 507	0.02 %	18 200	0.02 %
Kathleen O. Mathisen (CHRO)	3 456	0.00 %	-	-

* THE SHARES OWNED BY THE FOLLOWING COMPANIES ARE CONTROLLED BY PER GRIEG JR. AND FAMILY

Grieg Aqua AS	56 018 799	50.17 %	-	-
Grieg Holdings AS **	-	-	55 801 409	49.97 %
Nye Ystholmen AS	2 928 197	2.62 %	2 928 197	2.62 %
Grieg Ltd AS **	-	-	217 390	0.19 %
Per Grieg jr. privately	15 000	0.01 %	15 000	0.01 %
Total shares	58 961 996	52.80 %	58 961 996	52.80 %

** Grieg Holdings AS decided to transfer all Grieg Seafood ASA shares to Grieg Aqua AS through a demerger. Grieg Aqua AS was established when the demerger was completed. The process was formalized 3 December 2018. In addition, all Grieg Seafood ASA shares owned by Grieg Ltd AS was transferred to Grieg Aqua AS. Grieg Maturitas II AS, the parent company of Grieg Holdings AS and Grieg Ltd AS, is the sole shareholder of Grieg Aqua AS. Please refer to notification at www.oslobors.no for more information.

NOTE 18 Earnings per share and dividend per share

CALCULATION OF EARNINGS PER SHARE	2018	2017
Profit for the year (majority share) (NOK 1 000)	972 506	570 537
Number of shares at 01.01	111 662 000	111 662 000
Effect of treasury shares (see Note 17)	-1 250 000	-1 250 000
Sale of treasury shares to employees	21 576	0
Number of outstanding shares at 31.12	110 433 576	110 412 000
Adjustment for effect of share options	0	0
Diluted number of outstanding shares at 31.12	110 433 576	110 412 000
Earnings per share (NOK)	8.81	5.17
Diluted earnings per share (NOK)	8.81	5.17
Proposed dividend per share (NOK)	2.00	2.00
Dividend paid out according to Annual Report for 2017		2.00
Dividend paid out according to proxy approved on the AGM 12.06.2018		2.00

NOTE 19 Cash and cash equivalents

AMOUNTS IN NOK 1 000

CASH AND CASH EQUIVALENTS	2018	2017
Restricted deposits relating to employee tax deductions	12 388	13 493
Other cash and bank deposits	125 532	258 221
Total	137 920	271 715

The Group's currency and interest rate exposure is described in Note 3.

NOTE 20 Trade receivables

AMOUNTS IN NOK 1 000

TRADE RECEIVABLES	2018	2017
Gross amount of trade receivables	937 163	772 774
Loss allowance	-11 931	-11 368
Trade receivables at 31.12.	925 232	761 407

AMOUNTS IN NOK 1 000

RECOGNIZED LOSSES	2018	2017
Change in loss allowance	564	2 990
Confirmed losses in the year	1 547	1 610
Amounts received for previously written off trade receivables	-7 246	-272
Total recognized losses on receivables	-5 135	4 328

Losses on receivables are classified as other operating expenses in the income statements.

The Group has implemented IFRS 9, effective from 1 January 2018. As a result, the Group has changed the ECL (Expected credit loss) calculation model. Customers are categorized as high or low risk, depending on their country of origin and as credit insured or unsecured. The group of unsecured receivables also consist of some receivables that have other type of securities and hence, the risk of loss is considered as low and no loss allowance is calculated for these receivables. The risk evaluation is based on own experience and input from Credit Insurance Companies. Loss allowance is further calculated on a %-basis of the aging distribution (days past due). The Group also makes manual accruals if significant information implies that there is a higher risk of losses. For more information about credit risk, refer to note 3.

AMOUNTS IN NOK 1 000

AGING PROFILE OF TRADE RECEIVABLES (TR)	GROSS AMOUNT	EXPOSED AMOUNT	NOT YET DUE	OVERDUE 0-30 DAYS	OVERDUE 31-60 DAYS	OVERDUE 61-90 DAYS	OVERDUE > 90 DAYS	OVERDUE > 1 YEAR	TOTAL
Regular/normal risk countries									
TR Credit insured	712 685	123 403	429 138	260 979	11 762	787	7 971	2 047	712 685
TR Unsecured	149 704	107 562	99 774	44 521	2 061	-	3 122	226	149 704
High risk countries									
TR Credit insured	45 944	4 930	29 127	15 551	912	92	-	262	45 944
TR Unsecured	28 830	26 121	15 290	9 655	1 569	1 253	932	128	28 830
Total	937 163	262 015	573 330	330 707	16 303	2 132	12 026	2 664	937 163

AMOUNTS IN NOK 1 000

LOSS ALLOWANCE		GROSS AMOUNT	EXPOSED AMOUNT	NOT YET DUE	OVERDUE 0-30 DAYS	OVERDUE 31-60 DAYS	OVERDUE 61-90 DAYS	OVERDUE > 90 DAYS	OVERDUE > 1 YEAR	LOSS ALLOWANCE
Regular/normal risk countries	TR Credit insured		123 403	215	393	77	24	628	2 047	3 384
	TR Unsecured		107 562	1 000	1 343	281	107	1 096	226	4 054
High risk countries	TR Credit insured		4 930	58	93	22	5	-	262	441
	TR Unsecured		26 121	611	1 159	565	751	838	128	4 052
Total		-	262 015	1 885	2 988	945	887	2 562	2 664	11 931

In 2017, IAS 39 was applied for calculating loss allowance on trade receivables. The above specification is only prepared for the 2018 figures. The calculation was a rough estimate based on available information.

AMOUNTS IN NOK 1 000

AGING PROFILE OF TRADE RECEIVABLES	NOT YET DUE	OVERDUE 0-30 DAYS	OVERDUE 31-60 DAYS	OVERDUE 61-90 DAYS	OVERDUE > 90 DAYS	OVERDUE > 1 YEAR	TOTAL	LOSS ALLOWANCE
Gross amount trade receivables at 31.12.2017	506 845	231 742	11 424	1 494	17 600	3 668	772 774	11 368

NOTE 21 Other current receivables

AMOUNTS IN NOK 1 000

OTHER CURRENT RECEIVABLES	2018	2017
Vat receivable	87 666	72 895
Prepaid expenses	46 432	51 014
Insurance claims	-	10 664
Loan extended to Nordnorsk Smolt AS	22 100	19 600
Changes in volume deviations, fixed-price contracts	-	17 837
Current loans extended to non-controlling interests	-	13 995
Other current receivables	10 234	12 522
Total	166 432	198 527

NOTE 22 Related parties

AMOUNTS IN NOK 1 000

2018	OPERATING INCOME	OPERATING EXPENSES	CURRENT BALANCES
Total related parties as shareholders	38 110	259 786	4 113
Total related parties as associates	-	338	-
Total	38 110	260 125	4 113

AMOUNTS IN NOK 1 000

2017	OPERATING INCOME	OPERATING EXPENSES	CURRENT BALANCES
Total related parties as shareholders	28 949	348 564	-74 989
Total related parties as associates	-	580	-
Total	28 949	349 144	-74 989

The Group has transactions with companies controlled by Grieg Maturitas II AS, who is the parent company of Grieg Aqua AS, majority owner of Grieg Seafood.

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 Kapital 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.
- Purchase of veterinary services from Fomas AS and SLab AS, which are a related parties of a board member.
- Purchase of equipment from Mørenot Group, which are a related parties 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 1 000

FINANCIAL ITEMS	2018	2017
FINANCIAL INCOME		
Other interest income *	18 864	16 563
Dividend	10	-0
Net change in fair value of derivatives	-	4 578
Net currency gains	-	20 554
Other financial income	-	639
Total	18 874	42 333
FINANCIAL EXPENSE		
Interest expense on external borrowings and leases **	48 773	42 847
Amortized interest cost	5 304	1 814
Other interest expenses ***	11 873	9 940
Net change in fair value of derivatives	5 490	-
Net currency losses	23 199	-
Other financial expenses	2 226	2 188
Total	96 865	56 789

Net financial items decreased by NOK 64 million compared to last year, mainly driven by currency losses on loans and receivables and losses on derivatives.

* 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 recognized gains/losses from realized 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 1 000

OTHER OPERATING EXPENSES (NOK 1 000)	2018	2017
Transportation costs	521 659	497 734
Maintenance costs	265 461	232 597
Electricity and fuel	101 499	71 369
Lease expenses	97 764	108 303
Outsourced services *	51 774	51 857
Insurance	54 092	41 119
IT expenses	37 124	20 408
Marketing costs	8 996	8 613
Other operating expenses **	104 735	127 070
Other production-related costs ***	578 520	565 535
Total other operating expenses	1 821 623	1 724 604

* Outsourced services include auditor's fees. See more detailed information below.

** 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.

NOTE 24 CONT.

AMOUNTS IN NOK 1 000

BREAKDOWN OF AUDITOR'S FEES	2018	2017
AUDITOR'S FEES		
Group auditor	2 504	2 785
Other auditors	542	469
OTHER CERTIFICATION SERVICES		
Group auditor	323	85
Other auditors	-	290
TAX ADVICE		
Group auditor	350	523
Other auditors	195	117
OTHER SERVICES		
Group auditor	121	362
Other auditors	119	-
Total Group auditor	3 298	3 754
Total other auditors	857	877
Total auditor's fees	4 154	4 631

NOTE 25 Other current liabilities

AMOUNTS IN NOK 1 000

OTHER CURRENT LIABILITIES	2018	2017
Accrued expenses *	139 803	201 788
Other current liabilities **	8 861	10 929
Other current liabilities	148 663	212 717

* Accrued expenses relate to other operating expenses, including accrued purchases, transportation costs, bonuses/discounts for buyers, accrued salaries, and insurance.

** At year-end 2018, the Group had physical delivery contracts recognized as liability, totalling NOK 0.5 million.

NOTE 26 New accounting policies

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE OF NEW STANDARDS

A) NEW AND AMENDED STANDARDS - ADOPTED IN 2018

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: amortized 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 amortized 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 recognized 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 recognized through other comprehensive income and not through profit/loss.

The new rules for hedge accounting imply 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. As a consequence of implementing the new standard, the Group has changed the model for calculating loss allowance on trade receivables. The change did not have a significant monetary effect for the Group. For more information, refer to note 20.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IASB has issued a new standard for revenue recognition, which replaces IAS 18 Revenue and IAS 11 Construction Contracts.

The new standard is based on the principle that revenue is recognized 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 recognized:

1. Identify the contract(s) with a customer
2. Identify all separate performance obligations in the contract
3. Determine the transaction price of the contract
4. Allocate the transaction price to the separate performance obligations in the contract, and
5. Recognize 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 recognized separately. Any discounts should normally be allocated to each individual element.
- Revenues can be recognized 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 recognized unless there is a significant risk of cancellation of the agreement.
- The point of revenue recognition may shift: Some revenues that currently are recognized retrospectively, may need to be recognized over the contract term, and vice versa.
- There are new specific rules on licenses, 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.

NOTE 26 CONT.

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 are 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 recognized as other operating income, similar to insurance settlement related to biomass. All categories of the Group's revenue streams are recognized 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, do not contain separate performance obligations, as they are related to the delivery of fish, ref. Step 1, hence only one performance obligation. 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 mainly 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 has utilized a modified retrospective application upon transition to IFRS 15 from 1 January 2018.

Please refer to Note 2 about revenue principles and Note 6 for disaggregation of revenues.

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 2018, the essential are disclosed below.

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 leases and one for finance leases. The lessee has only been required to recognize leased assets classified as finance lease 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 recognize most leased assets, with certain exceptions.

The new standard will have a material impact on the Group's financial statement, which at 31 December 2018 has several operating lease contracts. The Group has been preparing for the implementation of the new standard during the year. This includes obtaining and systematizing all lease agreements in the Group, as well as evaluating them in accordance with the new recognition rules and calculating the effects. At year-end, the Group has non-cancellable operating lease commitments of NOK 449 million, please refer to Note 11 for further details. The Group expects to recognize right-of-use assets and corresponding lease liabilities of at least NOK 300 – 400 million at 1 January 2019. The Group expects that net profit before tax will decrease by approximately NOK 4 million for 2019 and EBITDA before fair value adjustment of biological assets will increase by approximately NOK 88 million. Operating cash flow will increase, and financing cash flow will decrease by approximately NOK 5 million as the period installments will be classified as financing activities. The figures are subject to change due to consideration of renewal options, discount rates, currency effects, new agreements and other factors.

The standard will apply for accounting periods starting 1 January 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.

OTHER STANDARDS

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

GRIEG SEAFOOD SHETLAND LTD - OCEAN QUALITY UK LTD – INSPECTION BY THE EUROPEAN COMMISSION DG COMPETITION

19 February 2019, The European Commission DG (Director General) Competition performed an inspection at Grieg Seafood Shetland to explore potential anti-competitive behavior in the salmon industry.

Grieg Seafood aims to be open, transparent and forthcoming and will provide all necessary information requested by the European Commission DG Competition in its investigation.

Currently, there is no new information.

There has been no other significant events after the reporting period.

ANNUAL ACCOUNTS

Grieg Seafood ASA Accounts



Income statement

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD ASA	NOTE	2018	2017
Other operating income	2/17	72 136	62 756
Total operating income		72 136	62 756
Salaries and personnel expenses	3/4	-56 652	-49 799
Depreciation and amortization	12/13	-5 528	-5 162
Other operating expenses	6/17	-71 661	-52 564
Total operating expenses		-133 841	-107 524
Operating loss		-61 704	-44 768
Financial income	5/17	673 851	635 125
Financial expenses	5/17	-78 431	-42 608
Net financial items		595 420	592 517
Profit before tax		533 716	547 749
Income tax expense	15	-118 343	-126 460
Net profit/loss for the year		415 373	421 289
APPROPRIATION OF PROFIT FOR THE YEAR			
Proposed dividend		220 867	220 824
Transferred to other equity		194 506	200 465
Total appropriations		415 373	421 289

Statement of financial position

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD ASA	NOTE	31.12.2018	31.12.2017
ASSETS			
Software	12	18 739	18 196
Property, plant and equipment	13/18	4 488	5 478
Investments in subsidiaries	10/18	1 385 840	1 226 980
Loan to Group companies	17/18	619 171	623 365
Other non-current receivables		167	167
Investment in shares	11	676	666
Total non-current assets		2 029 082	1 874 851
Trade receivables	6/17	-	156
Trade receivables from Group companies	17	466	41 450
Other receivables from Group companies	17/18	1 112 619	1 151 052
Other current receivables	7/18	34 840	19 655
Bank deposits	8	5 790	157 460
Total current assets		1 153 715	1 369 773
Total assets		3 182 797	3 244 624

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD ASA	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Share capital	14	446 648	446 648
Treasury shares	14	-4 914	-5 000
Other reserves		13 877	13 652
Other retained earnings		856 775	880 823
Total equity		1 312 386	1 336 123
Deferred tax	15	18 147	16 632
Cash-settled share options	4	8 493	8 848
Total provisions		26 641	25 480
Non-current loan	18	1 298 713	1 191 688
Total non-current liabilities		1 298 713	1 191 688
Current portion of non-current loan	18	98 212	90 000
Overdraft facility	18	46 597	-
Cash-settled share options	4	9 010	6 746
Proposed dividend		220 867	220 824
Trade payables		5 715	6 986
Trade payables to Group companies	17	16 068	35 881
Current liabilities to Group companies	17	11 476	178 801
Tax payable	15	115 816	122 802
Public tax payable		2 568	2 246
Other current liabilities	7/9	18 728	27 047
Total current liabilities		545 057	691 333
Total liabilities		1 870 411	1 908 501
Total equity and liabilities		3 182 797	3 244 624

BERGEN, 11 APRIL 2019
GRIEG SEAFOOD ASA



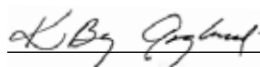
ASBJØRN REINKIND
Vice Chair



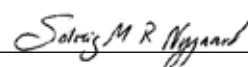
PER GRIEG JR.
Chair



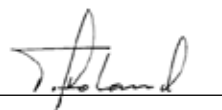
WENCHE KJØLÅS
Board Member



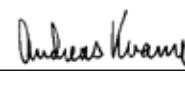
KARIN BING ORKLAND
Board Member



SOLVEIG NYGÅRD
Board Member



TØRE HØLAND
Board Member



ANDREAS KVAME
CEO

Statement of changes in equity

AMOUNTS IN NOK 1 000

	SHARE CAPITAL	OTHER PAID-IN EQUITY	OTHER EQUITY	TOTAL EQUITY
Equity at 01.01.2017	441 648	13 652	790 759	1 246 059
PROFIT FOR THE YEAR 2017			421 289	421 289
Other gains and losses recognized in equity	-	-	10	10
Proposed dividend, to be paid in 2018	-	-	-220 824	-220 824
Paid additional dividend in 2017	-	-	-110 412	-110 412
Equity at 31.12.2017	441 648	13 652	880 823	1 336 123
PROFIT FOR THE YEAR 2018			415 373	415 373
Other gains and losses recognized in equity	-	-	10	10
Sale of treasury shares to employees	86	225	2 304	2 615
Dividend paid-out 2018, not accrued 2017	-	-	-220 867	-220 867
Proposed dividend, to be paid in 2019	-	-	-220 867	-220 867
Equity at 31.12.2018	441 734	13 877	856 775	1 312 386

Cash flow statement

AMOUNTS IN NOK 1 000

GRIEG SEAFOOD ASA	NOTE	2018	2017
Profit before tax		533 716	547 749
Taxes paid	15	-122 802	-146 025
Depreciation and amortization	12/13	5 528	5 162
Interest paid		30 780	29 038
Change in trade and other receivables		156	-137
Change in trade payables		-1 271	319
Change in other accruals		7 885	3 507
Sale of treasury shares		2 615	-
Recognized, not paid Group contributions		-610 981	-534 523
Dividend income		-20 189	-25 376
Net cash flow from operating activities		-174 563	-120 285
Dividend income	5	20 189	25 376
Purchase of property, plant and equipment	13	-576	-2 074
Purchase of intangible assets	12	-4 505	-4 144
Payments/proceeds, loans to/from Group companies		653 608	603 867
Payment of shares in Group companies		-158 860	-
Payments, loans to associates		-9 000	-13 100
Net cash flow from investing activities		500 855	609 925
Change in overdraft facility		46 597	-
Change in non-current interest-bearing liabilities	18	-40 000	300 000
Change in loans to/from Group companies		-167 324	-454 775
Change in non-current debt		155 237	-90 000
Interest paid		-30 780	-29 038
Dividends paid		-441 691	-441 648
Net cash flow from financing activities		-477 962	-715 461
Net change in cash and cash equivalents		-151 670	-225 822
Cash and cash equivalents at 01.01.		157 460	383 281
Cash and cash equivalents at 31.12.		5 790	157 460

Notes

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NOTE 3	Salaries and personnel expenses	page 275
NOTE 4	Cash-based remuneration	page 277
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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 stated in NOK thousand, unless otherwise indicated.

REVENUE RECOGNITION

Revenue from the sale of goods is recognized at the time of delivery. Revenue from the sale of services is recognized when the services are delivered. The share of sales revenue associated with future service is recognized in the balance sheet as accrued sales revenues and is transferred to income at the time of execution.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Assets intended for long-term ownership or use are classified as non-current 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 of the transaction date. Similar criteria are applied to liabilities. Current assets are valued at the lower of cost and fair value. Current liabilities are recognized in the balance sheet at nominal value. Non-current assets are valued at historical cost. Property, plant and equipment whose value will deteriorate is depreciated on a straight-line basis over the asset's estimated useful life. Non-current assets are written down to fair value where this is required by accounting rules. Nominal amounts are discounted if the interest rate element is material.

INTANGIBLE ASSETS

Expenditure on intangible assets is recognized in the balance sheet to the extent that a future economic benefit can be identified as deriving from the development of an identifiable intangible asset and costs can be measured reliably. Otherwise, the costs are expensed as they arise. Capitalized development costs are amortized over their useful life.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized in the balance sheet and depreciated on a straight-line basis over its estimated useful life, providing the asset has an expected useful life of more than 3 years and a cost price of more than NOK 15 thousand. Maintenance costs are recognized in income as operating expenses as they arise, while improvements and additions are added to the acquisition cost of the asset and depreciated at the same rate as the asset. The distinction between maintenance and improvements is made based on the asset's relative condition at the original purchase date.

SUBSIDIARIES

Subsidiaries are valued at cost in the single-entity financial statements. Investments are recognized as the cost of the shares adjusted for any minor impairments where necessary. Group

contributions paid to subsidiaries, net of tax, are recognized as an increase in the cost of the shares. Dividends and Group contributions are recognized in the same year as they are proposed in the subsidiary's financial statements. If dividends/Group contributions materially exceed retained earnings after acquisition, the excess amount is regarded as a reimbursement of invested capital and is deducted from the recorded cost in the balance sheet. Group contributions received are recognized as other financial income.

IMPAIRMENT OF NON-CURRENT ASSETS

Impairment tests are performed upon indication that the carrying amount of a non-current asset exceeds its estimated fair value. The test is performed at the lowest level of non-current assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less costs to sell and the recoverable amount (net present value of future use/ownership), the asset is written down to the higher of fair value less costs to sell and the recoverable amount. Previous impairment charges are reversed in a later period if the prerequisites for impairment are no longer present (except for impairment of goodwill).

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized in the balance sheet at nominal value after a provision for bad debts. The provision for bad debts is estimated based on an individual assessment of each material receivable. An additional general provision is recognized for minor receivables based on estimated expected losses.

CURRENT INVESTMENTS

Current investments (shares and investments which are considered current assets) are carried at the lower of average purchase cost and net realizable value at the balance sheet date. Dividends and other distributions received are recognized as other financial income.

PENSIONS

The company's pension schemes meet the requirements of the Mandatory Occupational Pensions Act. The company operates a defined contribution pensions scheme for its employees. The premium is paid through operations and is expensed on an ongoing basis. Social security costs are charged based on the pension premium paid.

GROUP ACCOUNT SCHEME – DEPOSITS AND LOANS

Grieg Seafood ASA operates as an internal bank for its subsidiaries. Grieg Seafood ASA borrows funds under the agreement from financial institutions and then lends these funds to its subsidiaries. The company has set up a group account scheme (multi-account scheme) in which Grieg Seafood ASA is the legal account holder. Deposits and loans are recognized as intercompany transactions. All subsidiaries are jointly and severally liable to the financial institutions for the entire amount of the commitment under the scheme.

NOTE 1 CONT.**FOREIGN CURRENCY**

The company's functional and presentational currency is NOK. All foreign currency transactions are translated into NOK at the transaction date. Exchange rate and translation differences are recognized under other financial income or expenses. All monetary items denominated in foreign currency are translated using the balance sheet rate. Derivatives are recognized at fair value with changes in value recognized in the income statement.

CASH-BASED REMUNERATION

The company operates a share-based remuneration scheme with settlement in cash, where each employee is obliged to purchase shares relative to their annual salary. The company's estimated liability is recognized under current or non-current liabilities based on the estimated settlement date. The cost for the year is recognized in the income statement.

DERIVATIVES**FORWARD CURRENCY CONTRACTS**

Realized gains are recognized in the income statement as financial income. The fair value of the contracts is measured based on the exchange rate at the balance sheet date for 2018.

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 at the relevant rate on temporary differences between the value of assets and liabilities for tax purposes and any allowable loss to be carried forward at the year-end in the financial statements. Temporary differences, both positive and negative, are offset within the same period. Deferred tax assets are recognized in the balance sheet when it is likely on the balance of probabilities that the tax assets will be utilized. Deferred tax assets and deferred tax liabilities are presented net in the balance sheet. Tax on paid Group contributions recognized as an increase in the purchase price of shares in other companies, and tax on received Group contribution recognized directly in equity, are recognized directly against tax items in the balance sheet (offset against tax payable if the 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 which mature within three months of the purchase date.

NOTE 2 Operating income

AMOUNTS IN NOK 1 000

OPERATING INCOME	2018	2017
Administrative services – Group companies (Note 17)	71 516	62 756
Other operating income	620	-
Total operating income	72 136	62 756

NOTE 3 Salaries and personnel expenses

AMOUNTS IN NOK 1 000

SALARIES AND PERSONNEL EXPENSES	2018	2017
Wages and salaries	29 020	23 436
Social security costs	5 667	5 047
Share options for directors and key personnel (See Note 4)	15 173	13 247
Pension costs – defined contribution scheme	1 282	1 304
Other personnel costs	5 510	6 765
Total	56 652	49 799

Average number of employees	24	21
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The Company has a pension scheme covering all employees at 31 December 2018. 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 disclosed in the consolidated financial statements note 14.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO SENIOR OFFICERS IN 2018	SALARY	BONUS	EARNED, NOT YET PAID	OPTIONS EXERCISED DURING THE YEAR	OTHER BENEFITS	TOTAL
Andreas Kvame (CEO)	2 685	630	389	2 522	90	6 316
Atle Harald Sandtorv (CFO)	1 748	335	207	1 607	97	3 994
Knut Utheim (COO)	1 748	195	149	1 607	97	3 796
Kathleen O. Mathisen (CHRO)	1 466	347	314	1 448	92	3 667
Total remuneration incl. social security costs	7 647	1 507	1 058	7 184	376	17 772

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

NOTE 3 CONT.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO BOARD MEMBERS IN 2018	TOTAL
Per Grieg jr. 1)	434
Wenche Kjøllås 2)	280
Karin Bing Orkland 2)	280
Asbjørn Reinkind 1)	302
Ola Braanaas (until 12.06.2018) 3)	123
Solveig M.R. Nygaard (from 12.06.2018)	114
Tore Holand (from 12.06.2018)	114
Total remuneration including social security costs	1 646

1) Payment for work performed on the Remuneration Committee of NOK 17 115 is included in the remuneration paid to Per Grieg jr. and Asbjørn Reinkind.

2) Payment for work performed on the Audit Committee of NOK 51 345 is included in the remuneration paid to Wenche Kjøllås and Karin Bing Orkland.

3) Payment for work performed on the Remuneration Committee of NOK 8 558 is included in the remuneration paid to Ola Braanaas.

The amounts include social security costs.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO SENIOR OFFICERS IN 2017	SALARY	BONUS	RETAINED, NOT YET PAID	OPTIONS EXERCISED DURING THE 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 incl. social security costs	6 962	2 195	1 508	5 630	527	16 821

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

AMOUNTS IN NOK 1 000

REMUNERATION PAID TO BOARD MEMBERS IN 2017	TOTAL
Per Grieg jr. 1)	434
Wenche Kjøllås 2)	280
Karin Bing Orkland 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 Kjøllås and Karin Bing Orkland.

The amounts include social security costs.

AMOUNTS IN NOK 1 000

BREAKDOWN OF AUDITOR'S FEES	2018	2017
Statutory audit	808	1 119
Other certification services	291	0
Tax advisory fee	144	95
Other services	56	79
Total	1 299	1 293

NOTE 4 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 2018, 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 perform the calculations. The table below shows the movement in outstanding options during 2017 and 2018.

OVERVIEW 2018 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2017	GRANTED OPTIONS	EXERCISED OPTIONS	EXPIRED OPTIONS	OUTSTANDING OPTIONS AT 31.12.2018	OF WHICH CASH-SETTLED
Andreas Kvame (CEO)	Cash settlement	658 272	-	55 275	2 997	600 000	600 000
Atle Harald Sandtorv (CFO)	Cash settlement	311 274	-	35 230	-	276 044	276 044
Knut Utheim (COO)	Cash settlement	352 366	-	35 230	17 136	300 000	300 000
Kathleen O. Mathisen (CHRO)	Cash settlement	300 000	-	100 000	-	200 000	200 000
Others	Cash settlement	1 329 634	-	262 677	66 958	999 999	999 999
Total		2 951 547	-	488 412	87 091	2 376 044	2 376 044

OVERVIEW 2017 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2016	GRANTED OPTIONS	EXERCISED 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	189 536	-	2 951 547	2 951 547

OPTIONS

ALLOCATION: YEAR - MONTH	EXPIRY DATE: YEAR - MONTH	STRIKE PRICE NOK PER SHARE AT 31.12.2018	STRIKE PRICE NOK PER SHARE AT 31.12.2017	2018	2017
2015-06	2018-06	-	29.76	-	251 547
2015-06	2019-06	31.60	29.76	576 044	600 000
2016-12	2019-06	-	84.12	-	300 000
2017-11	2020-05	88.78	83.62	900 000	900 000
2017-11	2021-05	88.78	83.62	900 000	900 000
Total				2 376 044	2 951 547

	2018	2017
Cash-based options available for settlement	1 476 044	1 151 547
Weighted average exercise price on outstanding options (NOK per option)	66.49	43.94

NOTE 4 CONT.

		NOK/OPTION			AMOUNTS IN NOK 1 000				
2018	OPTION CATEGORY	LISTED PRICE ON ALLOCATION	CALCULATED VALUE PER OPTION ON ALLOCATION	CALCULATED TOTAL VALUE ON ALLOCATION *	TOTAL VALUE OF ALL OPTIONS AT 01.01.2018	CHANGE IN PROVISION CB-OB *	EXERCISED OPTION 2018	ACC. COST RECOGNIZED IN EQUITY AT 31.12.2018	RECOGNIZED LIABILITY CASH SETTLEMENT AT 31.12.2018
Former employees with expired options	Equity option							6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	4 255	-1 679	2 522	-	2 575
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	1 857	-223	1 607	-	1 634
Knut Utheim (COO)	Cash	25.50	3.97	793	2 868	-1 095	1 607	-	1 773
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	237	-237	1 448	-	-
Andreas Kvame (CEO)	Cash	83.00	2.26	906	147	1 563	-	-	1 709
Atle Harald Sandtorv (CFO)	Cash	83.00	2.79	557	90	967	-	-	1 057
Knut Utheim (COO)	Cash	83.00	2.79	557	90	1 040	-	-	1 130
Kathleen O. Mathisen (CHRO)	Cash	83.00	2.38	475	77	821	-	-	898
Other options allocated in 2015	Cash	25.50	3.60	2 876	5 227	-2 200	2 859	-	3 027
Other options allocated in 2016	Cash	79.00	3.34	669	441	-441	2 896	-	-
Other options allocated in 2017	Cash	83.00	2.35	1 880	305	3 394	-	-	3 699
Total				11 212	15 594	1 909	12 939	6 887	17 503

*) Amounts exclude social security costs

		NOK/OPTION			AMOUNTS IN NOK 1 000				
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 OPTION 2017	ACC. COST RECOGNIZED IN EQUITY AT 31.12.2017	RECOGNIZED 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

AMOUNTS IN NOK 1 000

ACCRUED COSTS RELATED TO CASH OPTIONS	2018	2017	CLASSIFICATION IN FINANCIAL STATEMENTS
Change in provisions	1 909	4 234	Other provisions for liabilities
Exercised options during the year	12 939	8 416	Salaries and personnel expense / cash
Total costs excl. social security costs	14 848	12 650	
Social security costs	325	597	Public taxes payable
Total costs incl. social security costs	15 173	13 247	Salaries and personnel expense

Costs relating to cash-based remuneration in 2018 totalled NOK 15 173 thousand. This is recognized 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 2018 outstanding options with the right to cash settlement were stated at NOK 17 503 thousand, of which NOK 8 493 thousand were classified as non-current liabilities. Issued options are cancelled on termination of employment.

ESTIMATES USED TO CALCULATE ALLOCATION OF OPTIONS

Anticipated volatility (%)	41.49%
Risk-free rate of interest (%)	1.07%
Estimated qualification period (years)	1.56

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 1 000

FINANCIAL ITEMS	2018	2017
FINANCIAL INCOME		
Interest income from Group companies	31 640	26 699
Other interest income	840	344
Group contributions from subsidiaries	610 982	534 522
Dividend	20 189	25 384
Unrealized value changes, derivatives, see Note 9	9 723	1 197
Unrealized currency change, non-current loans from Group companies	-	22 333
Net realized currency gains	478	-
Net unrealized currency gains	-	24 646
Total	673 851	635 125
FINANCIAL EXPENSE		
Loan interest expenses	34 808	30 478
Other interest expenses	3 322	10 757
Realized value changes, derivatives, see Note 9	4 944	-
Unrealized currency change, non-current loans from Group companies	4 193	-
Unrealized currency change, non-current EUR term loan	16 054	-
Other financial expenses	1 334	1 216
Net realized currency losses	-	157
Net unrealized currency losses	13 776	-
Total	78 431	42 608
Net financial items	595 420	592 517

NOTE 6 Trade receivables

AMOUNTS IN NOK 1 000

TRADE RECEIVABLES	2018	2017
Trade receivables	-	156
Provision for bad debts	-	-
Book value of trade receivables at 31.12	-	156
Change in bad debt provision	-	-
Amounts received for previously written-off bad debts	-	-
Total recognized loss on trade receivables	-	-

NOTE 7 Other current receivables/other current liabilities

AMOUNTS IN NOK 1 000

OTHER CURRENT RECEIVABLES	2018	2017
Prepaid expenses	8 028	1 143
VAT	2 492	835
Loan to Nordnorsk Smolt AS *	22 940	13 100
Unrealized gain on interest rate swap contracts, see Note 9	858	-
Other current receivables **	523	4 578
Other current receivables at 31.12	34 840	19 655

* GSF has entered into a partnership with Norway Royal Salmon in order to secure additional smolt capacity in Finnmark. NRS and GSF each own 50% of Nordnorsk Smolt AS. 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 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 was to hedge payments in DKK. GSF ASA and GSF Finnmark entered into a back-to-back agreement on the contract. The contract expired during 2018.

AMOUNTS IN NOK 1 000

OTHER CURRENT LIABILITIES	2018	2017
Accrued interest	2 584	1 212
Other accrued expenses	13 552	14 658
Unrealized loss on interest rate swap contracts, see Note 9	-	4 071
Unrealized loss on foreign currency contracts	85	4 880
Other current liabilities	2 507	2 227
Other current liabilities at 31.12	18 728	27 047

NOTE 8 Bank deposits

AMOUNTS IN NOK 1 000

BANK DEPOSITS	2018	2017
Restricted deposits relating to employees' tax deductions	1 495	3 938
Other bank deposits	4 295	153 522
Total	5 790	157 460

The company has renegotiated the syndicate bank loan in February 2018. The new agreement consists of, among other things, an overdraft facility of NOK 100 million. Available credit on the overdraft facility was NOK 53 million at year-end 2018. Please refer to note 18 for more information about the new loan agreement.

NOTE 9 Financial instruments at fair value

AMOUNTS IN NOK 1 000

FINANCIAL INSTRUMENTS	2018		2017	
	ASSETS	CURRENT LIABILITIES	ASSETS	CURRENT LIABILITIES
Interest rate swap contracts (two contracts for NOK 400 million and NOK 260 million maturing in 2019 and 2021, respectively *)	858	-	-	-4 071
Foreign currency contract EUR/NOK (One contract comprising 52 transactions maturing December 2018)	-	-85	-	-4 880
Total financial instruments at fair value	858	-85	-	-8 951

* Amounts exclude accrued interest totalling NOK -392.2 thousand (2017: NOK -247.4 thousand)

CHANGES IN FAIR VALUE RECOGNIZED AS FINANCIAL ITEMS	2018	2017
Unrealized gain/loss on interest rate swaps	4 929	1 197
Unrealized gain/loss on foreign currency contracts	4 795	-4 880
Net unrealized gain/(loss) on financial instruments	9 723	-3 683

NOTE 10 Investments in subsidiaries

SUBSIDIARY	REGISTERED OFFICE COUNTRY	REGISTERED OFFICE LOCATION	OWNERSHIP/ VOTING SHARE	EQUITY AT 31.12.2018 (NOK 1 000)	PROFIT/LOSS 2018 (NOK 1 000)	BOOK VALUE (NOK 1 000)
Grieg Seafood Rogaland AS	Norway	Bergen	100 %	682 475	163 516	223 497
Grieg Seafood Canada AS	Norway	Bergen	100 %	227 353	-49	297 112
Grieg Seafood Finnmark AS	Norway	Bergen	100 %	852 024	445 423	400 481
Grieg Seafood Shetland Ltd	UK	Shetland	100 %	160 060	15 507	458 750
Ocean Quality AS	Norway	Bergen	60 %	54 367	40 688	6 000
Total				1 976 278	665 086	1 385 840

Equity and profit/loss taken from provisional financial statements, which have been prepared in accordance with local accounting standards.

NOTE 11 Investments in shares

INVESTMENTS IN SHARES	REGISTERED OFFICE COUNTRY	REGISTERED OFFICE LOCATION	OWNERSHIP/ VOTING SHARE	NUMBER OF SHARES	ACQUISITION COST (NOK 1 000)	BOOK VALUE (NOK 1 000)
Finnøy Næringspark AS	Norway	Finnøy	7.14%	100	103	103
DNB Global Allokering	Norway	Oslo	0.00%	3 038	630	487
CO2 AS	Norway	Lindås	10.00%	2	20	20
Norsk Villaksforvaltning	Norway	Førde	15.15%	5	50	50
Fiskeriforum Vest	Norway	Bergen	20.00%	20	16	16
Book value of shares at 31.12						676

NOTE 12 Intangible assets

AMOUNTS IN NOK 1 000

2018	SOFTWARE
Book value at 01.01	18 196
Intangible assets acquired	4 505
Amortization	-3 962
Book value at 31.12	18 739

ACCUMULATED VALUES

Acquisition cost	45 797
Accumulated amortization	-27 058
Book value at 31.12	18 739

Economic life/amortization schedule

3–10 years

2017	SOFTWARE
Book value at 01.01	17 419
Intangible assets acquired	4 144
Amortization	-3 367
Book value at 31.12	18 196

ACCUMULATED VALUES

Acquisition cost	41 292
Accumulated amortization	-23 096
Book value at 31.12	18 196

Economic life/amortization schedule

3–10 years

NOTE 13 Property, plant and equipment

AMOUNTS IN NOK 1 000

2018	PLANT, EQUIPMENT AND OTHER FIXTURES ETC.
Book value at 01.01	5 478
Additions	576
Depreciation charge	-1 566
Book value at 31.12	4 488
ACCUMULATED VALUES	
Acquisition cost	17 131
Accumulated depreciation	-12 643
Book value at 31.12	4 488
Economic life/depreciation schedule	3–5 years

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
ACCUMULATED VALUES	
Acquisition cost	16 555
Accumulated depreciation	-11 077
Book value at 31.12	5 478
Economic life/depreciation schedule	3–5 years

NOTE 14 Share capital and shareholder information

As at 31 December 2018, 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 at NOK 14.40 per share. 21 November 2018, the company sold 21 576 shares to employees for use in the share savings program. The sales price was NOK 121.56 per share, which provided a gain of NOK 107.16 per share. After the transaction the company have 1 228 424 treasury shares.

SHARE CAPITAL AND NUMBER OF SHARES	NOMINAL VALUE (NOK)	TOTAL SHARE CAPITAL (NOK 1 000)	NO. OF ORDINARY SHARES
	4.00	446 648	111 662 000
Holdings of treasury shares	4.00	-5 000	-1 250 000
Sale of treasury shares to employees	4.00	86	21 576
Total at 31.12.2018		441 734	110 433 576

THE 20 LARGEST SHAREHOLDERS IN GRIEG SEAFOOD ASA	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Grieg Aqua AS	56 018 799	50.17 %	-	-
Grieg Holdings AS **	-	-	55 801 409	49.97 %
OM Holding AS	6 039 379	5.41 %	5 164 379	4.63 %
Folketrygdfondet	3 760 350	3.37 %	2 949 137	2.64 %
Ystholmen Felles AS (2017: Nye Ystholmen AS)	2 928 197	2.62 %	2 928 197	2.62 %
State Street Bank and Trust Comp	2 055 051	1.84 %	2 602 761	2.33 %
Verdipapirfondet Pareto Investment	1 926 457	1.73 %	1 915 000	1.71 %
Verdipapirfondet Alfred Berg Gamba	1 700 796	1.52 %	1 700 796	1.52 %
Grieg Seafood ASA	1 228 424	1.10 %	1 250 000	1.12 %
Handelsbank Nordiska Sambolagsfond	1 057 190	0.95 %	-	-
Euroclear Bank S.A./N.V.	965 253	0.86 %	1 038 097	0.93 %
State Street Bank and Trust Comp	891 700	0.80 %	2 602 761	2.33 %
Clearstream Banking S.A.	866 255	0.78 %	1 286 414	1.15 %
JPMorgan Chase Bank, N.A., London	828 120	0.74 %	1 477 767	1.32 %
The Bank of New York Mellon SA/NV	766 040	0.69 %	518 635	0.46 %
The Northern Trust Comp, London Br	685 964	0.61 %	559 802	0.50 %
Pictet & Cie (Europe) S.A.	603 115	0.54 %	92 506	0.08 %
VPF Nordea Avkastning	602 577	0.54 %	648 523	0.58 %
VPF Nordea Kapital	574 943	0.51 %	674 006	0.60 %
UBS Switzerland AG	566 035	0.51 %	587 369	0.53 %
JPMorgan Chase Bank, N.A., London	552 773	0.50 %	745 897	0.67 %
Total –20 largest shareholders	84 617 418	75.78 %	84 543 456	75.71 %
Other shareholders	27 044 582	24.22 %	27 118 544	24.29 %
Total shares	111 662 000	100.00 %	111 662 000	100.00 %

	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT	31.12.2018	31.12.2018	31.12.2017	31.12.2017
BOARD OF DIRECTORS				
Per Grieg jr. *	58 961 996	52.80 %	58 961 996	52.80 %
Asbjørn Reinkind (Reinkind AS)	120 000	0.11 %	120 000	0.11 %
Wenche Kjøllås (Jawendel AS)	7 000	0.01 %	7 000	0.01 %
Karin Bing Orkland	-	-	-	-
Solveig Nygaard	-	-	-	-
Tore Holand	-	-	-	-
GROUP MANAGEMENT				
Andreas Kvame (CEO)	39 165	0.04 %	35 000	0.03 %
Atle Harald Sandtorv (CFO)	24 208	0.02 %	21 793	0.02 %
Knut Utheim (COO)	23 507	0.02 %	18 200	0.02 %
Kathleen O. Mathisen (CHRO)	3 456	0.00 %	-	-
* THE SHARES OWNED BY THE FOLLOWING COMPANIES ARE CONTROLLED BY PER GRIEG JR. AND FAMILY				
Grieg Aqua AS	56 018 799	50.17 %	-	-
Grieg Holdings AS **	-	-	55 801 409	49.97 %
Nye Ystholmen AS	2 928 197	2.62 %	2 928 197	2.62 %
Grieg Ltd AS **	-	-	217 390	0.19 %
Per Grieg jr. privately	15 000	0.01 %	15 000	0.01 %
Total shares	58 961 996	52.80 %	58 961 996	52.80 %

** Grieg Holdings AS decided to transfer all Grieg Seafood ASA shares to Grieg Aqua AS through a demerger. Grieg Aqua AS was established when the demerger was completed. The process was formalized 3 December 2018. In addition, all Grieg Seafood ASA shares owned by Grieg Ltd AS was transferred to Grieg Aqua AS. Grieg Maturitas II AS, the parent company of Grieg Holdings AS and Grieg Ltd AS, is the sole shareholder of Grieg Aqua AS. Please refer to notification at www.oslobors.no for more information.

NOTE 15 Taxes

AMOUNTS IN NOK 1 000

BASIS FOR TAX PAYABLE	2018	2017
Profit before tax	533 716	547 749
Dividends recognized in income	-20 189	-25 384
3% dividend tax	606	762
Net other permanent differences	-410	1 693
Change in financial derivatives	-9 723	3 683
Change in temporary differences	-451	-16 827
Group contribution received/provided	-610 982	-534 522
Taxable loss	-107 432	-22 846
Group contribution received	610 982	534 522
Basis for tax expense for the year	503 550	511 676
23% (24%) tax payable	115 816	122 802

AMOUNTS IN NOK 1 000

BREAKDOWN OF DEFERRED TAX BASIS	CHANGE	2018	2017
TEMPORARY DIFFERENCES			
Non-current assets	280	5 561	5 280
Profit and loss account	-248	993	1 241
Cash-based options	-2 178	-19 971	-17 793
Non-current debt/amortized cost	6 790	10 102	3 312
Revaluation account non-current liabilities	-4 193	85 030	89 224
Net temporary differences	451	81 715	81 264
Financial instruments	9 723	773	-8 951
Basis for deferred tax in balance sheet	10 174	82 488	72 314
23% (24%) deferred tax		18 972	17 355
Change in deferred tax assets due to change in tax rate 22% (23%)		-825	-723
Deferred tax assets/deferred tax liabilities in balance sheet		18 147	16 632

BREAKDOWN OF TAX CHARGE

Tax payable	115 816	122 802
Change in deferred tax, previous rate 23% (24%)	2 340	3 155
Change in deferred tax due to change of rate	-825	-723
Tax effect of foreign tax not credited Norwegian tax	1 012	1 226
Tax expense in income statement	118 343	126 460

RECONCILIATION OF TAX EXPENSE

Profit before tax	533 716	547 749
Estimated tax 23% (24%)	-122 755	-131 460
Tax expense in income statement	118 343	126 460
Difference	-4 411	-5 000

THE DIFFERENCE CONSISTS OF THE FOLLOWING:

23% (24%) of permanent differences	23 %	-4 598	-5 503
Tax effect of foreign tax not credited Norwegian tax		1 012	1 226
Change in tax/deferred tax due to change of rate		-825	-723
Total reconciled difference		-4 411	-5 000

NOTE 16 Guarantees

Grieg Seafood ASA acted as a guarantor for Ocean Quality UK Limited 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 NOK 1 000

2018	OPERATING INCOME	OPERATING EXPENSES	FINANCIAL INCOME	FINANCIAL EXPENSES	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	CURRENT RECEIVABLES	TRADE PAYABLES	OTHER CURRENT LIABILITIES
Total related parties									
- Group companies	71 516	-14 510	31 645	-6	619 171	466	1 112 619	-16 068	-11 476
Total related parties									
- Shareholders	126	-8 792	-	-	-	-	-	-	-
Total	71 643	-23 301	31 645	-6	619 171	466	1 112 619	-16 068	-11 476

AMOUNTS IN NOK 1 000

2017	OPERATING INCOME	OPERATING EXPENSES	FINANCIAL INCOME	FINANCIAL EXPENSES	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	CURRENT RECEIVABLES	TRADE PAYABLES	OTHER CURRENT LIABILITIES
Total related parties									
- Group companies	62 756	-	28 440	-1 741	623 365	41 450	1 151 052	-35 881	-178 801
Total related parties									
- Shareholders	-	7 698	-	-	-	-	-	-518	-
Total	62 756	7 698	28 440	-1 741	623 365	41 450	1 151 052	-36 399	-178 801

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 current 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. The contract ended in 2018.

NOTE 18 Net interest-bearing liabilities and pledges

The company has a syndicated loan provided 50/50 by DNB and Nordea. To cater for major investment needs relating to the company's growth strategy in the period leading up to 2020, the company has renegotiated its syndicated bank loan before its original maturity in 2019. The company has set growth targets, including increased smolt capacity and new locations, which will entail an increased need for working capital. The new agreement includes (among other things) two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million, alongside overdraft facilities of NOK 100 million. Repayments of NOK 50 million and EUR 5 million will be made for term loans of respectively NOK 600 million and EUR 60 million, split into half-yearly instalments. The drawdown rate of the EUR loan is 9.6691. The agreement has a term of five years and matures on 28 February 2023.

The 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 2018, the NIBD/EBITDA for the Group excluding Ocean Quality was 1.3 and the equity ratio was 53%. Consequently, the Group fully complied with all covenants at the year-end.

AMOUNTS IN NOK 1 000

NON-CURRENT LIABILITIES (INTEREST-BEARING)	2018	2017
Non-current syndicated loan	1 048 816	895 000
Non-current revolver credit facility *	260 000	300 000
Amortized cost	-10 102	-3 312
Total	1 298 713	1 191 688

AMOUNTS IN NOK 1 000

CURRENT LIABILITIES (INTEREST-BEARING)	2018	2017
Current overdraft facility *	46 597	-
Current portion of non-current borrowing	98 212	90 000
Total	144 808	90 000

AMOUNTS IN NOK 1 000

NET INTEREST-BEARING LIABILITIES	2018	2017
Gross interest-bearing liabilities	1 443 522	1 281 688
Bank deposits	5 790	157 460
Loans to subsidiaries	1 108 432	1 063 519
Loans to other companies	22 100	13 100
Net interest-bearing liabilities	307 200	47 609

* At the end of 2018, the Company had a total revolver credit facility and overdraft facility of NOK 1 100 million, of which NOK 793 million was available for utilization at the reporting date.

MATURITY PROFILE - NON-CURRENT LIABILITIES	2019	2020	2021	2022	2023	LATER	TOTAL
Non-current loan	98 212	98 212	98 212	98 212	754 181	-	1 147 027
Non-current credit facility	-	-	-	-	260 000	-	260 000
Total	98 212	98 212	98 212	98 212	1 014 181	-	1 407 027

LIABILITIES SECURED BY MORTGAGE	2018	2017
Liabilities to credit institutions	1 443 522	1 281 688
Total liabilities	1 443 522	1 281 688

BOOK VALUE OF ASSETS PLEDGED AS SECURITY

Shares in subsidiaries	1 385 840	1 226 980
Property, plant and equipment	4 488	5 478
Trade receivables	-	156
Loans to subsidiaries	1 108 432	1 063 519
Total assets pledged as security	2 498 760	2 296 133

AMOUNTS IN NOK 1 000

TYPE OF LIABILITY	CURRENCY	INTEREST RATE	MATURITY	2018		2017	
				CURRENT PART	NON-CURRENT PART	CURRENT PART	NON-CURRENT PART
Syndicated non-current loan	NOK	Floating	02/2023	50 000	514 898	90 000	891 688
Syndicated non-current loan	EUR	Floating	02/2023	48 212	523 816	-	-
Syndicated loan revolving credit	NOK	Floating	02/2023	-	260 000	-	300 000
Overdraft facility	Multiple	Floating		46 597	-	-	-
Total				144 808	1 298 713	90 000	1 191 688

CURRENCY EXPOSURE ON LOANS TO CREDIT INSTITUTIONS	31.12.2018	NOK	GBP	EUR	USD	OTHER
Syndicated non-current loan (NOK)	564 898	564 898	-	-	-	-
Syndicated non-current loan (EUR)	572 027	-	-	572 027	-	-
Syndicated loan revolving credit (non-current)	260 000	260 000	-	-	-	-
Overdraft facility *	46 597	407 609	-415 913	21 318	47 413	-13 830
Total	1 443 522	1 232 506	-415 913	593 346	47 413	-13 830

* Other currency effects mainly relate to CAD and DKK

	2018	2017
Average interest rate (NOK)	2.20%	2.21%
Average interest rate (EUR)	1.21%	N/A

NOTE 19 Post-balance sheet events

There has been no significant events after the reporting date that will materially affect the financial statement.

Auditor's report





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, which comprise:

- The financial statements of the parent company Grieg Seafood ASA (the Company), which comprise the Balance Sheet as at 31 December 2018, 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 consolidated financial statements of Grieg Seafood ASA and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2018, the Income statement, Comprehensive 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.

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 Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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 regulatory changes, transactions or other events that qualify as new Key audit matters for the 2018 audit. Consequently, our areas of focus are the same as previous year.

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Independent Auditor's Report - Grieg Seafood ASA

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 participate at inventory count, provided 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. The amount of 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 show 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 e.g. vaccination documentation for internally produced smolt and 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 conversion rate for live fish held for harvesting purposes and obtained explanations from management and further documentation for sites with significantly either higher or lower feed conversion rate 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. As per 31.12.2018, the book value of biological assets is MNOK 3 195, of which MNOK 2

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 that the model includes the elements that the accounting

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Independent Auditor's Report - Grieg Seafood ASA

224 is historical cost and MNOK 971 is value adjustment. Biological assets comprise about 40 % of total assets.

The fluctuations in the fair value estimate that occur due to, for instance, changes in 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. Also, the Group made adaptations to the calculation model per 31.12.2018.

See note 2 and 7 for information about valuation of biological assets at fair value.

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 assumptions that management used in the model were reasonable. We assessed the price assumptions against observable forward prices from FishPool. We challenged the assumption made with regards to when the fish is considered to be ready for harvest and the expected monthly mortality rate. We found the management's assumptions to be reasonable and consistent with industry norm.

Further, we assessed whether information about fish health and harvest deviation after the balance sheet date is reflected in the valuation. We found that the calculation model adequately reflects available information.

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 information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the 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 consolidated 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

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Independent Auditor's Report - Grieg Seafood ASA

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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional 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 or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent Auditor's Report - Grieg Seafood ASA

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Report on Other Legal and Regulatory Requirements**Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result 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, 11. april 2019

PricewaterhouseCoopers AS

Jon Haugervåg

State Authorised Public Accountant

Auditor's sustainability statement





To the Board of Directors of Grieg Seafood ASA

Independent statement regarding sustainability KPIs reported in the Annual Report for the period 1 January to 31 December 2018

What we assessed

PwC has been engaged by Grieg Seafood ASA (Grieg Seafood) to perform an independent assessment of the sustainability KPIs in the Annual Report for the period 1 January 2018 to 31 December 2018. The sustainability KPIs are found in "Our scoreboard" on page 30-31 in the annual report. Our scope includes the KPIs under Healthy Ocean, Sustainable food, People and Local communities. (Subject matter). When reviewing the reported climate statement, the scope of the review has been limited to scope 1 and 2 location based.

Which measuring criteria we have assessed against

We assessed whether the KPIs have been calculated, estimated and reported in accordance with the KPIs defined in the Sustainability Report. The criteria for environmental factors and social factors have been assessed against definitions set by Global Salmon Initiative (GSI), except for the KPIs for antibiotic consumption that have been assessed against a definition stated in the Sustainability Report. KPIs related to greenhouse gas emissions are assessed against definitions and guidelines set by Greenhouse Gas Protocol (the GHG-protocol).

Responsibilities of the Management

Grieg Seafood's management is responsible for the calculation, estimation and reporting of the KPI's in the Sustainability Report, and for such internal control as management determines is necessary to enable correct calculation, estimation and reporting of the sustainability KPI's in the Annual Report.

Our independence and quality control

We are independent of the company as required by law and regulations and *Code of Ethics for Professional Accountants* (IESBA Code) and the ethical requirements relevant to our engagement, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We apply *ISQC 1 [NORWEGIAN] – Quality control for audit companies conducting audit and simplified audit review of financial statements and other certification engagements and related services* and maintain a comprehensive system of quality control including documented guidelines and procedures for compliance with ethical requirements, professional standards and regulatory requirements.

Auditor's responsibility

Our responsibility is to express an opinion about whether the sustainability KPIs in the Annual Report for the period 1 January to 31 December 2018 have been calculated, estimated and reported in accordance with the measurement criteria based on our review. The measurement criteria are stated in the section "Which measuring criteria we have assessed against" above. This includes controls directed at relevant data and documentation, assessment of relevant internal controls and communication of any deviations and defaults, interviews of personnel responsible for KPIs at Grieg Seafood and assessment of the quality of the reported sustainability KPIs, including traceability, completeness, reliability and accuracy. We have conducted our reviews and make our statement in accordance with standard for assurance engagements "ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information". Our work involves performing procedures to obtain evidence that the subject matter have been prepared in accordance with the criteria. The selected procedures depend on our judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the subject matter. In making those risk assessments we consider the

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internal control relevant to the preparation of the subject matter. The purpose is to design control procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the internal control. Our review also includes an assessment about whether the applied criteria are appropriate.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the calculation, estimation and reporting of the sustainability KPIs in the Annual Report for the period 1 January to 31 December 2018 are not prepared, in all material respects, in accordance with the established criteria stated in the section "Which measuring criteria we have assessed against" above.

Bergen, 11.04.2019
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorized Public Accountant, Norway



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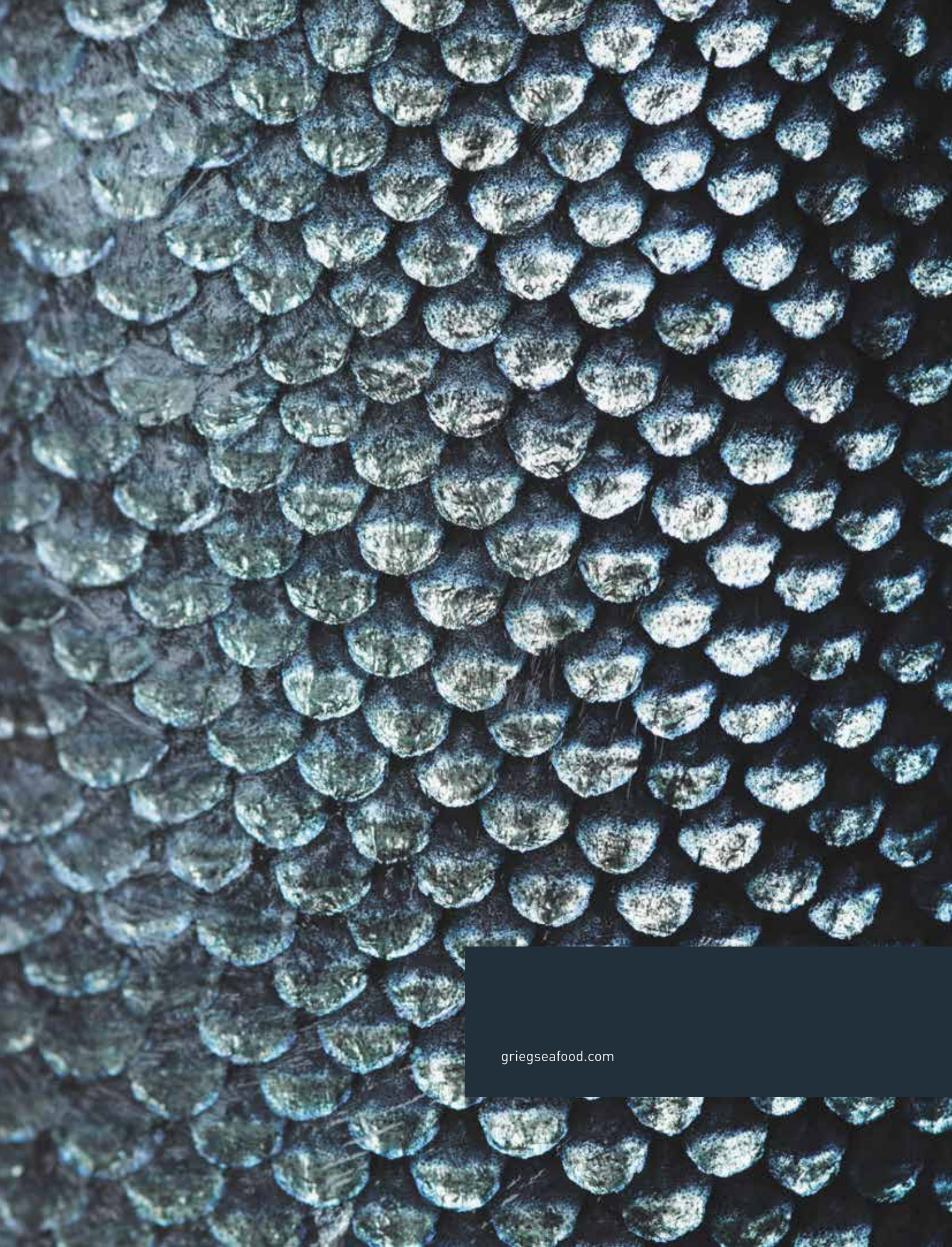
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