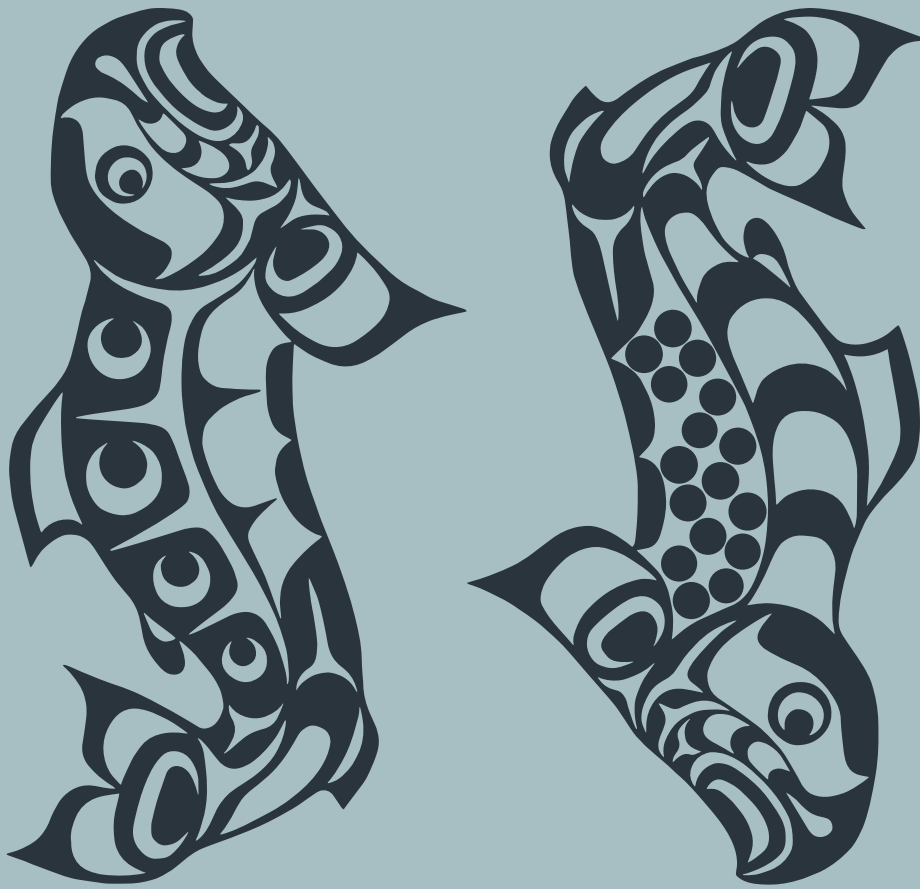




# PASSION FOR IMPROVEMENT

ANNUAL REPORT 2019





**"SALMON"**  
BY PATRICK HUNT

Hunt is Kwakwaka'wakw and the youngest son of hereditary chief George and Mary Hunt. He is the grandson of Tom and Emma Hunt, and May and Sam Henderson. His artwork "Salmon Princess" will be installed on the bow and stack of our new wellboat in British Columbia, the Ronja Islander.

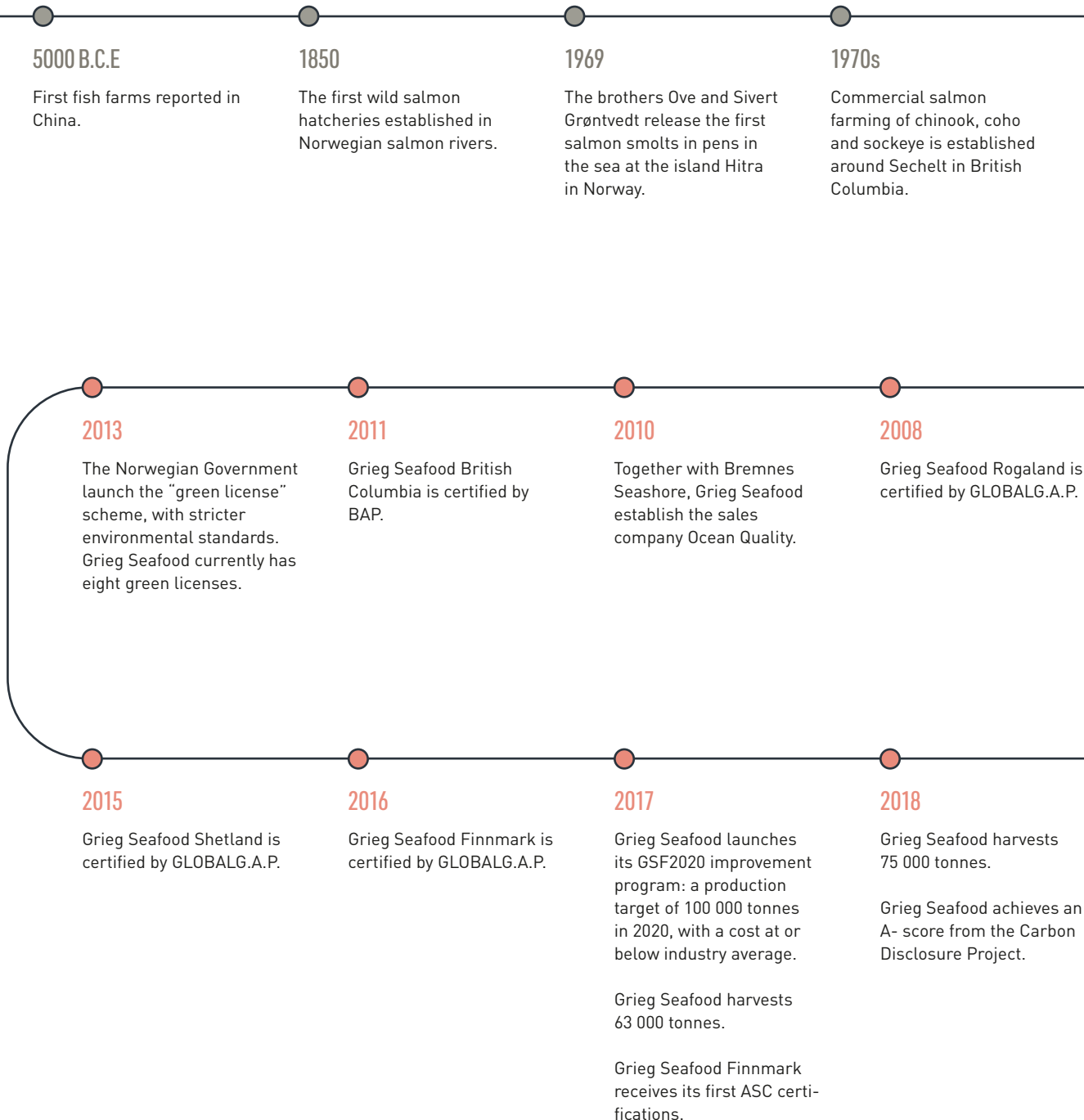
# PASSION FOR IMPROVEMENT





Farming the oceans comes with a responsibility. We are dedicated to provide more food from the sea to people around the globe while reducing our footprint and improving fish welfare. People, partnerships, technologies and innovations will help us get there. Step by step.

# Our history and our future



1973

The Norwegian Parliament adopts a license system for the country's 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.

1990s

Fish vaccines are introduced. As a result, the salmon farming industry has significantly reduced its use of antibiotics.

1992

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

1998

Grieg Seafood Rogaland is established.

2007

Grieg Seafood is listed at Oslo Stock Exchange.

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

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.

2000s

The Norwegian Government and the industry develop the standard NS9415 to ensure fish farms are technically safe and prevent the escape of farmed salmon.

2019

Grieg Seafood harvests 83 000 tonnes.

Grieg Seafood achieves the top A-rating from the Carbon Disclosure Project.

2020

Grieg Seafood aims to harvest 100 000 tonnes.

Grieg Seafood acquires Grieg Newfoundland in Eastern Canada

2025

Grieg Seafood aims to harvest at least 150 000 tonnes, to be the cost leader in each region and to have established a new position in the value chain.

2030

Grieg Seafood aims to have reduced carbon emissions per kilo by 30% (compared to 2017).

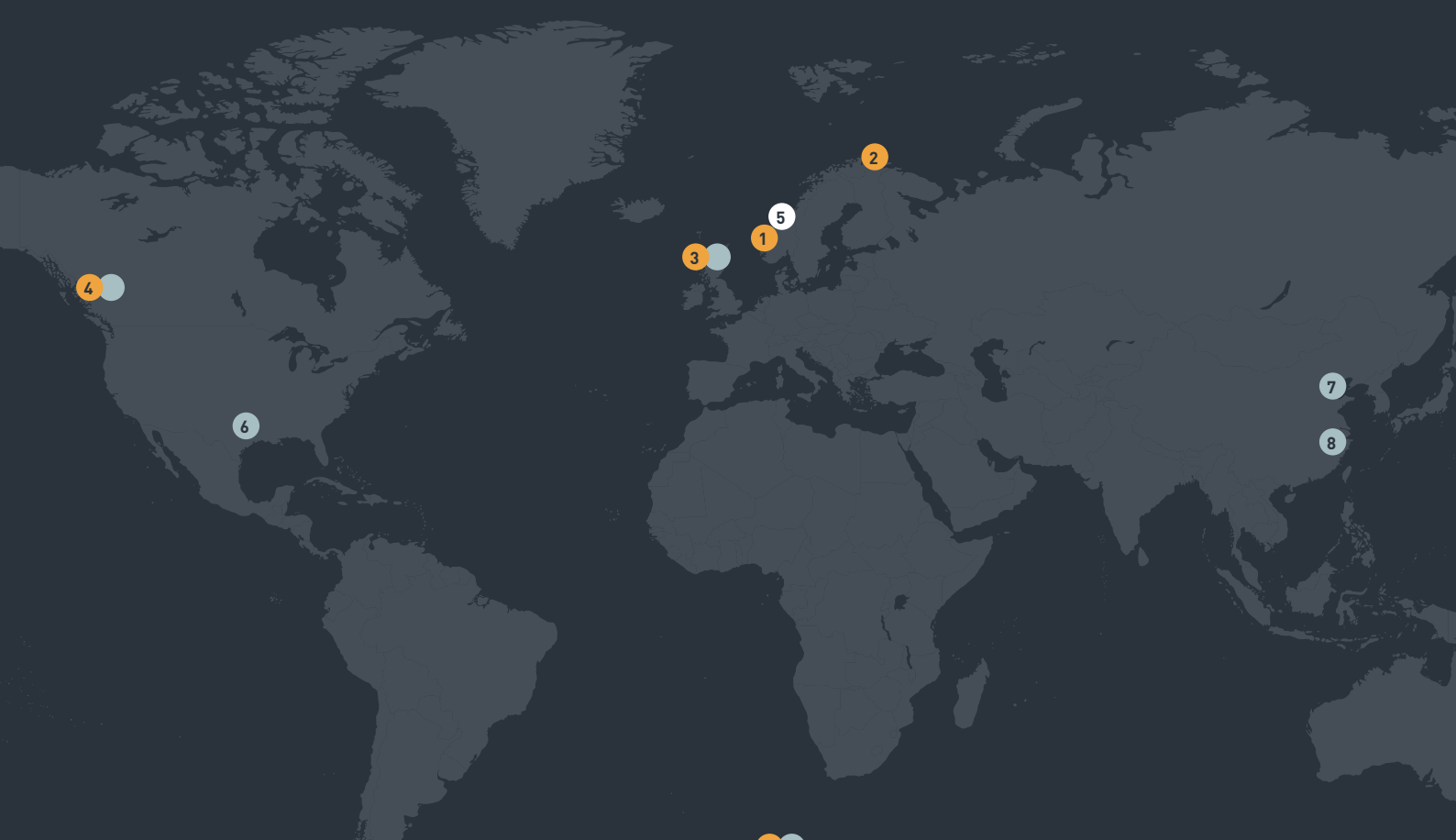
# Our organization

**GRIEG SEAFOOD FARMS**

We have hatcheries, farms and processing in each region.

**OCEAN QUALITY**

Our sales company, jointly owned with Bremnes Seashore AS.



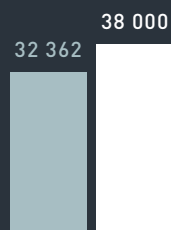
1

ROGALAND



2

FINNMARK



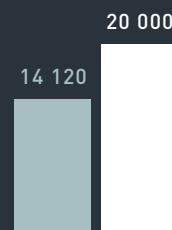
3

SHETLAND



4

BRITISH COLUMBIA



5 BERGEN (HQ)

6 HOUSTON

7 BEIJING

8 SHANGHAI

■ Harvested volume 2019  
 ■ Harvest volume target 2020

For more information on the Group structure, refer to note 1 in the Group Accounts.

## OUR VISION

### ROOTED IN NATURE

FARMING THE OCEAN FOR A BETTER FUTURE

## OUR VALUES

### OPEN

We are open with each other. We share knowledge and 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 welcome suggestions for ways to improve.

We are open and transparent towards society. That is the only way we can earn people's 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 endeavor to do our job in 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 push us out of our comfort zone.

We embrace change and innovation. We prioritize our commitments and carry them out. Our ambitious goals aim to make Grieg Seafood ever more profitable. Only then can we develop the salmon farming industry further.

### CARING

We not only treat each other with respect, we care. We care about our people, and help them flourish and develop their talents. We foster a caring environment – even in difficult situations and when hard decisions must be made.

We care about our fish and the natural environment that is vital to the production of healthy salmon. We work constantly to maintain good biological control 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 are a good neighbor. We create opportunities and lasting value for society.

# Content

## PART 01

---

### OUR STORY 10

MAIN ACHIEVEMENTS 12-13

KEY FIGURES 14-15

CEO LETTER 16-17

OUR SCOREBOARD 18-19

OUR BUSINESS STRATEGY 20-25

OUR BUSINESS MODEL 26-27

FARMING THE OCEAN FOR A  
BETTER FUTURE 28-31

THE UN SUSTAINABLE  
DEVELOPMENT GOALS 32-33

OUR APPROACH TO  
SUSTAINABLE BUSINESS 34-41

GROUP MANAGEMENT TEAM 42-45

PART 02

**OUR PROGRESS 46**

**CERTIFICATIONS AND LICENSES 48-53**

**HEALTHY OCEAN 54**

- Fish health and welfare 56-65
- Sea lice control 66-71
- Escape control 72-73
- Limiting local emissions 74-77
- Interaction with wild life 78-79

**SUSTAINABLE FOOD 80**

- Safe and healthy food 82-87
- Sustainable feed ingredients 88-91
- Reducing carbon emissions 92-95
- Climate risk 96-97
- Waste management 98-99

**PROFIT & INNOVATION 100**

- The global salmon market 102-103
- Ocean Quality and our markets 104-105
- Economic productivity 106-111
- Profitable growth 112-121
- The Grieg Seafood shares 122-125
- Analytical information 126-133

**PEOPLE 134**

- Human rights and ethics 136-139
- Embracing diversity 140-141
- Creating attractive jobs 142-145
- Keeping our employees safe 146-149
- Anti-corruption 150-151

**LOCAL COMMUNITIES 152**

- Local value creation 154-159
- Finding the path to shared prosperity 160-161

PART 03

**OUR RESULTS 162**

**PRESENTATION OF THE BOARD OF DIRECTORS 164-167**

**BOARD OF DIRECTORS' REPORT 168-187**

**CORPORATE GOVERNANCE 188-207**

**ANNUAL ACCOUNTS 2019 208-312**

- Grieg Seafood Group 208-285
- Grieg Seafood ASA 286-312

**AUDITOR'S REPORT 313-317**

**AUDITOR'S SUSTAINABILITY REPORT 318-319**

PART 04

**APPENDIX 320**

**TCFD REPORT 322-329**

**GRI INDEX 330-343**





## PART 01

# OUR STORY

MAIN ACHIEVEMENTS	12-13
KEY FIGURES	14-15
CEO LETTER	16-17
OUR SCOREBOARD	18-19
OUR BUSINESS STRATEGY	20-25
OUR BUSINESS MODEL	26-27
FARMING THE OCEAN FOR A BETTER FUTURE	28-31
THE UN SUSTAINABLE DEVELOPMENT GOALS	32-33
OUR APPROACH TO SUSTAINABLE BUSINESS	34-41
GROUP MANAGEMENT TEAM	42-45

# Main achievements

## GROUP

82 973

VS. 74 623 IN 2018

Harvest volume (tonnes gwt)

13.1

VS. 14.7 IN 2018

EBIT per kg (NOK)

19%

Return on capital employed (ROCE)

A

Recognized by the Carbon Disclosure Project as a leader for our actions on climate change

2025

Launch of the GSF 2025 strategy, aiming for harvest volume above 150 000 tonnes, cost leadership and value chain repositioning

## ROGALAND

25 217

VS. 16 293 IN 2018

Harvest volume (tonnes gwt)

22.5

VS. 13.5 IN 2018

EBIT per kg (NOK)

279g

Average weight of smolt transferred to sea farms

93%

Survival rate

0

No sites affected by Pancreas Disease the last half year

100%

All sites monitored and fed by our pilot integrated operations center

## FINNMARK

32 362

VS. 29 774 IN 2018

Harvest volume (tonnes gwt)

17.9

VS. 20.0 IN 2018

EBIT per kg (NOK)

96%

Survival rate

10

Total of ten sites ASC certified

1

One new site granted

0.2%

Percentage of farmed salmon found in samples taken from the Alta wild salmon river

## SHETLAND

11 273

VS. 11 924 IN 2018

Harvest volume (tonnes gwt)

-6.0

VS. 2.8 IN 2018

EBIT per kg (NOK)

94%

Superior share of salmon

89%

Survival rate increased from 83% in 2018

## BRITISH COLUMBIA

14 120

VS. 16 632 IN 2018

Harvest volume (tonnes gwt)

5.2

VS. 17.5 IN 2018

EBIT per kg (NOK)

## OHSS

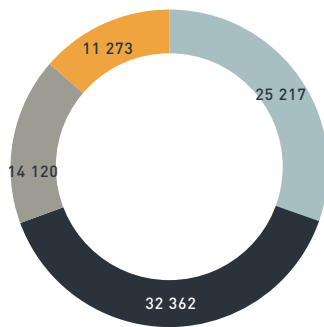
OHSS certified, the highest safety standard in BC

## First Nations

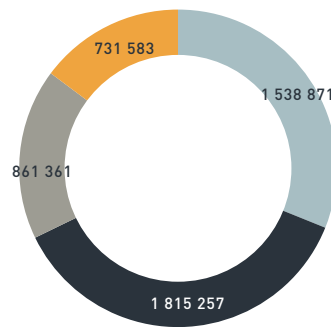
Agreement with the Indigenous Nation Ehattesaht Chinehkint

# Key figures

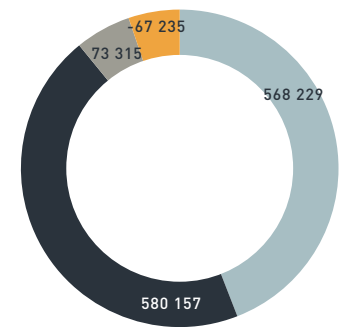
**FIGURE 1.1**  
HARVEST VOLUME 2019 (TONNES GWT)



**FIGURE 1.2**  
SALES REVENUES 2019 (NOK 1 000)



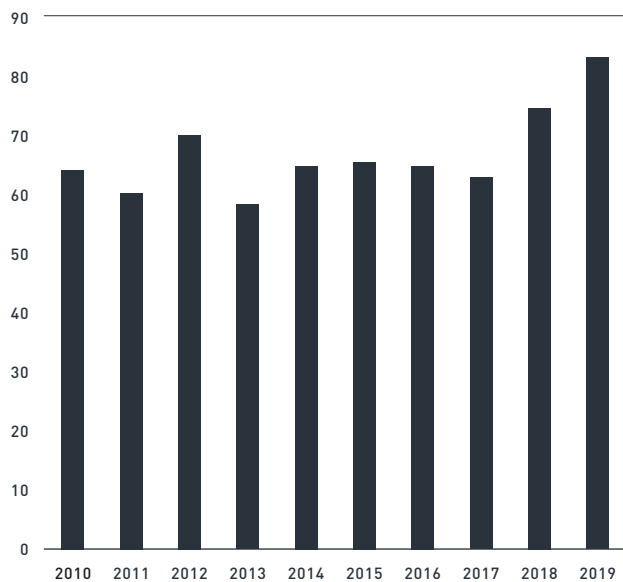
**FIGURE 1.3**  
EBIT\* 2019 (NOK 1 000)



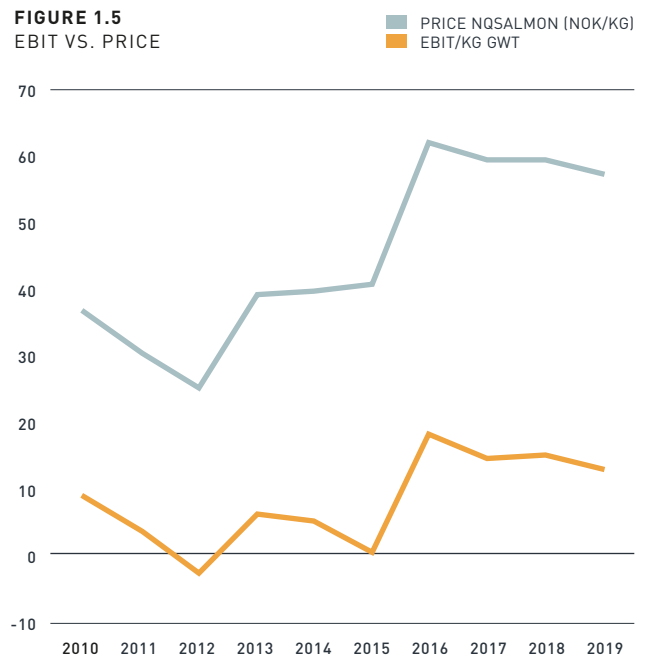
■ ROGALAND   
 ■ FINNMARK   
 ■ BRITISH COLUMBIA   
 ■ SHETLAND

\* EBIT before fair value adjustment of biological assets

**FIGURE 1.4**  
HARVEST VOLUME (TONNES GWT)



**FIGURE 1.5**  
EBIT VS. PRICE



8 274

SALES REVENUES

MNOK

861

NO. OF EMPLOYEES

FTE

13.11

EBIT/KG

KEY FIGURES NOK 1 000	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales revenues*	8 273 592	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	1 498 157	1 334 473	1 105 533	1 341 662	261 311	483 820	484 330	-29 818	345 820	686 944
EBIT	1 087 574	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	866 860	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	644 908	997 120	600 899	1 222 331	4 366	144 395	430 985	-147 188	-123 158	631 039
Cash flow from operations	1 455 994	819 841	708 877	953 113	367 282	156 541	317 282	202 733	215 406	594 731
Gross investments including financial leasing investments	706 345	733 034	552 821	254 852	322 168	311 698	163 961	189 539	324 186	241 804
Total assets	8 934 684	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	1 938 672	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	2 375 786	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)	4 140 843	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	13.11	14.72	14.45	18.04	0.73	5.30	6.00	-2.73	3.42	9.96
Harvest volume (tonnes GWT)	82 973	74 623	62 598	64 726	65 398	64 736	58 061	70 000	60 082	64 214
Market price of salmon (NOK/kg) **	57.21	59.22	59.18	61.93	40.70	39.81	38.88	25.45	30.52	36.70
Group cost	43.54	43.10	43.41	39.67	37.70	35.19	34.04	32.47	31.35	29.78
NIBD/EBITDA	1.4	1.3	1.2	0.7	6.3	3.3	3.0	-51.3	4.2	1.5
Equity %	46%	48%	47%	47%	38%	42%	43%	37%	41%	49%
Return on Capital Employed (ROCE)	19%	22%	24%	33%	1%	10%	12%	-6%	7%	20%
Dividend per share (NOK)	4.00	4.00	4.00	1.50	0.50	-	-	-	1.35	0.25
Earnings per share (NOK)	5.61	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)	15 666 178	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)	861	769	707	654	681	686	626	640	589	578

\*Ref figure 1.2 - see Note 6 for more information on the calculation of total revenues \*\*Average of weekly NQSALMON prices

## CEO LETTER

# Dear shareholder

In 2019, Grieg Seafood took another step on our journey of sustainable growth. We harvested more than we ever have, reaching beyond our target of 82 000 tonnes.

I am very proud of our skilled employees and their dedication to the improvement areas we are working on: post-smolt, digitalization, biosecurity and fish welfare, as well as expansion opportunities.

Last year we saw results in all areas. We transferred bigger smolt to the sea, and see that our strategy is starting to pay off. Though it is still early days, the post-smolt fish are so far showing good growth and are generally strong and healthy in the sea phase. Our belief in post-smolt as a sustainable way forward for the industry has been strengthened.

We are also at the very beginning of the digital transformation of fish farming, and the outlook is promising. Our feed conversion ratio has improved, partly due to our digitalization efforts. We see increased survival during harmful algal blooms in BC due to our digital mitigation systems. We are using data analytics to analyze selected challenging areas, in search of previously undiscovered connections. In 2019, one of these analyses uncovered new information about the cause of pancreas disease (PD) at some of our sites.

I am happy to report that salmon survival rates increased in the company last year. We are passionate about improving fish health and welfare in all regions, and work systematically to do so. We also obtained a new site in Finnmark.





We are targeting a cost at or below the industry average in the various regions. In 2019, we reached our cost target in Rogaland and Finnmark due to improved biological performance. With measures put in place, we believe we will reach our target in BC this year as well. In Shetland, unfortunately, it will take longer than expected to reach our cost target due to low volume and biological challenges. We are not content with the current situation, but we see that our systematic improvement efforts are having an effect. I am encouraged by an increased survival rate from 83 percent to 89 percent on Shetland in 2019.

Achieving a harvested volume of 100 000 tonnes and increased biological control in 2020 is the foundation for our new strategy for the period to 2025. By then, we aim to harvest at least 150 000 tonnes, to achieve cost leadership in each region, and to re-position Grieg Seafood in the value chain from a pure commodity supplier to a customer innovation partner. We will increase our presence downstream through partnerships, category development, and brand cultivation.

Sustainability is at the heart of our 2025 strategy. Reducing our footprint and improving fish welfare is key to getting the *license to operate* we need in our local communities to achieve our growth target. Because good health, high survival, and low impact drive cost down, sustainability is central to achieving cost leadership. With customers increasingly focusing on the environment and health, sustainability is also key to successfully achieving a stronger presence in the market. Grieg Seafood is committed to playing our part in solving the challenges that our industry faces. For 2019, we are proud to be included on the Climate A-list by the Carbon Disclosure Project.

2020 has started in a way that none of us could have foreseen. The COVID-19 pandemic has spread across the globe, and no industry is unaffected. So far, however, production at Grieg Seafood is going relatively well and according to plan. We see a reduced demand from the HoReCa segment and increased demand from retail, as people are eating more at home. As of today, we are still aiming to harvest 100 000 tonnes in 2020.

We have put in place many measures to keep our staff safe, and I continue to be impressed by how solution-oriented and flexible our employees are in this difficult situation. The vibrant company culture that we have been cultivating for years is today one of our strengths. From the bottom of my heart, I want to thank all of my colleagues in Grieg Seafood and Ocean Quality – from young apprentices to management – for their dedication to the company.



Reducing our footprint  
and improving fish welfare  
is key to getting the  
*license to operate* we need in  
our local communities to  
achieve our growth target.

ANDREAS KVAME

CEO, Grieg Seafood

Nobody knows what lies ahead or how long the impact of COVID-19 will last. After many profitable years, Grieg Seafood is in a robust financial condition. Still, we are preparing for all kinds of scenarios. We are postponing some investments to increase our buffer further, and we are making sure that our debt ratio is reasonable. In the long-run, though, with a growing middle class and consumer trends focusing on health and sustainability, we see huge opportunities for our fish in the market. We will do everything we can to ensure that we get through this crisis and continue to create value for our shareholders, customers, employees, and local communities alike for a long time to come.

For now, we will work hard, stay calm, and carry on.

# Our scoreboard

PILLAR	KPI	TARGET
HEALTHY OCEAN	Survival rate*	93%
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Use of antibiotics (g per tonne LWE)	No use of antibiotics
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Sea lice treatments** (g per tonne LWE)	Minimize use of pharmaceutical treatments
		Rogaland
		Finnmark
		Shetland
		British Columbia
	Use of hydrogen peroxide** (kg per tonne LWE)	Minimize use of pharmaceutical treatments
	Rogaland	
	Finnmark	
	Shetland	
	British Columbia	
Escape incidents	Zero escape incidents	
	Rogaland	
	Finnmark	
	Shetland	
	British Columbia	
SUSTAINABLE FOOD	Carbon emission (kgCO <sub>2</sub> e per tonne GWT)	30% reduction (from 2017) in emission/tonnes GWT by 2030
	High quality product	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	
LOCAL COMMUNITIES	Reputation amongst stakeholders	Good stakeholder reputation
	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/kg) per tonne of fish produced (LWE).

## The colours indicate

● Within target ● On track to meet our target ● Unsatisfactory result

	2016	2017	2018	2019	STATUS	REFERENCE
	93%	91%	92%	93%	●	page 64
	94%	95%	96%	96%	●	
	83%	89%	83%	89%	●	
	90%	93%	88%	88%	●	page 65
	0.0	0.0	0.0	0.0	●	
	0.0	0.0	0.0	0.0	●	
	0.9	1.7	13.9	29.2	●	
	126.9	18.3	151.3	87.0	●	page 69
	5.2	0.2	1.1	0.0	●	
	0.2	1.0	0.8	0.3	●	
	2.5	5.9	3.2	2.0	●	
	0.3	0.1	0.3	0.5	●	page 69
	18.5	10.8	3.5	11.9	●	
	42.4	13.4	14.5	0.0	●	
	76.0	82.7	32.6	12.2	●	
	0.0	9.2	5.8	6.0	●	page 73
	0	0	0	0	●	
	1 (200 fish)	0	0	0	●	
	2 (1 446 fish)	0	2 (22 212 fish)	2 (4 500 fish)	●	
	0	0	0	0	●	
	na	421	459	514	●	page 94
						page 84
	88%	81%	74%	75%	●	
	89%	78%	86%	86%	●	
	93%	93%	94%	94%	●	
	76%	81%	84%	86%	●	
	33%	24%	22 %	19%	●	page 107
	39.7	43.4	43.1	43.5	●	page 113
	64 726	62 598	74 623	82 973	●	page 113
						page 149
	3.4%	3.2%	4.7%	3.5%	●	
	6.1%	4.4%	5.4%	4.9%	●	
	2.7%	3.2%	2.3%	3.4%	●	
	1.6%	0.9%	1.8%	2.0%	●	
	0	0	0	0	●	page 138
	na	na	89% (Norway)	79% (global)	●	page 144
	-	-	-	Improving	●	page 38-39
	yes	yes	yes	yes	●	page 154-161

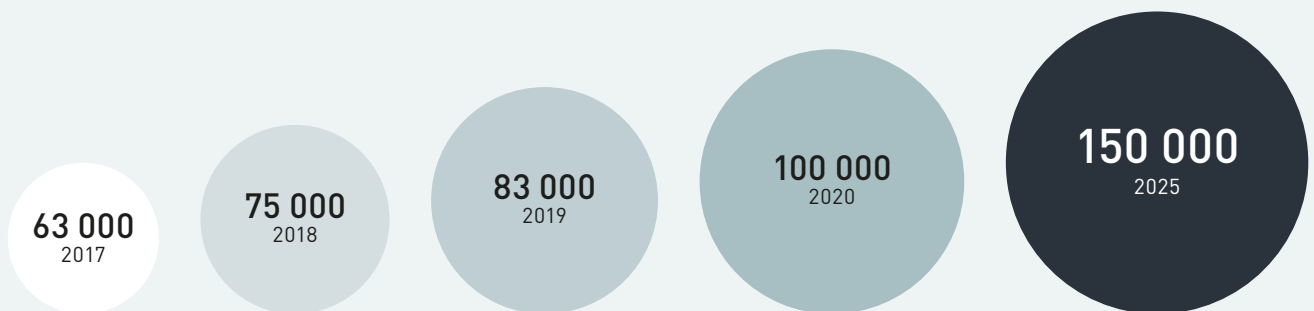
# Our business strategy

In 2016, we launched a growth program based on existing farming licenses. We aim to produce 100 000 tonnes in 2020, which will serve as a platform for further sustainable growth. In 2019, we launched our new strategy for the period 2020–2025. We aim to strengthen our position as a global supplier, and increase value creation by repositioning the Company in the value chain.



**FIGURE 1.6**  
SUSTAINABILITY DRIVES  
RESULT

**FIGURE 1.7**  
OUR GROWTH  
JOURNEY:  
HARVESTED TONNES  
We aim to harvest at least  
150 000 tonnes in 2025.



**SUSTAINABILITY DRIVERS**

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

**SUCCESS FACTORS**

- License to operate
- Higher volume
- Superior quality
- Reduced cost
- Engaged employees
- Preferred by customers and consumers

**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

Salmon farming is a long-term commitment, where sustainability and profit go hand in hand. In fact, sustainability drivers like sea lice control and fish survival rates directly impact success factors like cost and volume. Our sustainability drivers must perform well if we are to reach our financial targets.



OUR BUSINESS STRATEGY 2017—2020

# 100 000 TONNES - A PLATFORM FOR SUSTAINABLE GROWTH



## POST-SMOLT STRATEGY

During the first stages of their life, salmon are raised in onshore hatcheries. Our post-smolt strategy enables us to delay the transfer of smolt to the sea until they are larger. We are piloting the program in Rogaland.

Bigger smolt improves biosecurity because each salmon spends less time in sea, which reduces exposure to biological risks like sea lice or diseases. It also increases flexibility with regard to the stocking of smolt and allows us to fallow for longer periods if necessary. In addition, post-smolt improves salmon survival rates because each salmon is more robust when entering the sea.

Post-smolt transfer also allows for a more efficient production cycle. It takes less time to reach harvestable size in the sea, which frees up capacity at farms and cuts the number of active sea sites. The result is a lower environmental footprint per kilo, better fish health and welfare, increased productivity, and lower cost.

## STATUS

- While an average smolt transferred to the sea in 2014 weighed 90g, the average smolt transferred in Rogaland weighed 279g in 2019, and is expected to reach 410g in 2020.
- Good growth, increased survival, less disease and better sea lice control due to post-smolt transfer in Rogaland.
- Test of post-smolt production in a floating closed-containment aquaculture facility, the FishGLOBE, with promising results so far.

## BIOSECURITY AND FISH WELFARE

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

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

## STATUS

- Improved survival rates in Rogaland and Shetland.
- Less use of medical sea lice treatments.
- Improved EFCR - from 1.52 in 2018 to 1.28 in 2019 in Finnmark.

## DIGITALIZATION

When digitalizing salmon farming, we apply advanced sensors, big data, artificial intelligence, and automation, with the aim of generating better farming decisions. The goal is to enhance operational and strategic decision making by adding data driven decision support to experience-based knowledge in our daily operations.

We are working to simplify and standardize data acquisition. Farmers are starting to get access to real-time data from the pens to support decision-making. We have started utilizing big data analytics to understand and predict events, to improve management decisions, and to prevent negative occurrences. We call it Precision Farming.

Our digitalization efforts aim to improve insight, provide better production control for farmers, increase resource utilization, and improve area management. We have already gained new knowledge on correlations between the fish and the environment, which will impact both strategic and operational decisions. The result is increased growth, reduced environmental impact, improved fish welfare, increased productivity and lower cost.

## STATUS

- EFCR in Rogaland has improved, from 1.52 in 2018 to 1.28 in 2019, supported by centralized feeding by the operations center.
- Construction of the operational center in Rogaland is ongoing.
- BC had significant improvement to reduced mortality due to plankton mitigation investments. Through monitoring, we noticed a 400% increase in cautionary harmful plankton events, and a 300% increase in lethal plankton events.
- Analyses conducted support post-smolt with shorter time in sea as a good solution for the industry.
- New digitalization strategy towards 2025 supporting the new business strategy 2025 has been approved by the Board.
- A digital tool for optimizing feeding for site managers has been implemented globally.

## EXPANSION OPPORTUNITIES

We are looking for more sites and new locations in existing regions, which will allow us to improve flexibility, biosecurity, and fish welfare.

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

## STATUS

- One new site approved in Finnmark in 2019 and more applications are under consideration.
- Expansion of the post-smolt facility Tytlandsvik Aqua in Rogaland commenced.
- Acquired Grieg Newfoundland in Eastern Canada in 2020.



OUR BUSINESS STRATEGY 2020—2025

# SCALING GLOBALLY THROUGH GROWTH AND VALUE CHAIN INNOVATION



Going forward, Grieg Seafood will build on our existing platform from the last years. The strategy for 2020–2025 comprises three key strategic objectives for continued growth and business development. Increasingly sustainable farming practices is the very foundation of all areas of the strategy.

We are aiming for an annual harvest of at least 150 000 tonnes by 2025. We will focus on post-smolt investments, target new licenses and seize opportunities within new technology. In some regions, there is also potential for continued improvement of site utilization. We participate in new growth initiatives, M&As, joint ventures, and greenfield projects, and seek cooperation with farmers in existing areas.





Grieg Seafood targets cost leadership in each region. To improve operational performance, we will maintain a rigorous focus on fish health and welfare. We will also drive performance improvements through continuous research and development, and the utilization of new technologies. We have identified a potential to reduce cost by NOK 150–250 million by 2022.





We aim to increase the value of our products by becoming an innovation partner for our customers. This will be achieved through a stronger presence in the market, based on partnerships, category development and brand cultivation.



# Our business model

<b>INPUT</b>
<p><b>NATURE AND BIOLOGY</b> – <b>NATURAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Public natural resources: we lend sea areas for our sites and fresh water for our RAS facilities.</li> <li>Privately owned natural resources:             <ol style="list-style-type: none"> <li>Plantbased and marine feed ingredients</li> <li>Eggs</li> </ol> </li> </ul>
<p><b>TECHNOLOGY</b> – <b>TECHNOLOGICAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Farming equipment and technology</li> </ul>
<p><b>FINANCIAL</b> – <b>FINANCIAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Trust and investment from investors</li> <li>Access to capital</li> </ul>
<p><b>PEOPLE</b> – <b>HUMAN CAPITAL</b></p> <ul style="list-style-type: none"> <li>People (experience, ideas, passion)</li> <li>Culture</li> <li>Corporate Governance</li> </ul>
<p><b>LICENCE TO OPERATE</b> – <b>POLITICAL/SOCIAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Trusted among our key stakeholders</li> <li>Favourable political conditions</li> </ul>

<b>GSF 2020</b>				
<b>GSF 2025</b>				
				
<b>BREEDING</b>	<b>FRESHWATER FARMING</b>	<b>SEAWATER FARMING</b>	<b>HARVESTING</b>	
<p>In Rogaland, we have a broodstock operation where we breed for specific traits, such as strong health or resistance to sea lice and diseases.</p>	<p>In all of our regions, we have RAS freshwater facilities, where the eggs are hatched and the salmon spend at least the first year. As part of our post-smolt strategy, we keep the salmon longer on land in all regions.</p>	<p>The salmon live and grow in the sea until they reach a harvestable size of 4–5 kg.</p>	<p>We have harvesting plants in Rogaland and Finnmark in Norway, and in Shetland in the UK. We use a harvesting vessel in British Columbia, Canada.</p>	

			
<p><b>SALES AND DISTRIBUTION</b></p>	<p><b>VALUE ADDED PROCESSING</b></p>	<p><b>RETAIL / HORECA</b></p>	<p><b>CONSUMER</b></p>
<p>Our subsidiary Ocean Quality handles sales and distribution in all of our regions.</p>	<p>In our 2025 strategy, we will form closer partnerships in the market and increase the value of our salmon through VAP.</p>	<p>Our salmon is found in retail stores or on the menu at restaurants or hotels. Today, we have two HoReCa brands, Skuna Bay and Kvitsøy.</p>	<p>Every day, 900 000 meals made from Grieg Seafood salmon are consumed by people in more than 50 countries.</p>

**OUTCOME**



ALMOST  
**1 400 000**  
 HEALTHY MEALS PER DAY

**OUR BRANDS**

**SKUNA BAY**

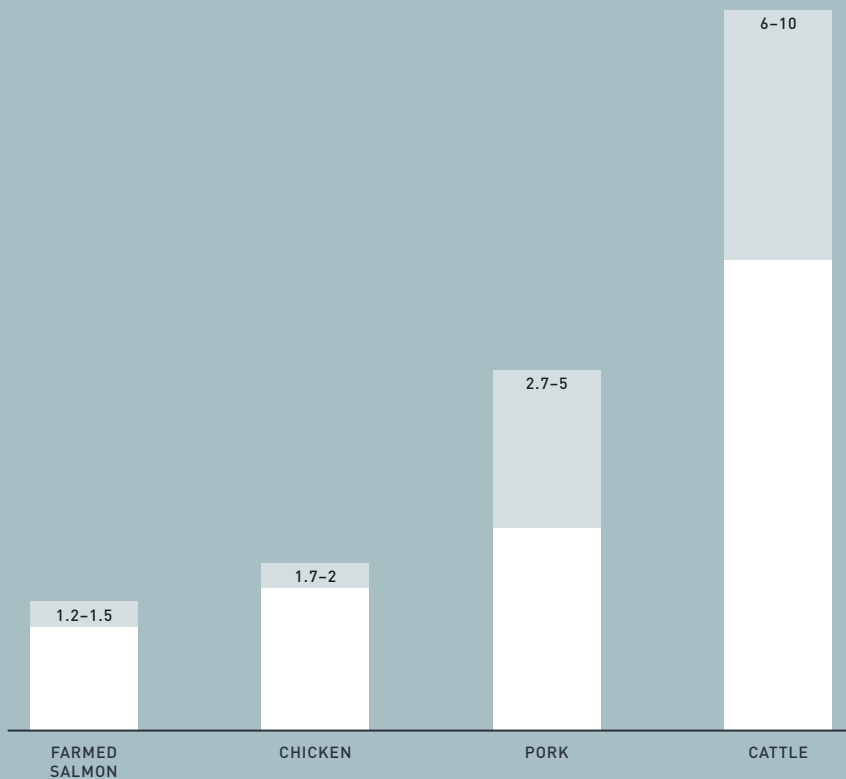
Skuna Bay is our high-end HoReCa brand sold in the US. The Skuna Bay fish is preferred by some of the top American chefs, and is regularly served at the James Beard Award. Read more here: <https://www.skunasalmon.com/>

**KVITSØY**

Kvitsøy is our high-end HoReCa brand sold in Europe, mainly to Italy and Spain.

# Farming the ocean for a better future

70% of the Earth is covered by ocean. Today, however, we obtain only about 2% of our food from the sea. The ocean can provide much more healthy nutrition to people on all continents.



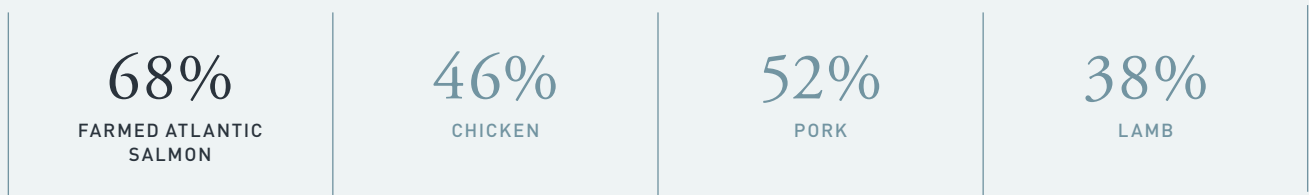
**FIGURE 1.8**  
**FEED CONVERSION RATIO**  
Feed conversion ratio (FCR) measures the productivity of different protein production methods. A lower FCR represents a more efficient use of feed resources.

The global population continues to grow rapidly, and fish farming represents one way to meet the increasing demand for sustainable protein production and healthy food.

Because there are limits to the amount of wild fish that can be sustainably harvested, aquaculture must meet the demand for more seafood in peoples' diets. Sustainable farming of fish and other marine species has an enormous potential globally. With a low carbon footprint, a low feed conversion ratio and a low land and fresh water use, farmed salmon continues to be one of the most eco-efficient forms of animal protein.

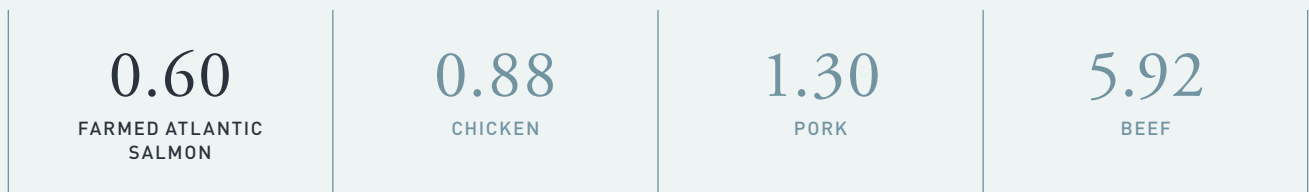
**FIGURE 1.9**  
EDIBLE YIELD

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



**FIGURE 1.10**  
CARBON FOOTPRINT

Salmon has a low carbon footprint compared to other animal proteins. Carbon footprint measures the total greenhouse gas emissions caused directly and indirectly by production of an item. Carbon footprint is measured as tonnes of carbon dioxide equivalent per tonne of edible protein.



Source: <https://globalsalmoninitiative.org/en/sustainability-report/protein-production-facts/>

## THE CHALLENGES WE MUST SOLVE

Though we have made great progress in finding more sustainable fish farming methods in recent decades, many challenges remain:

### 1. ENSURING CO-EXISTENCE WITH OTHER SPECIES

It is our responsibility to protect biodiversity wherever we operate. Our aim is to use farming methods that allow us to co-exist with other species, such as wild salmon, cod, shrimp, wild mammals, and birds. Going forward, our industry must work hard to reduce our environmental impact.

### 2. IMPROVING FISH WELFARE

While only a few fish from millions of eggs survive in the wild, farming fish in captivity puts an ethical responsibility on us to safeguard our stocks' survival, health, and welfare. While we have worked hard to improve survival rates and fish health in recent decades, much work remains to understand how we can improve animal welfare at our farms. This also includes cleaner fish.

### 3. FINDING SUSTAINABLE FEED INGREDIENTS

As an industry, we need to develop new feed ingredients in order to grow sustainably. We need novel marine ingredients, as well as novel protein ingredients.

### 4. CUTTING CARBON EMISSIONS

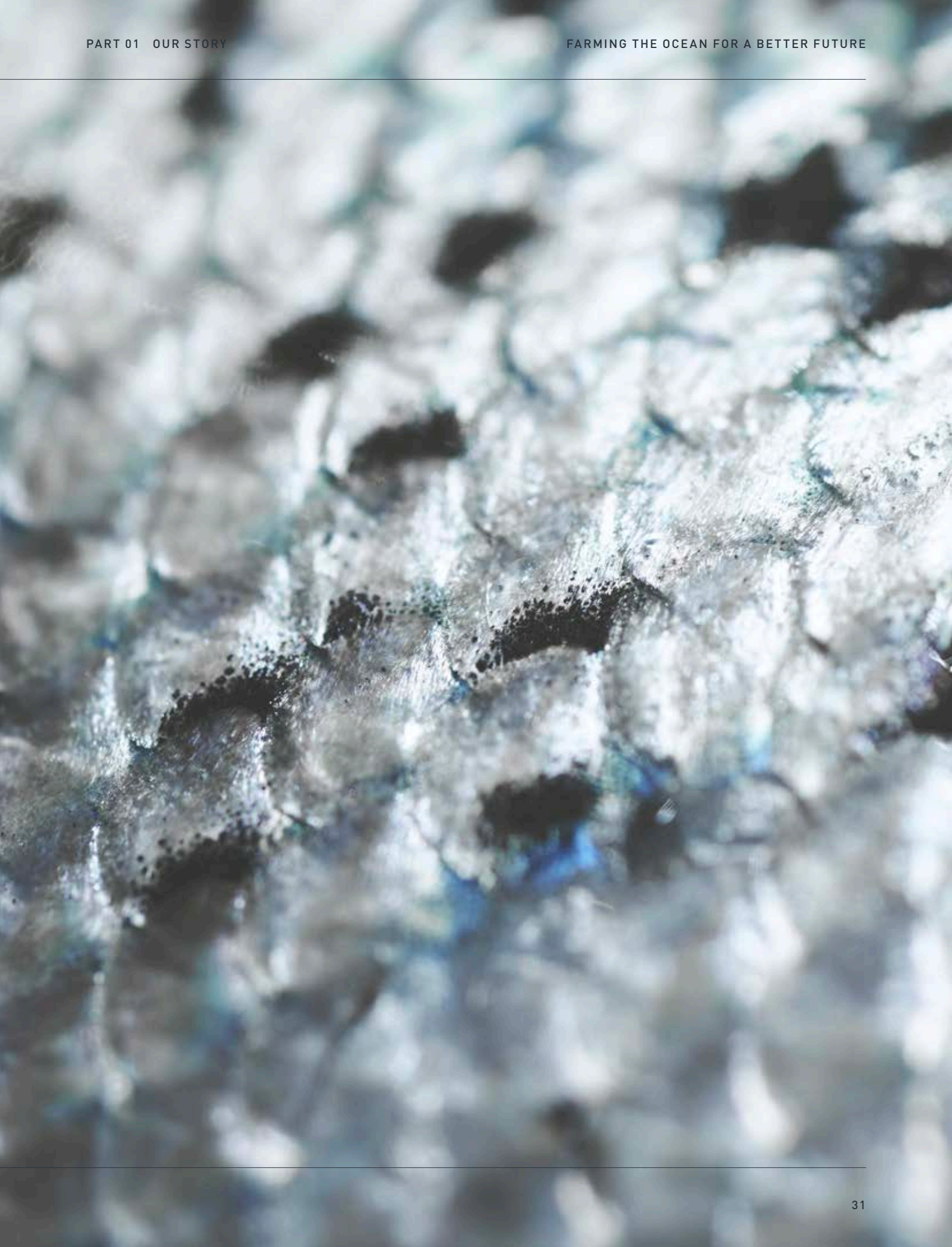
While farmed salmon has a low carbon footprint compared to other animal proteins, our industry must still cut more to contribute to achieving the Paris Climate Agreement. New technologies must be developed to cut emissions in our operations and value chain.

### 5. RECYCLE RESOURCES

Our industry must develop a circular approach in more areas. The aim is to support the circular economy and recycle resources throughout our value chain.

As the global pioneer and first-mover in developing food production in the ocean, the salmon farming industry is spearheading new knowledge, innovation and technology to find solutions to the challenges. As life below water is extremely complex, billions in research & development investments are needed to advance within each area. As such, the salmon farming industry must solve the challenges together, each company testing out different solutions. Together we advance aquaculture practices.





# The UN Sustainable Development Goals

## SUSTAINABLE OCEAN PRINCIPLES

Grieg Seafood has committed to the UN Global Compact as part of the Grieg Group. Grieg Seafood has committed to the Sustainable Ocean Principles established by the UN Global Compact.

For more information, please see:  
<https://www.unglobalcompact.org/take-action/ocean>

## STRETCH GOALS

### 2 ZERO HUNGER

#### SDG 2 — ZERO HUNGER

The salmon farming industry is driving developments in global aquaculture. As a result, we are making a broader contribution to sustainable seafood production. Sustainable farming methods and practices, biological and technical innovation, research, new knowledge, and government regulations developed for the salmon farming industry can be transferred to the production of other marine species in other parts of the world. The solutions we find not only make our own operations more sustainable, but also advance the practices of fish farming industries in other countries. That way, we can truly contribute to zero hunger.

### 13 CLIMATE ACTION

#### SDG 13 — CLIMATE ACTION

Farmed fish is one of the animal proteins with the lowest carbon footprint. Still, the salmon farming industry must work to cut the carbon footprint of our salmon even further.

### 14 LIFE BELOW WATER

#### SDG 14 — LIFE BELOW WATER

We work to conserve and use oceans, seas, and marine resources sustainably. 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

#### SDG 17 — PARTNERSHIPS FOR THE GOALS

We cannot reach the goals we have set alone. We collaborate with authorities, research 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 learn from those around us.

## WE ARE ALSO COMMITTED TO

---

### 3 GOOD HEALTH AND WELL-BEING

#### SDG 3 — GOOD HEALTH AND WELL-BEING

The salmon we produce is a source of marine omega-3 and healthy for the human body.

### 4 QUALITY EDUCATION

#### SDG 4 — QUALITY EDUCATION

We ensure that our employees receive the right training and development, so that the Company always has the knowledge and expertise it needs.

### 5 GENDER EQUALITY

#### SDG 5 — GENDER EQUALITY

Gender equality and a diverse workforce, with people of different backgrounds, is not only our social responsibility, it is also key to profitable growth.

### 6 CLEAN WATER AND SANITATION

#### SDG 6 — CLEAN WATER AND SANITATION

Fresh water is a scarce resource in some countries, but not in the regions in which we operate. However, we have a responsibility to ensure efficient use of fresh water, and by using recirculating aquaculture systems (RAS) for most of our freshwater facilities, we reuse 90-97% of our water.

### 8 DECENT WORK AND ECONOMIC GROWTH

#### SDG 8 — DECENT WORK AND ECONOMIC GROWTH

We provide good jobs with fair conditions in rural areas. We contribute to economic growth in our local communities in Norway, the UK, and Canada.

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

#### SDG 9 — INDUSTRY, INNOVATION AND INFRASTRUCTURE

We take part in research and innovation to find new solutions to our challenges, and advance global food production in the ocean.

### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

#### SDG 12 — RESPONSIBLE CONSUMPTION AND PRODUCTION

We implement policies and processes to improve resource efficiency and reduce waste. We look for new solutions to boost the circular economy.

### 15 LIFE ON LAND

#### SDG 15 — LIFE ON LAND

We participate in projects to combat deforestation in our supply chain, and certify the soy we use for our feed.

### 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

#### SDG 16 — PEACE, JUSTICE AND STRONG INSTITUTIONS

We do business in a way that is inclusive, just, and accountable, and that promotes strong societies and institutions.

# Our approach to sustainable business

## OUR PILLARS

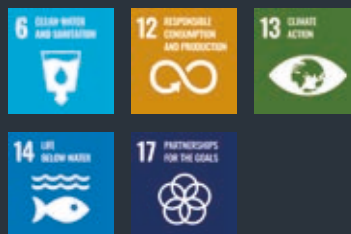


### HEALTHY OCEAN



### SUSTAINABLE FOOD

## SDG ALIGNMENT



## TOPICS

- Fish health and welfare
- Sea lice control
- Escape control
- Limiting local emissions
- Interaction with wild life

- Safe and healthy food
- Sustainable feed ingredients
- Reducing carbon emissions
- Climate risk
- Waste management



In our long-term perspective, there is no contradiction between clean seas, healthy fish and financial profit. It is our task to make these aspects 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.



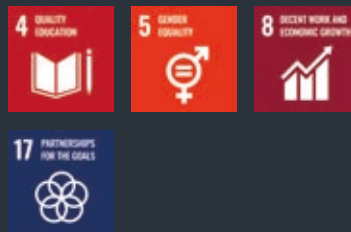
### PROFIT & INNOVATION



- Seafood demand
- Economic productivity
- Profitable growth



### PEOPLE



- Human rights and ethics
- Embracing diversity
- Creating attractive jobs
- Keeping our employees safe
- Anti-corruption



### LOCAL COMMUNITIES



- Local value creation and local purchasing
- Respect for Indigenous rights
- Dialogue and engagement

# OUR MATERIALITY MATRIX FOR SUSTAINABLE REPORTING

Together with our stakeholders, we have identified our most important risks and opportunities, based on our operations and geographical locations.

- CATEGORIES**
- Healthy Ocean
  - Sustainable Food
  - Profit & Innovation
  - People
  - Local Communities

INFLUENCE ON STAKEHOLDER ASSESSMENTS AND DECISIONS	MODERATE	<ul style="list-style-type: none"> <li>• Anticorruption</li> </ul>	<ul style="list-style-type: none"> <li>• Escape control</li> <li>• Sea lice control</li> <li>• Fish health &amp; welfare</li> <li>• Organic emission</li> <li>• Medicines and chemicals</li> <li>• Plastic waste</li> <li>• GHG emissions</li> <li>• Safe &amp; healthy food</li> <li>• Sustainable feed ingredients</li> <li>• Economic performance</li> <li>• Corporate governance &amp; responsible business conduct</li> <li>• Human rights</li> <li>• Workplace safety (HSE)</li> <li>• Indigenous relations</li> </ul>	
	SIGNIFICANT	<ul style="list-style-type: none"> <li>• Visual and noise pollution</li> <li>• Community dialogue</li> <li>• Community sponsorships</li> <li>• Freedom of association</li> </ul>	<ul style="list-style-type: none"> <li>• Recycling &amp; waste management</li> <li>• R&amp;D/ innovation</li> <li>• Diversity</li> <li>• Integrity</li> <li>• Lifelong learning (training, education)</li> </ul>	
	MODERATE	<ul style="list-style-type: none"> <li>• Data security &amp; privacy</li> </ul>	<ul style="list-style-type: none"> <li>• Local value creation</li> <li>• Wildlife interactions</li> </ul>	
		MODERATE	SIGNIFICANT	MATERIAL

## SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

The identified sustainability topics are based on the positive and negative environmental, social, and economic impacts that our stakeholders think Grieg Seafood may have. The materiality analysis is based on stakeholder dialogues and evaluations by our global and regional management teams. The material topics identified define the content of this report and are aligned with how we report our pillars. For more information, please see the GRI index in the Appendix of this Annual Report.





# STAKEHOLDER DIALOGUE

Our value *Open* guides our stakeholder dialogue. We aim to be open and honest about our challenges, make it easy for our stakeholders to hold us accountable, and share how we are working to improve.

Engaging and collaborating with our stakeholders helps us understand and address our most material sustainability issues. Our stakeholders span our five pillars and gaining their trust is integral for our license to operate. Stakeholders are chosen according to the impact they have on our business, and the economic, environmental and social impact we have on the stakeholders. Stakeholder dialogue is also key to be able to grasp emerging opportunities for our business, and to understand and mitigate risk.

We engage actively and continuously with our stakeholders, and always maintain an open door for stakeholder feedback. Stakeholders frequently contact us to discuss issues. We also engage stakeholders proactively on matters where we believe we can have significant impact, such as with feed suppliers. Ultimately, our stakeholders help us deliver healthy food and make positive impact throughout our value chain. The trust of all our stakeholders is an important part of our license to operate.

STAKEHOLDER	KEY TOPIC	HOW WE ENGAGE	ACTIONS	EXAMPLE
<b>NATIONAL AUTHORITIES / REGULATORS</b>	<ul style="list-style-type: none"> <li>• Sustainability challenges.</li> <li>• Balanced regulation and long-term value creation.</li> </ul>	Meetings, site visits, and correspondence.	We have an open dialogue with all official authorities where we operate, and collaborate on all aspects. We welcome their efforts to enforce regulations and engage in constructive dialogue.	In 2019, we hosted a visit by the Norwegian Minister of Trade, Industry and Fisheries to discuss establishment of apprenticeships.
<b>LOCAL AUTHORITIES / COMMUNITIES</b>	<ul style="list-style-type: none"> <li>• Local employment and purchasing.</li> <li>• Contributions to public life.</li> <li>• Sustainability challenges.</li> <li>• Co-existence with other local interests.</li> </ul>	Dialogue with special interest groups locally, open meetings, site visits, and dialogue through mainstream media and digital channels.	We recognize public concern for the oceans, invite visitors to our farms and participate in the public debate about salmon farming. We try to find solutions to accommodate other local interests. In areas with Indigenous populations, consent, dialogue and relations with Indigenous representatives are especially important.	Before the local elections in Norway in 2019, we arranged farm tours for politicians from different political parties in Finnmark and Rogaland.



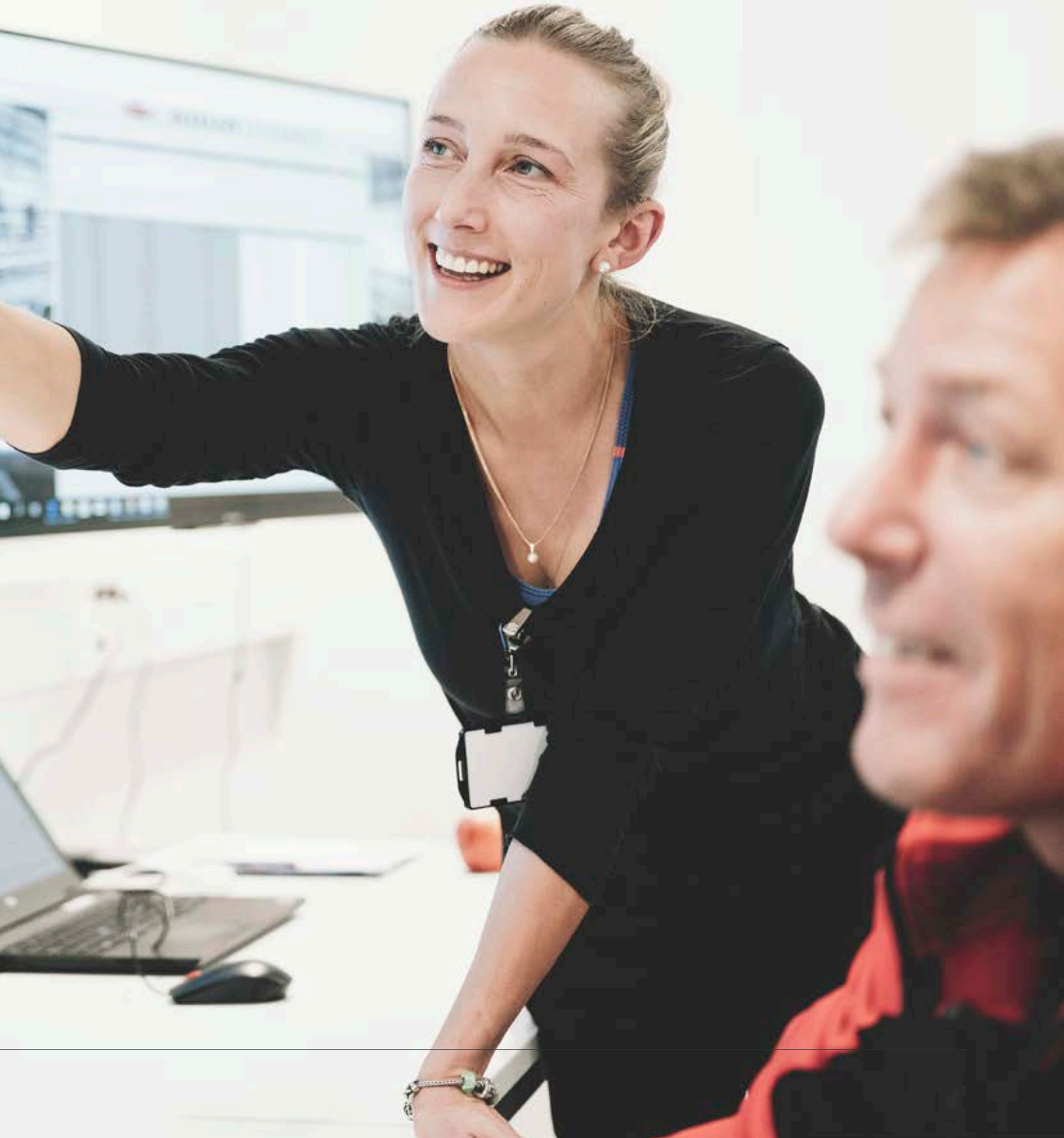
STAKEHOLDER	KEY TOPIC	HOW WE ENGAGE	ACTIONS	EXAMPLE
STAKEHOLDER ORGANIZATIONS/ NON-GOVERNMENTAL ORGANIZATIONS	<ul style="list-style-type: none"> <li>Sustainability challenges.</li> </ul>	Correspondence, meetings, media and social media.	We collaborate with and seek advice from actors that constructively seek to improve the industry. That includes several environmental organizations and research institutions.	We have regularly received advice from the Rainforest Foundation Norway on deforestation risk in our supply chain.
SHAREHOLDERS, INVESTORS, ASSET MANAGERS AND ANALYSTS	<ul style="list-style-type: none"> <li>Long-term performance and returns, both on financial and sustainability-related parameters.</li> <li>How we utilize opportunities and mitigate risk.</li> </ul>	Quarterly presentations, roadshows, meetings, frequent dialogue, capital market days, and engagement with relevant indexes.	We make every effort to maintain a continuous, open, and honest dialogue about our strategy and results. We have also started engaging with relevant indexes where we are rated, to make sure they give Grieg Seafood an accurate score.	During 2019, we have completed investor roadshows in France, Germany, Sweden, Switzerland and the UK.
CUSTOMERS	<ul style="list-style-type: none"> <li>Food safety.</li> <li>Health attributes.</li> <li>Quality.</li> <li>Certifications.</li> <li>Sustainability challenges.</li> </ul>	Customer surveys, frequent dialogue, audits, visits and trade fairs.	We have frequent dialogues with our customers. We supply them with material for dialogue with their own stakeholders, and participate in initiatives where our customers are present.	We have engaged in Cerrado Manifesto Signatories of Support, which aims to halt deforestation in the Brazilian Cerrado. Many of our customers are also signatories to the initiative.
EMPLOYEES	<ul style="list-style-type: none"> <li>Health and safety.</li> <li>A good working environment.</li> <li>Personal development.</li> <li>Fish welfare and sustainability challenges.</li> </ul>	Continuous dialogue and meetings, intranet, and employee surveys.	Frequent dialogue on all levels and initiatives for training, education, and development. We also engage in dialogue with trade unions and employee representatives. Focus on developing a culture in line with our values.	We use Workplace on an almost daily basis to inform employees about developments, build culture, and cultivate engagement.
SUPPLIERS	<ul style="list-style-type: none"> <li>Our integrity.</li> <li>That we are a fair and predictable partner.</li> </ul>	Dialogue, meetings, conferences and correspondence.	Ensuring that they comply with our Code of Conduct, and that we have a common understanding of ethics, sustainability and the delivery of goods and services. This particularly pertains to our suppliers of fish feed and staffing.	We have quarterly meetings with our feed suppliers, where we discuss issues and developments.

## TRANSPARENT REPORTING ON OUR PROGRESS

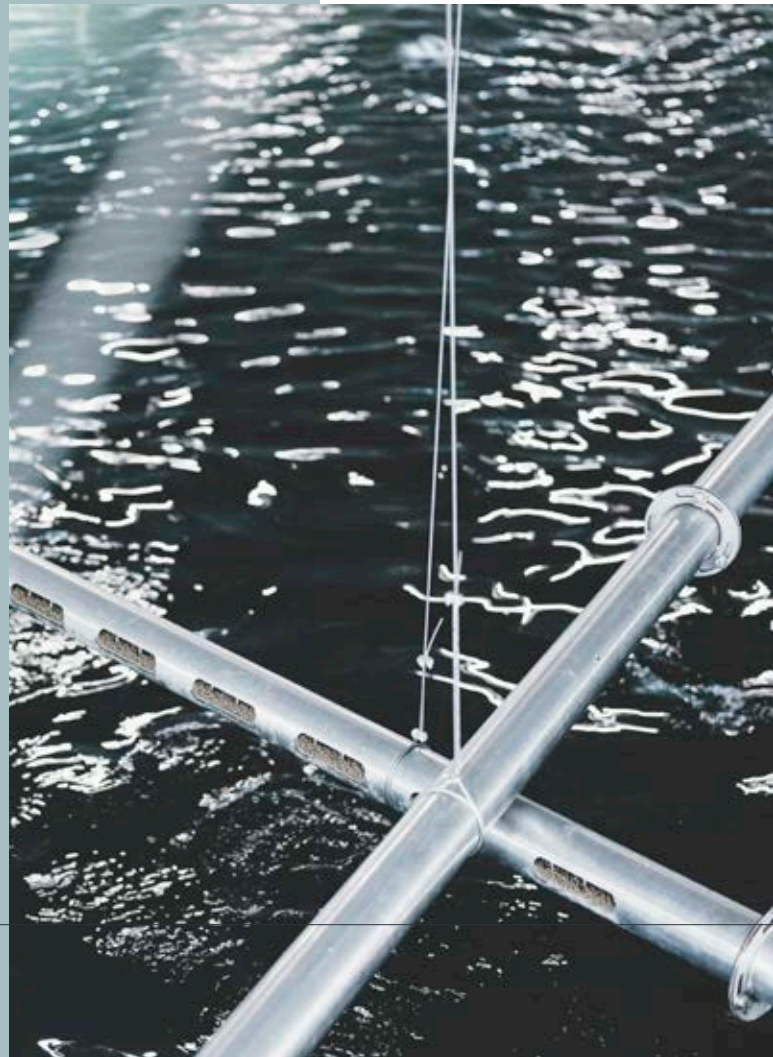
This is an integrated report, in which we report our progress with respect to all of our pillars. We believe that measuring and integrating comparable, consistent, and reliable environmental, social, and governance parameters is fundamental to making more informed decisions and to facilitating long-term sustainable growth.

INDEX /FRAMEWORK	2019 RESULT	COMMENT
<b>CDP</b> CARBON DISCLOSURE PROJECT	A	Grieg Seafood has engaged with CDP since 2018.
<b>FAIRR INDEX</b> COLLER FAIRR PROTEIN PRODUCER INDEX	6 <sup>th</sup>	Grieg Seafood is engaging with the index to better understand the concerns of our stakeholders and issues we should address in our reporting.
<b>SUSTAINALYTICS</b> SUSTAINALYTICS ESG RISK RATING	38.3 - High Risk (where 0 is best)	Grieg Seafood has not engaged with the index so far, but will do so going forward, to ensure that the index reflects our actual performance on the different parameters.
<b>GRI</b> GLOBAL REPORTING INITIATIVE	Audited	This is our first report prepared in accordance with the GRI Standards.
<b>GSI</b> GLOBAL SALMON INITIATIVE	Audited	The GSI issues an annual sustainability report covering 50% of the salmon farming industry.
<b>NUES</b> NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE	In compliance	We adopted the Norwegian Code of Practice for Corporate Governance in 2007.
<b>OECD</b> GUIDELINES FOR MULTINATIONAL ENTERPRISES	-	We adhere to principles and standards for responsible business conduct.
<b>OSE</b> OSLO STOCK EXCHANGE	-	We follow the Euronext guidance on ESG reporting.
<b>TCFD</b> TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	-	Our first TCFD report is included as part of this Annual Report.

For more information, see the GRI Content Index and the TCFD index in the Appendix to this report.



# Group management team



## GROUP MANAGEMENT



### **ANDREAS KVAME (1962)**

Chief Executive Officer (from 2015)

**BACKGROUND** 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 of Scanbio AS, and as director of sales and supply at Mowi, where he was also responsible for the integration of Stolt Seafarms, Panfisk, and Fjord Seafood.

**EDUCATION** Kvame has an educational background in agriculture and aquaculture.

**NUMBER OF SHARES 31.12.2019** 39 165 (0.04%)

**NUMBER OF OPTIONS 31.12.2019** 400 000



### **ATLE HARALD SANDTORV (1967)**

Chief Financial Officer (from 2009)

**BACKGROUND** Atle Harald Sandtorv has extensive experience of mergers and acquisitions, with responsibility of pursuing growth and structural changes. He has previously served as CFO of Bennex and Tide.

**EDUCATION** Sandtorv holds a master's degree in business and economics.

**NUMBER OF SHARES 31.12.2019** 24 208 (0.02%)

**NUMBER OF OPTIONS 31.12.2019** 200 000



### **KNUT UTHEIM (1966)**

Chief Operational Officer Farming (from 2014)

**BACKGROUND** Knut Utheim has 30 years of experience within the aquaculture industry, with the focus on salmon farming and biology. He has previously served as a regional director with Mowi and as COO of farming at Stolt Seafarm, among others.

**EDUCATION** Utheim has an aquaculture degree.

**NUMBER OF SHARES 31.12.2019** 23 507 (0.02%)

**NUMBER OF OPTIONS 31.12.2019** 200 000



### **KATHLEEN O. MATHISEN (1971)**

Chief Human Resource Officer (from 2016)

**BACKGROUND** Kathleen O. Mathisen has extensive experience of business-driven HR activities, focusing 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.

**EDUCATION** Mathisen has taken several management courses, including courses within leadership and sustainability.

**NUMBER OF SHARES 31.12.2019** 7 536 (0.01%)

**NUMBER OF OPTIONS 31.12.2019** 132 712

## REGIONAL MANAGEMENT



### **MARVIN D. "ROCKY" BOSCHMAN (1961)**

Regional Manager Grieg Seafood British Columbia (from 2014)

**BACKGROUND** 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 of saltwater production director at Grieg Seafood BC.

**EDUCATION** Boschman has an MBA and a bachelor's degree in marine biology.

**NUMBER OF SHARES 31.12.2019** 6 324 (0.01%)

**NUMBER OF OPTIONS 31.12.2019** 135 056



### **ALEXANDER KNUDSEN (1974)**

Regional Manager Grieg Seafood Rogaland (from 2008)

**BACKGROUND** Alexander Knudsen has more than 20 years of experience from various positions within the aquaculture industry. Knudsen worked at Øvrebo Fisk, which was acquired by Grieg Seafood in 1997, since then he has held several positions at Grieg Seafood Rogaland.

**EDUCATION** Knudsen has a degree in economics and business administration.

**NUMBER OF SHARES 31.12.2019** 22 165 (0.02%)

**NUMBER OF OPTIONS 31.12.2019** 200 000



### **ROY-TORE RIKARSDEN (1967)**

Regional Manager Grieg Seafood Finnmark (from 2014)

**BACKGROUND** Roy-Tore Rikardsen has more than 20 years of experience from the aquaculture industry. He has held various positions, including production manager seawater at Lerøy Aurora, regional manager at Akva Group, and sales consultant at Ewos.

**EDUCATION** Rikardsen has an engineering degree within environment and marine technology.

**NUMBER OF SHARES 31.12.2019** 19 565 (0.02%)

**NUMBER OF OPTIONS 31.12.2019** 200 000



### **GRANT CUMMING (1971)**

Regional Manager Grieg Seafood Shetland (from 2016)

**BACKGROUND** Grant Cumming has almost 20 years of experience of salmon farming. He has previously served as site manager at Mowi and production manager at Orkney Seafoods. He joined Grieg Seafood Shetland in 2005 as production manager. He has also been lecturing in aquaculture.

**EDUCATION** Cumming has a degree in zoology and a master's degree in mariculture science.

**NUMBER OF SHARES 31.12.2019** 7 283 (0.01%)

**NUMBER OF OPTIONS 31.12.2019** 142 437



## OTHER MEMBERS OF THE GROUP MANAGEMENT TEAM



### **KRISTINA FURNES (1987)**

Group Communication Manager (from 2019)

**BACKGROUND** Kristina Furnes has seven years of experience within strategic communications, PR, public affairs, journalism and public administration. Her previous positions include client director at the communications agency Geelmuyden Kiese and freelance journalism.

**EDUCATION** Furnes has a master's degree in political science and government.

**NUMBER OF SHARES 31.12.2019** 0

**NUMBER OF OPTIONS 31.12.2019** N/A



### **NINA WILLUMSEN GRIEG (1983)**

Manager Business Development (from 2017)

**BACKGROUND** Nina W. Grieg has more than ten years of experience within strategy and operations. Previous positions include advisory and project management roles at Accenture, PwC, and Grieg Shipbrokers. She joined Grieg Seafood in 2015.

**EDUCATION** Willumsen Grieg holds a master of science degree in technology, industrial economics, and technology management.

**NUMBER OF SHARES 31.12.2019** 0

**NUMBER OF OPTIONS 31.12.2019** N/A



### **TROND KATHENES (1962)**

Chief Digital Officer (from 2011)

**BACKGROUND** Trond Kathenes has more than 20 years of experience from strategy development and execution, ICT management, and business process improvements. He is a recognized driver for change. He has previously been a partner at Qdvice Human Resources and Conferit, CEO of Global Quality Manning, ICT manager at Rieber & Son, and business development manager at Capgemini.

**EDUCATION** Kathenes has an educational background in strategy and operations.

**NUMBER OF SHARES 31.12.2019** 0

**NUMBER OF OPTIONS 31.12.2019** N/A





## PART 02

# OUR PROGRESS

<b>CERTIFICATIONS AND LICENSES</b>	<b>48-53</b>	<b>PROFIT &amp; INNOVATION</b>	<b>100</b>
<b>HEALTHY OCEAN</b>	<b>54</b>	The global salmon market	102-103
Fish health and welfare	56-65	Ocean Quality and our markets	104-105
Sea lice control	66-71	Economic productivity	106-111
Escape control	72-73	Profitable growth	112-121
Limiting local emissions	74-77	The Grieg Seafood shares	122-125
Interaction with wild life	78-79	Analytical information	126-133
<b>SUSTAINABLE FOOD</b>	<b>80</b>	<b>PEOPLE</b>	<b>134</b>
Safe and healthy food	82-87	Human rights and ethics	136-139
Sustainable feed ingredients	88-91	Embracing diversity	140-141
Reducing carbon emissions	92-95	Creating attractive jobs	142-145
Climate risk	96-97	Keeping our employees safe	146-149
Waste management	98-99	Anti-corruption	150-151
		<b>LOCAL COMMUNITIES</b>	<b>152</b>
		Local value creation	154-159
		Finding the path to shared prosperity	160-161

# Our certifications and special licenses

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



CERTIFICATE/ LICENSE	WHAT	STATUS	AIM
ASC	Aquaculture Stewardship Council (ASC) was founded in 2010 by World Wide Fund for Nature (WWF) and IDH Sustainable Trade Initiative to establish global standards for sustainable seafood production.	At year end 2019, ten of our 20 active sites in Finnmark have received ASC certification: Sarnes, Hesten, Mårsanjarga, Vinnalandet, Bergsnes, Davatluft, Kleppenes, Tinnlandet, Laholmen, and Vedbotn.	ASC certification of all sites in all regions. In Finnmark and Canada we aim to achieve this within 2021, while the timeline is not set for Rogaland and Shetland.
GLOBALG.A.P	Global Good Agricultural Practices is a standard for both agriculture and aquaculture. The standard covers food safety, animal welfare, sustainability, employment, and traceability. GlobalG.A.P is particularly important for customers in Europe.	All our farms in Norway and the UK are certified.  (Not relevant for Canada)	Maintain certification of all farms in Norway and the UK.
BAP	Best Aquaculture Practices is a standard for aquaculture that covers practices in all production stages of fish farming. BAP is particularly important for customers in the United States.	All our farms in Canada are certified.  (Not relevant for Norway and the UK).	Maintain certification on all farms in Canada.

GREEN LICENSES	Green Licenses in Norway have stricter environmental criteria. The sea lice limit is half that 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 our green licenses in Finnmark.
EDUCATION LICENSES	Education licenses in Norway are given to universities, colleges, or high schools offering aquaculture-related courses of study. Salmon farming companies can lease education licenses from the educational institution. Part of the training will then take place at their salmon farms.	Grieg Seafood leases one education license from Nordkapp High School in Finnmark, and one education license from Strand High School in Rogaland.	Maintain our education licenses in Finnmark and Rogaland.
BROODSTOCK LICENSES	The purpose is to produce roe and milt from salmon with improved and/or specific traits.	Grieg Seafood has three broodstock licenses in Erfjord in Rogaland.	Maintain our broodstock licenses.
R&D LICENSES	The purpose is to encourage important research projects that can bring the Norwegian aquaculture industry forward.	Grieg Seafood had in 2019 one R&D license in Rogaland.	We have applied for renewal of our R&D license.

## ASC

The Aquaculture Stewardship Council (ASC) promotes responsibly farmed seafood through its certification and labelling program. Fish farms that meet the ASC’s standards gain the right to sell their products bearing the ASC logo. This gives farms a public endorsement of their responsible practices and gives consumers the reassurance that they are making an ethical purchase.

ASC-certified salmon is a responsible choice, helping the consumer to care for the natural environment and support local communities.

<b>BIODIVERSITY</b>	Requirement to minimize impacts on the local ecosystem in a number of ways, such as the development and implementation of an impact assessment to protect birds, marine mammals, and sensitive habitats.
<b>FEED</b>	Requirement to adhere to strict limits to minimize the use of wild fish as a feed ingredient.
<b>POLLUTION</b>	Requirement to measure various water parameters (phosphorus, oxygen levels, etc.) at regular intervals, and remain within set limits. Copper release into the water must be minimized and monitored.
<b>DISEASES</b>	Requirements to minimize disease outbreaks. A Fish Health Management Plan detailing steps for biosecurity management must be implemented at the farm. Survival rates must be high.
<b>SOCIAL</b>	Requirements based on the core principles of the International Labor Organization (ILO).

For more information, visit: <https://www.asc-aqua.org/>

## COLLABORATIONS



### THE GLOBAL SALMON INITIATIVE (GSI)

GSI, established in 2013, is a group of 17 companies which together control over 50% of the world’s salmonid production. GSI member companies have committed to cooperation and transparency, and the initiative has developed industry-specific performance indicators. GSI was recognized by the World Wildlife Fund (WWF) as a best-practice pre-competitive industry collaboration in 2019. The member companies transparently report company-wide data on key sustainability criteria each year as part of the GSI Sustainability Report. For more information on this report, see <https://globalsalmoninitiative.org/en/>.



### BELLONA

The Bellona Foundation is a Norwegian, independent non-profit organization that aims to meet and fight climate-related challenges, by identifying and implementing sustainable environmental solutions. Grieg Seafood and Bellona are collaborating on opportunities and challenges specifically related to plastic waste. Read more about our plastic project in the "Waste management" section.



## 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. Grieg Seafood has been an active member of the NCE cluster since the start.



## KOMPETANSEKLYNGE LAKS (SALMON COMPETENCE CLUSTER)

Kompetanseklynge Laks in Finnmark is a collaboration between the local municipalities, the Sami Parliament, the salmon industry, the Norwegian Fishermen's Association, wild salmon management and research bodies. The cluster is researching various interactions between farmed and wild salmon in Alta, where one of the world's most famous wild salmon rivers, the Alta river, is located. The aim is to learn more about interactions to avoid impact on wild salmon. Grieg Seafood is a founding partner of the cluster and currently a member of the board.

## ASC FEED STANDARD

ASC decided in 2013 to develop a common, global standard for aquaculture feed. Grieg Seafood is an active member of the steering committee. The standard will define requirements for both responsible factory practices and responsible ingredients for the main ingredient groups used in fish feed. The standard will be launched late 2020 or early 2021.

## CLIMEFISH

Climefish is a research project funded by the EU. The overall goal is to ensure that the increase in seafood production comes from areas and species with potential for sustainable growth, given the expected climate risk and developments. Grieg Seafood is a key stakeholder in the part of the project that discuss how future climate-change can affect ocean temperatures and salmon farming in the North Atlantic. For more information, please see <https://climefish.eu/grieg-seafood-asa/>.

# We take part in innovation to develop the industry further

## FISHGLOBE

We work with FishGLOBE, a company that has developed, built and is testing a new patented solution for closed-containment aquaculture in sea. The business concept is to offer a solution that makes salmon farming more profitable, more sustainable, and with improved fish welfare.

## HARMFUL ALGAE MONITORING PROGRAM (H.A.M.P.)

Grieg Seafood BC has a partnership with Vancouver Island University and the H.A.M.P. program, collecting and analyzing 20 years of plankton data. Salmon farming companies send their preserved water quality samples to H.A.M.P. for analysis. We are working to transfer the data into modern data analytical tools. So far, great progress has been made in how to use online environmental monitored parameters to control and improve our daily operations.





### **AQUACLOUD**

The AquaCloud platform, launched by the Seafood Innovation Cluster, is a cloud-based platform that aims to help fish health managers and researchers improve the industry's response to sea lice. AquaCloud represents a new innovation platform that will bring together expertise from fish health managers, researchers, and data scientists 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 results will be used in strategic parts of the Atlantic salmon production cycle, contributing significantly to solving the challenges that currently limit the envisioned growth in aquaculture.

### **DATA ANALYTICS**

We use data analytics 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, and drive knowledge based decisions in our operations.

### **POST-SMOLT**

Through our investments in Tytlandsvik Aqua (33% shareholding) and Nordnorsk Smolt (50% shareholding), we produce large smolt up to 1 000g. Larger smolt size will significantly cut seawater production time, reducing the fish stocks' exposure to sea lice, disease, and other challenges.

---

ROOTED IN

# HEALTHY OCEAN

## Improving Aquaculture

Farming salmon with practices that keep the fish and oceans healthy has a direct positive impact on our harvested volume, cost, quality, license to operate, and employee engagement.





# 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 cost.

## OUR PRINCIPLES

---

Good fish health implies that **the highest possible number of fish thrive, grow normally, and survive to the end of their life cycle.**

We take a **preventative, systematic and long-term approach** to fish health and welfare, doing what we can to ensure that our fish are robust, healthy, and happy from the very outset.

We have a **survival target rate of 93%** (12 months rolling) for fish at sea.

We apply **Area-Based Management and 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 and the potential impact on the local environment**, and avoid parasite resistance to existing treatments.

We do our best to **avoid using antibiotics in all forms**, to preserve their effectiveness and to minimize resistance against antibiotics. We only use antibiotics as a last resort.

**Cleaner fish should have just as good health and welfare as our salmon**, and we are working to reach this goal.

## HOW WE WORK TO IMPROVE

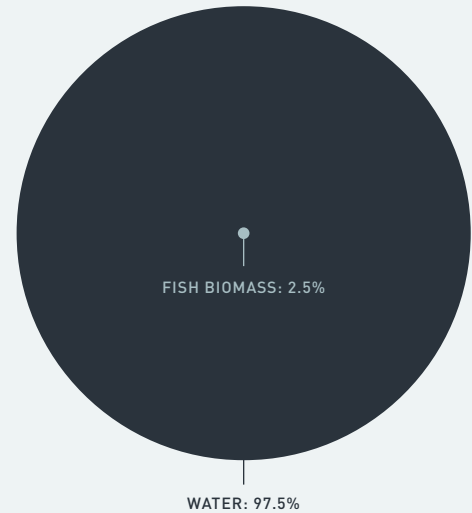
### FISH WELFARE EFFORTS

- We are implementing welfare indicators from the Fishwell project, a research project that compiled a manual on which indicators to use to assess salmon welfare. Grieg Seafood participated in the manual's creation. It has already been implemented in Finnmark, and we will implement the same indicators in all our regions.
- Procedures to avoid stressing the fish, for example, when handling, transporting or treating the fish.
  - Prior to treatment, fish health personnel or veterinarians must assess whether the fish are robust enough to receive treatment.
- Harvesting procedures in accordance with requirements from customers and regulations to prevent suffering.
  - The fish are euthanized by stunning shortly after leaving the seawater. For instance, in Shetland, the salmon must be stunned and killed no more than 15 seconds after leaving seawater.
- Grieg Seafood Shetland is assured according to the animal welfare charity, RSPCA.

### OVERALL FISH HEALTH EFFORTS

- Selection of high-quality roe with qualities that suit the conditions where the fish will be farmed. Senior management coordinates roe purchasing, to ensure a uniform high standard.
- Policies and procedures to ensure good fish health in general.
  - Based on regulations and standards for fish health and welfare.
  - Regional fish health plans, because each area has its own challenges.
  - Available for employees through quality assurance systems. In BC, the document management program DATS ensures digital sign-off when procedures have been read.
- Different feed programs for each stage of the salmon's life cycle, to optimize health and welfare.
- There are ongoing fish health and welfare training programs for all employees, with refresher course at least every third to fifth year.
- Cooperation between our regions to learn from best practice internally and externally.

**FIGURE 2.1**  
DENSITY IN THE PENS



A regular seawater pen is at least 97.5% water and 2.5% fish biomass, providing space for the fish in our facilities to allow for comfort and a healthy growth cycle.



## HOW WE WORK TO IMPROVE

### DISEASE AND HYGIENE EFFORTS

- Smolt should be healthy, vaccinated and have verified smoltification status before transfer to sea.
- Prevent spread of diseases by strict control of live fish transports and disinfection of boats and equipment transferred between sites and zones.
- Prevent increase of pathogens on sites by hygienic standards and daily removal of dead or sick individuals.
- Regular fish health inspections and screening programs at all sites by authorized fish health personnel to achieve early detection of diseases and implement early measures.
- Following periods in accordance with local regulations as a minimum, or until acceptable benthic thresholds are met. Synchronized following periods with other fish farmers in the area.

### ENVIRONMENTAL MONITORING

- Monitoring of environmental conditions that may affect the fish, such as temperature, oxygen levels, and water quality. In our freshwater facilities, we control and adjust these factors to ensure healthy growth conditions for the fish.
- Daily monitoring and inspection of fish condition and behavior.
- Regions with specific challenges may perform additional monitoring.

### REGIONAL EFFORTS

- Finnmark focuses on careful handling of the fish in cold water.
- BC focuses on controlling harmful algae.
- Shetland focuses on improving the gill health program, where we monitor water quality and gill health, as well as algae.
- Rogaland focuses on improving pancreas disease (PD) immunity with new and effective vaccines, with good results.

### USE OF ANTIBIOTICS

- Our antibiotics policy aims to completely avoid the use of antibiotics.
  - Only used after adequate risk assessment to treat bacterial diseases without vaccines or reduced effect of vaccines.
  - Only used on small salmon, to ensure low quantities of antibiotics and harvestable salmon contain no residues.
- Use is subject to strict internal regulations. All use requires senior management approval, and prescriptions are signed by certified fish health personnel.
- We do not allow use of antibiotics as non-therapeutic treatment or use of antibiotics as a growth promoter. We do not use antibiotics routinely and never use antibiotics if the welfare of the fish is not threatened.
- The type of antibiotics we use in BC is FDA approved, but the use is off-label as Yellowmouth disease is not specified by the FDA (Food and Drug Administration).
- The type of antibiotics we use in the UK is not on the list of Highest Priority Critically Important Antibiotics.

### EFFORTS TO IMPROVE HEALTH AND WELFARE OF CLEANER FISH

- Cleaner fish are either farmed or wild where fishing quotas are regulated by authorities.
- Established practices to ensure that the cleaner fish are as robust and healthy as possible.
- Optimizing vaccination programs.
- Screening before release into the pens.
- Specific 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.
- We are in the process of revising and improving our policies for cleaner fish. This includes working more systematically to report and reduce mortality. We will start sharing mortality numbers in 2020.





## THE MOST COMMON ATLANTIC SALMON DISEASES

These diseases also exist naturally in wild salmon. However, an outbreak of disease in a pens with higher densities than in the wild, causing bigger problems than in the nature, where fish have less contact with each other. This applies to animal husbandry in general.

DISEASE NAME	CAUSE AND EFFECT ON THE SALMON	TREATMENT	GEOGRAPHIC AREAS
<b>FURUNCULOSIS</b>	Infectious disease caused by a bacteria of the <i>Aeromonas</i> subspecies <i>salmonicida</i> . It affects Atlantic salmon in both fresh water and seawater. The disease can cause high acute mortality, and lead to sores and boils on the skin.	Controlled mainly by vaccination and good husbandry practice.	Scotland, Norway, Canada, and USA
<b>PANCREAS DISEASE (PD)</b>	Disease caused by the Salmonid Alpha virus (SAV). It affects the fish's ability to digest feed and can cause loss of appetite, emaciation, and increased mortality. It is a contagious virus and transmits between fish and between pens.	Controlled mainly by management and mitigation practices. Vaccination provides additional protection, and selective breeding of PD-resistant salmon has also contributed to reducing the incidence of PD.	Europe
<b>INFECTIOUS SALMON ANEMIA (ISA)</b>	Caused by the infectious salmon anemia virus. It attacks the blood vessels and causes internal bleeding. The disease can develop in an acute course with high mortality. However, in its more insidious form, the infection may be latent in the fish for several months before an outbreak occurs.	Controlled through the culling or harvesting of affected fish, in addition to other biosecurity and mitigation measures. Vaccines are available.	Canada, Chile, Scotland, Ireland, Norway
<b>GILL DISEASES</b>	General term used to describe different gill diseases. They may be caused by different infectious agents, such as amoeba, viruses, or bacteria, as well as environmental factors including algae or jellyfish blooms. In some cases, the disease may be caused by a single factor, but in most cases the cause is complex and multifactorial, and the primary cause is unknown. Gill disease is a welfare issue, as well as being an important cause of mortality.	Controlled through good husbandry and management practices.	Canada, Scotland, and Norway
<b>CARDIOMYOPATHY SYNDROME (CMS)</b>	Caused by the newly discovered Piscine myocarditis virus (PMCV). It infects heart muscle cells and leads to inflammation in the heart and increased mortality. Mortality typically occurs late in the production cycle, causing economic impact.	Controlled mainly through good husbandry and management practices.	Canada, Scotland, and Norway

DISEASE NAME	CAUSE AND EFFECT ON THE SALMON	TREATMENT	GEOGRAPHIC AREAS
<b>WINTER ULCER (MORITELLA VISCOSA)</b>	Often caused by the bacterium <i>Moritella viscosa</i> . It occurs at low water temperatures. In addition to being a welfare issue causing sores, the disease also leads to increased mortality and reduced quality at harvest.	Controlled through good husbandry, management practices, and vaccination.	Canada, Scotland, and Norway
<b>YELLOWMOUTH /MOUTH ROT</b>	Caused by the filamentous bacterium <i>Tenacibaculum maritimum</i> . It typically occurs during the first few weeks after transfer to the sea. It causes yellow plaques around the palate and teeth, which can develop into lesions and result in mortality.	Controlled through therapeutic treatments using sulfa-based antibiotics, multiple treatments are often required.	Canada and USA
<b>SALMONID RICKETTSIAL SEPTICAEMIA (SRS)</b>	Caused by the bacteria <i>Piscirickettsia salmonis</i> . The disease occurs in both fresh- and saltwater. It causes hemorrhages, lesions in the skin and nodules in several organs. In acute cases, death may be the only sign of disease.	Controlled through good husbandry and management practices. Commercial vaccines are available but tend to show limited effect.	Canada

## THE PRV VIRUS

Piscine orthoreovirus (PRV) is an ubiquitous virus that can infect salmonids. The virus is geographically distributed in Norway, the United Kingdom, Ireland, Chile, the United States and Canada. It exists in nature and can be found in both farmed and wild salmonids. PRV has been associated with the disease heart and skeletal muscle inflammation (HSMI). Even so, high levels of PRV have been detected in wild and cultured salmonids with no evidence of disease. Why some infected fish develop disease and others do not, is not known. It may indicate that additional factors in addition to PRV is required for disease development, such as environmental factors or PRV strain differences. In Canada for instance, the virus seems to have a low ability to cause disease and research suggests that infected salmon may test positive, but that they are not always infectious.

Like all farm animals living a natural environment, farmed salmon are exposed to pathogens and may at some point in time become infected from some natural reservoir. Good husbandry and management practices are essential to decrease impact of disease. In Canada, Grieg BC has since 2016 routinely been screening every batch of smolts for PRV before they are transferred to ocean pens. To this date every test has been negative. It is important to continue the research and try to identify and monitor the timing of infection. By doing so, there is hope to pinpoint the source and potentially find ways to mitigate the spread of PRV.

## HARMFUL ALGAL BLOOM

Under certain conditions, phytoplankton (tiny microscopic plants) may grow out of control and form harmful algal blooms (HABs). These blooms can produce extremely toxic compounds that have a detrimental effect on fish, shellfish, mammals, birds, and even people.

A bloom does not have to produce toxins in order to be harmful to the environment. It can also cause anoxic conditions, where oxygen is depleted from the water. Dense blooms can block light to organisms lower in the water column, or even clog or damage fish gills.

### Mitigation

Harmful algal blooms are one of the biggest challenges to fish health and welfare in British Columbia. We have developed a substantial algae mitigation program in BC, comprising of the following main aspects:

- Constant monitoring of potential algal blooms, for instance by using NASA satellite images or collaboration with local floatplane pilots.
- Technology to detect harmful algae in real-time, with microscopes at the sites and an online library of harmful algae species, helping staff to assess whether algae in the sea are harmful or not.
- Mitigation protocol and system in place, should harmful algae occur. Feeding is reduced or stopped, and an upwelling system transfers clean, algae-free water from the depths to the top of the pen, creating a protective "bubble" in the pen.
- Data from oxygen sensors are linked to the oxygenation system at sites with low oxygen levels in the water column.
- A program using big data to predict harmful algal blooms is under development.

While we still see mortality from harmful algae, the incidents are less severe than before, due to our mitigation efforts.

We have transferred some of the program to our operations in Shetland, and will, in light of the deadly algal bloom in northern Norway in 2019, implement part of the program in Norway as well.

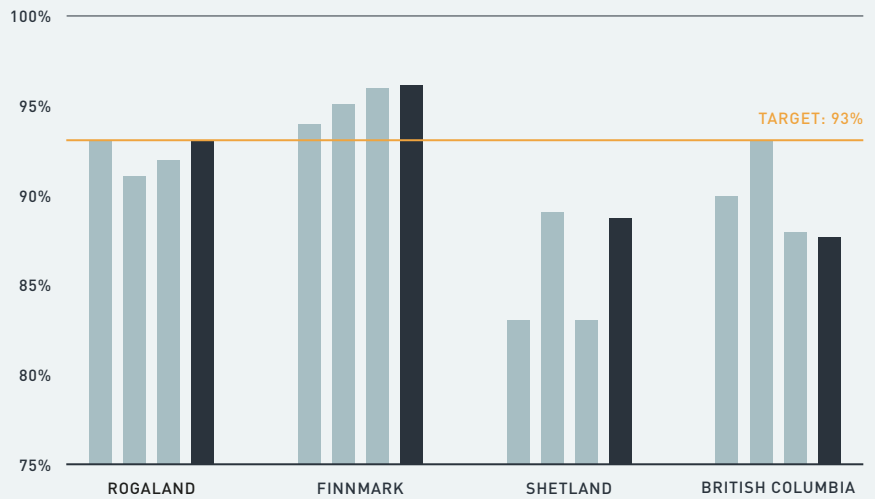




## RESULTS

**FIGURE 2.2**  
SURVIVAL RATE AT SEA, ROLLING 12 MONTHS

■ 2016-2018  
■ 2019



Survival is reported in accordance with the standards of the Global Salmon Initiative. Survival is defined as:  $(\text{Total number of mortalities at sea in the last 12 months} - \text{total number of culled fish due to illness or similar and not included in the harvested number}) / (\text{closing number of fish at sea the last month} + \text{total number of mortalities at sea the last 12 months} + \text{total number of harvested fish the last 12 months} + \text{total number of culled fish (due to illness or similar and not included in the harvested number)}) \times 100$ . Freshwater mortalities are reported separately.

### ROGALAND

With 93%, we reached our survival rate target. The survival rate was impacted by pancreas disease (PD) from 2017 through mid-2019. At the end of 2019, none of our sites were infected with PD. The reduction of mechanical delousing treatments also contributed positively to the survival rate.

### FINNMARK

We reached our target, with a survival rate of 96% in 2019 due to good biological conditions.

### SHETLAND

The survival rate has been affected by gill diseases, Furunculosis and winter ulcers, in addition to mechanical delousing treatments. Our measures to improve smolt health and robustness, which also include a change in our vaccination program, have improved smolt quality and increased survival at sea. We have increased our capacity to perform non-medicinal delousing treatments, and have therefore reduced the number of medical treatments.

### BRITISH COLUMBIA

The survival rate has been impacted by low oxygen levels during algae and plankton blooms. A harmful algal bloom (HAB) incident in 2018 impacted our farms severely, affecting the survival rate for 2018 and 2019. Our algae mitigation system is steadily improving, and has enabled us to stabilize the survival rate in periods of challenging environmental conditions. Delousing treatments in well boats have also affected the survival rate.

**FIGURE 2.3**  
MAIN CAUSES FOR REDUCED SURVIVAL IN 2019

MAIN CAUSE	NUMBER OF FISH	TONNES OF FISH
<b>Infectious</b>		
Bacterial	672 189	1 057
Gill infections	200 939	530
Virus	40 293	146
<b>Non-Infectious</b>		
Life cycle	1 213 178	2 192
Treatments	537 117	1 607
Physical	381 440	902

Clinical diseases in Finnmark during the year include HSMI and winter ulcers, while in Rogaland the main diseases were CMS, AGD and complex gill disease. In Shetland, we experienced Furunculosis, multiple gill diseases, and winter ulcers during the year. In BC, we had challenges with yellowmouth, in addition to winter ulcers.

We are working to improve survival rates through general health and welfare measures, a preventive and targeted approach to diseases and sea lice, mitigation against algae and low oxygen levels.

We report diseases, mortality, and other fish health indicators for our Norwegian entities to the Norwegian authorities on a weekly basis. This is publicly available information, please visit <https://www.barentswatch.no/en/fishhealth/>.

**FIGURE 2.5**  
SURVIVAL RATE IN FRESHWATER

REGION	2019
Rogaland	92%
Finnmark	87%
Shetland	95%
British Columbia	63%
Tytlandsvik Aqua	99%
Nordnorsk Smolt	99%

In the wild, only a small percentage of fertilized eggs survive and become adults. That is our biological starting point. Over the years, more knowledge has allowed us to improve quality of breeding, the eggs and survival rates, but we still experience mortality especially in the very early phase. We work systematically in the various stages in the lifecycle to improve survival rates.

In Rogaland, the main losses happened in the early life phase, until 1 gram. In Finnmark, main losses were related to low quality eggs. In Shetland, loss happened in the yolk sac phase and during the first feeding period. Unfortunately, in BC, we lost a significant number of fry due to an unusual incident of bromide exposure.

The part-owned Tytlandsvik Aqua and Nordnorsk Smolt facilities are included, as they are essential to our post-smolt strategy. Both are on-growing facilities, with lower mortality.

**FIGURE 2.4**  
USE OF ANTIBIOTICS

REGION	2016	2017	2018	2019
Rogaland	0.00	0.00	0.00	0.00
Finnmark	0.00	0.00	0.00	0.00
Shetland	0.93	1.65	13.90	29.18
British Columbia	126.93	18.30	151.26	87.00

Amount of active pharmaceutical ingredient (API) used (in grams) per tonne of fish produced (LWE), both in seawater and fresh water.

There has been no use of antibiotics at our Norwegian operations in recent years, due to good results from vaccines and efforts to ensure good fish health.

In Shetland, the use of antibiotics in 2019 was related to Furunculosis and winter ulcers. The introduction of a new vaccination program has reduced the incidents of winter ulcers this winter, and we expect a reduction of the use of antibiotics going forward.

The use of antibiotics in BC was related to treatment of yellowmouth. The use of antibiotics is too high, and we are installing infrastructure that will allow us to lower water temperatures and salinities to aid in limiting the transmission of diseases. We also pursue non-therapeutic means to manage disease, such as vaccines and a healthy diet.

Through our post-smolt strategy we have better control of our fish's environment for a longer period of time. It will also make the fish more robust before being transferred to the sea, and a shorter period at sea will reduce exposure to biological risks. This in turn will reduce the risk of disease outbreaks and the need for antibiotics.

The figures for 2014-2018 have been amended compared to previous reporting, due to changes in the calculation from gross production to net production. Amendments: Shetland - 2016 amended from 0.8. BC - amended from 294.9 in 2016, 18.0 in 2017 and 150.3 in 2018.

**FIGURE 2.6**  
COST OF REDUCED SURVIVAL IN 2019

REGION	COST NOK 1000
Rogaland	26 127
Finnmark	15 055
Shetland	77 186
British Columbia	73 327
<b>Total</b>	<b>191 694</b>

Cost recognized as abnormal mortality in the income statement. See note 7 in the Group Accounts for additional information.

# Sea lice control

Controlling sea lice levels is one of the most important measures to protect wild salmon, as well as the health and welfare of farmed salmon. Sea lice treatments are expensive and resource intensive. We aim to keep sea lice levels low at all times.

## OUR PRINCIPLES

---

**Our main approach to sea lice control is prevention.** We aim to keep adult female sea lice levels low to achieve a low infection pressure.

When the sea lice limit rises and approach legal limits, our policy is to perform **continuous assessment** and 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 the areas we operate in.



**FIGURE 2.7**  
OUR APPROACH TO SEA  
LICE CONTROL

## HOW WE WORK TO IMPROVE

### WORKING TO IMPROVE SEA LICE CONTROL

#### 1. BREEDING, FEED

#### 2. POST-SMOLT

#### 3. NON-MEDICAL CONTROL WITHOUT HANDLING

#### 4. CLEANER FISH

#### 5. NON-MEDICAL CONTROL WITH HANDLING

#### 6. MEDICINES

1. When available, we use roe that has proven more resistant to sea lice.
2. Post-smolt reduces the time at sea and reduces the exposure to sea lice, which improves sea lice control.
3. We use sea lice skirts, to prevent sea lice from entering the pens.
4. We use lump suckers and wrasse, which eat sea lice. Rogaland in particular has succeeded in understanding how to use wrasse effectively. We use lump suckers at all green licenses in Finnmark. In Shetland, we are conducting tests on how to increase the lump suckers' efficiency in eating more sea lice.
5. We use mechanical treatments, such as fresh water, to avoid affecting the environment. The methods are selected when conditions are favorable.
6. Only as a last resort do we use medical treatments.

## HOW WE WORK TO IMPROVE

### OTHER SEA LICE EFFORTS

- Systematic monitoring of sea lice levels.
  - In Norway and the UK, we count sea lice every week.
  - In BC, we follow local regulations. Here the frequency of counts depends on sea lice levels. When new regulations are implemented in 2020, all sites will be counted every second week in periods of high sea lice pressure. In BC, farmed salmon usually catch sea lice from the wild salmon passing farms on their way to the rivers to spawn. Here, unlike Norway, the wild salmon population greatly outnumbers the farmed salmon population.
- We hold inter-regional meetings to learn best practice sea lice management from each other.
- Long and synchronized following periods reduce the sea lice pressure on the next generation.
- We take part in the AquaCloud artificial intelligence project, which aims to be able to predict sea lice levels in advance and use preventative methods in cases of outbreaks.

### EFFORTS TO REDUCE ENVIRONMENTAL IMPACT OF SEA LICE TREATMENTS

- All sea lice medicine is strictly regulated.
- While we try to avoid using medicinal sea lice treatments at all, there are some instances when it is necessary. In such cases, we try to take as much care of the environment as possible.
- We also have procedures to prevent the release of water containing delousing medication 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 are looking into the potential impact of sea lice treatments on other marine species.

### OUR REGIONS HAVE COMPREHENSIVE PLANS AND STRATEGIES FOR SEA LICE CONTROL

<p><b>ROGALAND</b></p> <p>In Rogaland, we aim to use wild-caught wrasse as our primary method, as well as post-smolt. Freshwater treatment is also used.</p>	<p><b>FINNMARK</b></p> <p>In Finnmark, we mainly use sea lice skirts and lump suckers.</p>
<p><b>SHETLAND</b></p> <p>In Shetland, we favor the use of sea lice skirts in areas that are not too exposed to strong currents and wind. However, freshwater and mechanical treatments have been the main methods used to reduce sea lice pressure in 2019.</p>	<p><b>BRITISH COLUMBIA</b></p> <p>In BC, sea lice skirts are used as a preventative measure, and hydrogen peroxide has been used to reduce sea lice pressure.</p>

## RESULTS

**FIGURE 2.8**  
HYDROGEN PEROXIDE TREATMENTS

REGION	2016	2017	2018	2019
Rogaland	18.45	10.79	3.46	11.94
Finnmark	42.43	13.36	14.53	0.00
Shetland	75.96	82.72	32.58	12.23
British Columbia	0.00	9.17	5.83	6.01

Amount of active pharmaceutical ingredients (API) used (kg) per tonne of fish produced (LWE).

We use preventative methods against sea lice and avoid using hydrogen peroxide whenever possible. We used no hydrogen peroxide in Finnmark in 2019. In Rogaland, it has been used to treat large numbers of fish at the same time, as a targeted and efficient measure to reduce high sea lice levels.

In Shetland, hydrogen peroxide has been used to treat amoebic gill disease (AGD), in addition to sea lice treatment. The reduction in hydrogen peroxide usage is a result of a change to freshwater treatments.

The use of hydrogen peroxide in BC is at a similar level to the year before.

Hydrogen peroxide is made up of water with an extra oxygen molecule. It was previously considered a sea lice treatment that did not impact the environment. At the moment, research is into whether hydrogen peroxide affects other species in the ocean is ongoing. Grieg Seafood is following this research closely.

**FIGURE 2.9**  
SEA LICE TREATMENTS

IN BATH	2016	2017	2018	2019
Rogaland	1.88	0.00	0.00	0.00
Finnmark	0.02	0.90	0.72	0.21
Shetland	1.99	5.70	2.98	1.79
British Columbia	0.00	0.00	0.00	0.00

IN FEED	2016	2017	2018	2019
Rogaland	3.32	0.15	1.09	0.03
Finnmark	0.14	0.06	0.08	0.10
Shetland	0.47	0.22	0.21	0.17
British Columbia	0.28	0.14	0.32	0.52

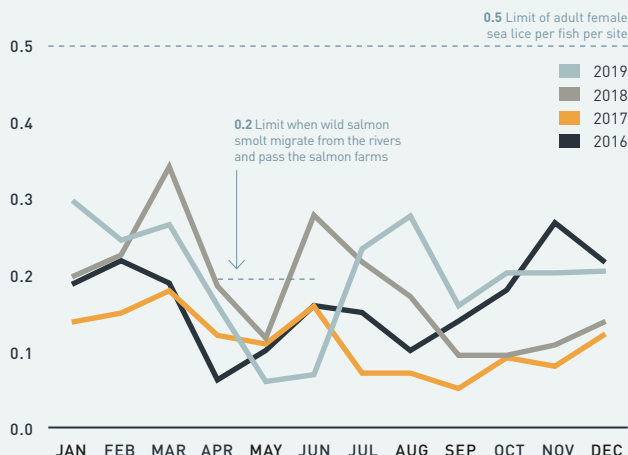
Amount of active pharmaceutical ingredients (APIs) used (gr) per tonne of fish produced (LWE).

Use of bath treatments has decreased in recent years. We also aim to minimize the use of sea lice treatments distributed through feed. We are primarily focusing on preventive solutions like cleaner fish, sea lice skirts, post-smolt transfer.

In Rogaland, no medical treatment was used in the period from July to October, as a result of using wrasse effectively. In Shetland, in-bath treatments were replaced by freshwater treatments in 2019, while the use of in-feed treatment has also been reduced as it has been deemed less effective.

### SEA LICE LEVELS IN OUR REGIONS

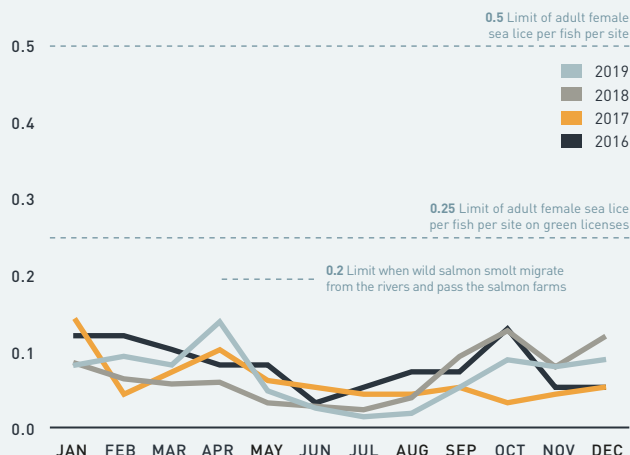
**FIGURE 2.10**  
SEA LICE LEVELS (ADULT FEMALES) IN ROGALAND



Our sites in Rogaland are located in areas defined as “yellow – moderate sea lice density” under the Norwegian traffic light system (2018–2019). It is defined as “green - low sea lice density” from 2020.

Grieg Seafood Rogaland has had success with preventive methods, and by planning and using wrasse effectively we are managing to reduce the number of sea lice treatments. One of the main initiatives aimed at increasing sea lice control is our post-smolt strategy, which shortens the time spent at sea and thereby reduces sea lice pressure per fish.

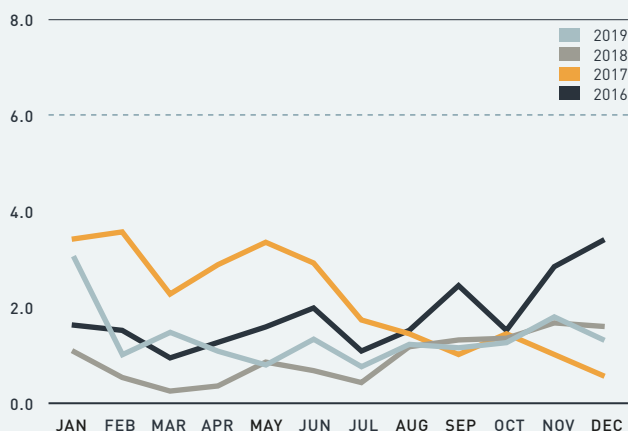
**FIGURE 2.11**  
SEA LICE LEVELS (ADULT FEMALES) IN FINNMARK



Finnmark has low sea lice levels all year round. Generally lower seawater temperatures in the region are an advantage, and the interconnectivity between the sites is low. We use targeted preventive methods such as sea lice skirts and cleaner fish to ensure that the sea lice level is low.

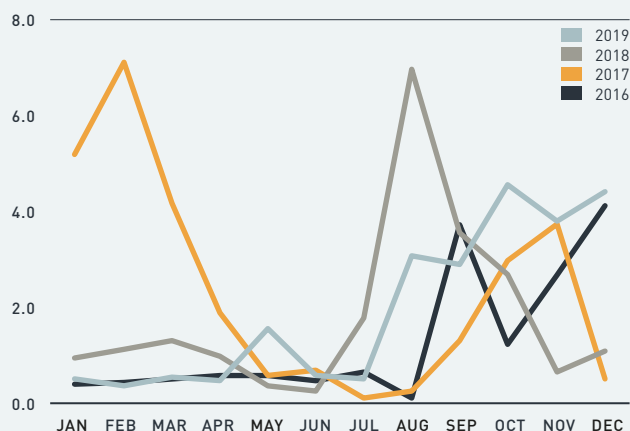
We report sea lice levels and sea lice treatments for our Norwegian entities to the Norwegian authorities on a weekly basis. This is publicly available information. For detailed information on sea lice levels and the various sea lice treatments at each of our Norwegian sites, visit <https://www.barentswatch.no/en/fishhealth/>.

**FIGURE 2.12**  
SEA LICE LEVELS (ADULT FEMALES) IN SHETLAND



In general, sea lice levels in Shetland are higher than in Norway. In the past year, we have increased our non-pharmaceutical treatment capacity, and have been able to reduce the amount of pharmaceutical ingredients compared to previous years. Sea lice levels above two adult females per fish are reported to the regulating authority, Marine Scotland. Actions are required when the sea lice level increases above six females per fish.

**FIGURE 2.13**  
SEA LICE LEVELS (ADULT FEMALES) IN BRITISH COLUMBIA



BC is heavily influenced by sea lice pressure from wild salmon each autumn. We have tested, and continue to test, preventive methods such as sea lice skirts to keep the sea lice level stable. However, when the sea lice level increases, we carry out the type of treatment we consider most appropriate. The threshold in BC is an average of three motile sea lice. To ensure comparability within our region, we measure the sea lice levels as adult females. We aim to keep the sea level below 0.5 mature female sea lice.



## SALMON FARMING AND BIODIVERSITY

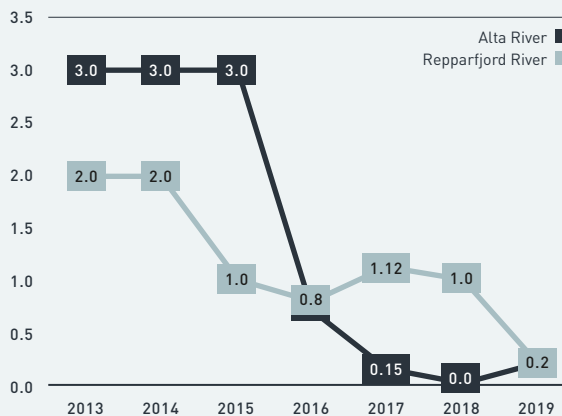
The areas where we farm salmon have their own unique biodiversity. While many factors, like global warming, increase in predator stocks, or other industries can impact wild species, it is our responsibility to ensure that our operations can co-exist with the wild species around us. We must use farming practices with the smallest possible environmental impact, and work continuously to reduce our impact further.

### WILD SALMON

Salmon farming can potentially impact wild salmon if we do not use responsible farming practices. High levels of sea lice, especially when the vulnerable wild salmon smolt are passing farms on their way to the ocean, can affect the health and possibly the survivability of wild salmon. In areas where the wild salmon is of the Atlantic species, escapes may cause interbreeding between farmed and wild salmon in the rivers, and interfere with the genetic uniqueness of the local wild salmon population. While little research exists on the potential transmission of diseases from salmon farms to wild salmon, the possibility of such impacts does exist. Responsible salmon farming practices, like good sea lice and disease control as well as zero escapes, are fundamental to ensuring co-existence with the wild salmon.

Salmon farming in the Alta river and the Repparfjord river in Finnmark is monitored in collaboration with the Norwegian Institute for Nature Research, the management of the Alta rivers, and the West Finnmark Hunting and Fishing Association. Anglers are encouraged to send salmon scale samples to the Norwegian Institute for Nature Research, which analyze whether they are from a farmed or wild salmon. Grieg Seafood is the project manager on this program, as part of our commitment to co-existence between wild salmon and the salmon farming industry.

FIGURE 2.14 FARMED SALMON IN RIVERS



Percentage of farmed salmon based on analysis of scales taken from wild-caught salmon in the Alta river and the Repparfjord river in the period June 1 to August 31 every year.

Grieg Seafood is also involved in several wild salmon enhancement projects in British Columbia, such as the Oyster River Enhancement Society and Nootka Sound Watershed Society. As wild salmon is an important part of Indigenous culture, we have an even greater responsibility to avoid causing harm.

### COD AND WHITE FISH

While research has yet to establish a link between farmed salmon and the coastal cod population in Norway, many coastal fishermen are concerned that salmon farms impact cod spawning grounds in fjord areas. Grieg Seafood has engaged in a research project conducted by the Norwegian Institute of Marine Research, which will study this issue in Frakkfjord, Finnmark. The research project is financed by the Research Council of Norway. A number of individual cod are caught and labeled, and released in three different fjords – a fjord with existing salmon farms, a fjords where a salmon farm will be established, and a fjord with no salmon farms. The cod are traced by acoustic devices, providing information on their behavior. The project started last summer and will continue for five years.

Salmon farms are believed to impact the cod, pollock, and other wild fish that eat surplus feed, which may spill out through the pens. Some fishermen believe that such wild fish have a reduced quality. Research by Nofima, the Institute of Marine Research, and the Norwegian Institute for Nature Research, which evaluated the quality of pollock that ate salmon feed around sea farms, concluded that quality of the fish was not reduced. In any case, we work hard to avoid overfeeding and see positive results from moving feeding operations from the farms to larger units.

### CRUSTACEANS

Laboratory tests show that sea lice medication can impact crustaceans if they come into contact with it. For some medicines, this applies even in smaller doses. However, it is uncertain whether crustaceans actually do come into contact with sea lice medication after treatment in the ocean, because factors like currents, temperature, and other natural aspects impact how the substances break down. More research to improve our knowledge is underway.

In any case, we are working to avoid using sea lice medicines. Use of such medication has declined significantly in recent years. In line with the precautionary principle, Norway has also prohibited the release of sea lice treatment baths near shrimp fields.

# Escape control

Escaped farmed Atlantic salmon can mix genetically with wild Atlantic salmon stocks, and it is our responsibility to use farming methods that minimize farmed salmon's impact on the wild salmon population.

## OUR PRINCIPLES

---

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



## HOW WE WORK TO IMPROVE

- High technical standards at our sites. We have implemented the technical minimum requirement given by the government, the NYTEK standard, at all facilities in Norway to avoid escapes during harsh weather.
- BC uses double nets on all pens.
- Procedures to avoid escapes before, during and after operations.
  - Divers and/or an ROV are used before and after the transfer or treatment of fish.
  - In Finnmark, an ROV is used continuously during operations.
- Regular inspections of vessels, moorings, and facilities to verify compliance.
- Inspections before and after harsh weather.
- We strive to ensure that employees attend courses on escape prevention at least every third to fifth year. New employees also receive risk and procedural training, and do not carry out work operations alone until they have completed the necessary training.



## RESULTS

**FIGURE 2.15**  
ESCAPE INCIDENTS

REGION	2016	2017	2018	2019
Rogaland	0	0	0	0
Finnmark	1*	0	0	0
Shetland	2**	0	2***	2
British Columbia	0	0	0	0

\* One incident with 200 fish escaped. \*\* Two incidents with 829 and 617 fish escaped. \*\*\* Two incidents where we reported 500 and 21 712 escapes.

In May 2019, 500 smolt escaped from Grieg Seafood Shetland. The incident was a result of equipment failure during transfer from the delivery boat to the sea farm. Procedures to avoid similar incidents have been implemented. It proved impossible to recover the escaped salmon.

We also reported a loss of 4 000 fish. We had at harvest a deviation between number harvested out and smolt input. Small sharks had managed to get into the pen, and escape might have occurred. It was agreed with the authorities that the deviation of 4 000 fish was registered as an escape.

We have estimated that fish escapes in 2019 resulted in a financial loss of approximately NOK 500 000.

# 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, feces from the fish or copper from the fish net.

## OUR PRINCIPLES

In line with the precautionary approach, we aim to **minimize local emissions**.

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**.

### ORGANIC EMISSIONS

Fish feces are a part of the natural eco-system. When a shoal of fish enters an ocean area or a fjord system, fecal emissions from the fish occur naturally. Fish feces contain nutrients, and like manure from agricultural animals, they act as fertilizers for new life. In the ocean, these nutrients sustain the growth of small plankton, which may be eaten by bigger species and thereby move up the natural food chain.

However, too many nutrients in one area can cause eutrophication, which can potentially harm the existing fauna in an eco-system. While the feces of wild fish are widely distributed around the fjord system, salmon farms contain a lot of fish in a smaller area, and the risk of eutrophication increases. On the seabed beneath a farm, there will also be some temporary impact on the benthic fauna due to organic emissions. Therefore, the release of organic emissions is strictly monitored and regulated in all of the countries in which we operate. When a farm is removed or fallowed for a period, the seabed recovers and goes back to its original state after some time.

## 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 when the fish are satisfied.
- We have an integrated operation center in Rogaland, where we can develop specialized feeding expertise. We are also building an integrated operation center in Shetland, with a similar design and functionality as in Rogaland. In BC, a cluster of sites are being fed from one feeding station.

### REDUCING IMPACT FROM FECES

- When selecting sites, we choose those with good currents and exchange of water, which disperse the feces into a wider area of the fjords, mitigating their negative impact.

- We monitor the seabed under and around our sea farms, and perform benthic testing during peak biomass.
- Local regulations impose fallowing periods after each generation, to ensure the environment under and around the pen can recover. If the local environment is not sufficiently restored according to independent monitoring, we must extend the fallowing period before transferring new fish to the pens or reduce production at the site concerned.
  - In Rogaland and Finnmark, regulations impose a fallowing period of at least two months.
  - In Shetland, the fallowing period is at least six weeks, but normally we fallow for two or three months.
  - In BC, the fallowing period is three months, although the seabed is often healthy and restored straight after harvesting.

### REDUCING OTHER EMISSIONS

- We support copper-free antifouling solutions on our nets.
  - BC was 100% copper free in 2019.
  - Finnmark will be copper free by the end of 2020.
  - Rogaland aims to be copper free within the next two years.
  - Shetland has been copper free, but is currently using copper-based paints on some sites in an effort to promote good gill health (to prevent gill damage due to net cleaning). Shetland is actively looking for alternatives to copper based paints to return to 100% copper free.



## RESULTS

Each country has its own score system for benthic tests of the sea bed under the farm. In Norway, farms must take sea bed tests (B test) on peak biomass production/max load, and also take test in the area around the farms regularly (C test). Benthic testing on peak biomass is also performed in BC and Shetland.

**FIGURE 2.16**  
ROGALAND (B RESULTS)

Very good	Good	Poor	Very poor	Test not yet taken
92%	8%	0%	0%	0%

**FIGURE 2.17**  
FINNMARK (B RESULTS)

Very good	Good	Poor	Very poor	Sites with hard seabed (do not get a score)	Test not yet taken (new sites)
29%	10%	24%	10%	10%	19%

**FIGURE 2.18**  
SHETLAND

Satisfactory	Borderline	Unsatisfactory
50%	25%	25%
12.5% because they are tidal sites, 12.5% due to environmental impact		

### BRITISH COLUMBIA

- There is no regulatory scoring system in place today. Regulations require us to conduct benthic tests at the time of peak biomass at each farm, and fallow the farm after ended production cycle until the seabed of the site is remediated.
  - If *Beggiatoa* (a genus of bacteria which indicates organic impact) covers more than 10% of the compliance zone, the site is not considered remediated and must fallow for longer.
  - The results of the test must be accepted by an independent third party.

### ROGALAND

Grieg Seafood has together with other salmon farming companies engaged an independent, environmental monitoring program in Rogaland, to ensure that organic emissions from all the farms do not altogether impact the fjords significantly.

The program monitors the water quality and possible eutrophication in the Ryfylke fjord system. The results from 2019 shows that the environmental condition in the fjord system is good.

According to the Risk Report of Norwegian Fish Farming from the Institute of Marine Research, the risk of impact from organic waste from fish farming is low and the environmental condition good in Rogaland (PO2).

### FINNMARK

We aim for a higher percentage of good scores. Longer fallowing periods are in place for sites with unsatisfactory scores, and a new generation will not be stocked until the impact is reversed and the site has received an acceptable score. We are also working hard to get more sites in Finnmark, which will reduce the organic impact. In addition, we are testing out new models to help us better place the farms in relation to the currents, which will reduce the organic impact.

According to the Risk Report of Norwegian Fish Farming from the Institute of Marine Research, the risk of impact from organic waste from fish farming in Finnmark (PO12) is low and the environmental condition good. Compared to Western Norway, there is much less fish farming in Finnmark altogether, reducing the risk. An environmental study from 2017 of organic impact from fish farming in the Alta fjord, showed low impact on the fjord system. Organic materials decompose slower in low seawater temperatures.

### SHETLAND

We aim for a higher percentage of "satisfactory" scores. Improvement measures are longer fallowing periods, but also a reduction in the maximum number of grown fish we can have at a site. We are also installing feeding cameras to reduce excess feeding. We work with Scottish Environmental Protection Agency (SEPA) to find the right way ahead for each site.

The Scottish benthic monitoring system is based on modelling, which do not accurately predict the environmental impact on tidal sites. As a result, some of our sites get unsatisfactory scores not due to a greater than permitted level of environmental impact on the sea bed, but because the results are different from those predicted by the hydrographic model. Out of the four sites that have an unsatisfactory result, two are tidal sites. SEPA is working with the sector to determine better ways of monitoring these particular sites.





# Interaction with wild life

Farms are often located in areas abundant with birdlife and marine mammals. As a responsible salmon farming company, we 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.**

**Weapons** are not allowed on our sites.





## HOW WE WORK TO IMPROVE

- Where relevant, we use equipment that minimizes the risk of injury to wildlife, such as strong nets or anti-predator equipment. For example, we use protection on the pens to prevent marine mammals from injury if they come into contact with the farm, and we have bird net covers on the pens. We are also planning to invest in more equipment that is not harmful to wild animals.
- We generally only euthanize animals that are injured, and choose alternative ways to protect farms against intruders.
  - In BC, we are prohibited from killing wildlife. We aim to release any animal that gets stuck in our pens unharmed. In case of injured animals, we will call on external assistance.
- Potential conflicts with wild animals are evaluated when we consider new sites.
- We try to avoid using Acoustic Deterrent Devices (ADDs) because some research state that they impact the navigation systems of certain marine mammals.

## OUR RESULTS

**FIGURE 2.19**  
DEAD BIRDS AND MARINE MAMMALS

REGION	2017		2018		2019	
	Birds	Marine mammals	Birds	Marine mammals	Birds	Marine mammals
Rogaland	20	0	24	0	2	0
Finnmark	18	0	1	0	2	0
Shetland	0	1	0	0	2	0
British Columbia	0	0	0	0	14	0

We are not content with reporting any dead birds, and will continue to work on measures to avoid any dead animals. The ASC standard sets the level.

---

ROOTED IN

# SUSTAINABLE FOOD

## Improving Food Quality

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 a good source of the vital long-chain omega 3-fatty acids DHA and EPA. We humans cannot produce these fatty acids ourselves and must obtain them from the foods we eat.

## OUR PRINCIPLES

---

We farm salmon that is **safe to eat and healthy for our bodies**.

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

**Open communication** about our farming methods and standards with customers.



## HOW WE WORK TO IMPROVE

### SAFE FOOD

- All food products contain trace amounts of environmental contaminants.
  - In Norway and the UK, the limits on such substances in seafood are set by the European Food Safety Authority (EFSA), based on the best available research.
  - In BC, the limits are set according to the requirements by the destination country of the exported seafood product.
- Dioxins, PCBs, dioxin-like PCBs, and heavy metal have been released into the ocean by human industrial activities for many decades. Fatty fish from Northern Europe, which is turned into fish oil, may be a source of such substances in salmon feed.
- Environmental contaminants in our feed and fish are kept far below the safe limits set by the food safety authorities around the world. In our monitoring program we include dioxin, PCBs, dioxin-like PCBs and heavy metals.
- At the end of 2018, EFSA published new scientific advice, which suggested lowering the allowed limit of these substances in food. Grieg Seafood has started to further purify the fish oil used in our feed.
- Ethoxyquin is an antioxidant that can be used as an additive to prevent oxidation and preserve high quality of feed raw materials during transport. Grieg Seafood is no longer using raw materials with added ethoxyquin in Norway and the UK, and will stop using it in Canada in 2020.

### MONITORING AND TRACEABILITY

- We have a fully integrated value chain from roe to harvest, and the production management program Fishtalk and trading system Maritech provides documentation and full traceability. Fishtalk also provides a complete record of all feed used and treatments applied.
- Systems to register and follow up customer feedback and complaints.
- EU Directive 96/23 EC requires a monitoring program for undesirable substances in aquaculture products, to ensure that food does not contain residues above legal limits.
  - In Norway, the program is administered by the Food Safety Authority and the Institute of Marine Research. Since the program began in 1998, residue levels have remained significantly below the recommended maximum limits.
- We include heavy metals and dioxin/PCB in our monitoring program.

### PRODUCT SAFETY

- We have Hazard Analysis and Critical Control Point (HACCP) systems at our processing plants, approved by national food safety authorities. HACCP is a management system which maintains food safety through the analysis and control of biological, chemical, and physical hazards - from raw materials, production, procurement, and handling, to manufacturing, distribution, and consumption of the finished product.
- Before harvesting the fish, we perform a risk analysis of each location to assess levels of environmental pollutants, residual foreign substances and bacteria.
- We maintain a constant focus on high standards of hygiene at our processing plants.
- We are working to develop a uniform approach to monitoring, with weekly reporting and customized action plans.
- We set standards for transport and storage.

### GSF GROUP QUALITY NETWORK

- Our GSF Group Quality Network performs a continuous review of hygiene-related challenges at our processing plants.
- Microbiology and safe food production is the main area of focus, especially the prevention of *Listeria monocytogenes*.
- We work to prevent introduction, contamination and establishment of *Listeria* in the production environment and have plans to remove *Listeria* if detected.
- We perform thousands of *Listeria* tests every year at our harvesting plants, both on the fish and in the plant environment.

### STANDARDS AND CERTIFICATIONS

- The certifications BAP and GLOBALG.A.P. cover our entire supply chain.
- Our sales company, Ocean Quality, is chain of custody certified according to GlobalG.A.P and ASC.
- Grieg Seafood Shetland operates according to standards such as those from the British Retail Consortium (BRC), Protected Geographic Federation, and Kosher.

## RESULTS

**FIGURE 2.20**  
ENVIRONMENTAL CONTAMINANTS AND LIMITS 2019 FOR SAMPLES OF GRIEG SEAFOOD SALMON

Environmental contaminant	EU limit	Samples	Norway	Shetland	British Columbia
<b>Lead</b>	0.3 mg/kg	Median	<0.05 mg/kg	<0.05 mg/kg	<0.05 mg/kg
		Max	<0.05 mg/kg	<0.05 mg/kg	<0.05 mg/kg
<b>Mercury</b>	0.5 mg/kg	Median	0.0085 mg/kg	0.018 mg/kg	0.005 mg/kg
		Max	0.018 mg/kg	0.025 mg/kg	0.02 mg/kg
<b>PCB 6</b>	75 µg/kg	Median	4.60 µg/kg	3.33 µg/kg	-
		Max	5.69 µg/kg	5.51 µg/kg	-
<b>Dioxins PSDD/F TEQ excl LOQ</b>	3.5 pg/g	Median	0.03685 pg/g	0.14 pg/g	-
		Max	0.198 pg/g	1 pg/g	-

Our sampling for PCBs, dioxins, PCB-like dioxins and heavy metals are taken on all farms at the end of the production cycle. Samples from each site are tested according to standard analytical methods by external laboratories. BC does not source fish oil from areas where all of these contaminants can be a challenge, and therefore the samples are less comprehensive.

**FIGURE 2.21**  
LISTERIA CONTAMINATION IN 2019

REGION	Number of samples*	Listeria detected (%)
Rogaland	2 136	5.2%
Finnmark	2 406	1.3%
Shetland	1 564	2.1%
British Columbia	572	2.1%

\*Number of samples of end product and plant environment.

Our Listeria sampling is done on key points on the production line to ensure food safety. Samples are taken regularly to show variations over time. We also test finished product for Listeria. Samples are analyzed according to standard methods by external laboratories.

If Listeria is detected, action plans are executed in the form of extra thorough cleaning and the replacement of equipment. Relevant customers are informed. Most of them have measures in place to manage Listeria for the fish they buy, even when Listeria is not found at the harvesting plant.

**FIGURE 2.22**  
SUPERIOR SHARE

REGION	2016	2017	2018	2019
Rogaland	88%	81%	74%	75%
Finnmark	89%	78%	86%	86%
Shetland	93%	93%	94%	94%
British Columbia	76%	81%	84%	86%

We categorize our salmon as superior, ordinary or production grade. Superior quality has a positive overall impression with good meat quality and no external damage or faults. The superior share is calculated as a percentage of net biomass, excluding discards. Please see the section "Analytical information" for further details.

We have corrected the superior share for the years 2016-2018 due to exclusion of discards. Previous reporting was: Rogaland with 85% in 2016, 79% in 2017 and 73% in 2018. Finnmark with 88% in 2016 and 85% in 2018.

The share of superior quality fish in Rogaland was impacted by PD from 2017 until mid-2019. Quality improved the second half of 2019. Claims were mainly related to melanin.

In Finnmark, colder sea temperatures in general can cause winter ulcers, which affects the superior share. Winter ulcers and melanin were the main reasons for claims in 2019.

In Shetland, the share of superior quality fish is consistently high, although it has been somewhat affected by gill-related diseases and mechanical sea lice treatments. Claims were mainly related to melanin.

The share of superior quality in BC has been rising in recent years, despite algal bloom incidents. Claims during the year were related to pigmentation, texture or soft flesh.





# Salmon & health

Salmon is healthy food. Fish and seafood contain a number of nutrients that are vital to the human body.

## **IODINE**

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

## **VITAMIN D**

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

**SOURCE:** SALMONFACTS.COM





**VITAMIN B12**

Vitamin B12 is essential when the body grows new cells. Because we constantly need a lot of red blood cells, we can develop anemia if we don't have enough of this vitamin.

**VITAMIN A**

Vitamin A contributes to healthy eyesight and a strong immune system. The vitamin is also essential for healthy fetal development and has a positive impact on reproductive health.

**SELENIUM**

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

**PROTEIN**

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

**OMEGA-3 FATTY ACIDS**

Omega-3 fatty acids prevent and slow down the development of cardio vascular diseases. These fatty acids are also among the vital building blocks for our brain. Most important are the two long-chain fatty acids, DHA and EPA.

# Sustainable feed ingredients

Fish feed is the most important and costly input factor in salmon farming. Sustainable sourcing has long been an important issue, and a 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 strive to source new feed ingredients in order to grow sustainably.

## OUR PRINCIPLES

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

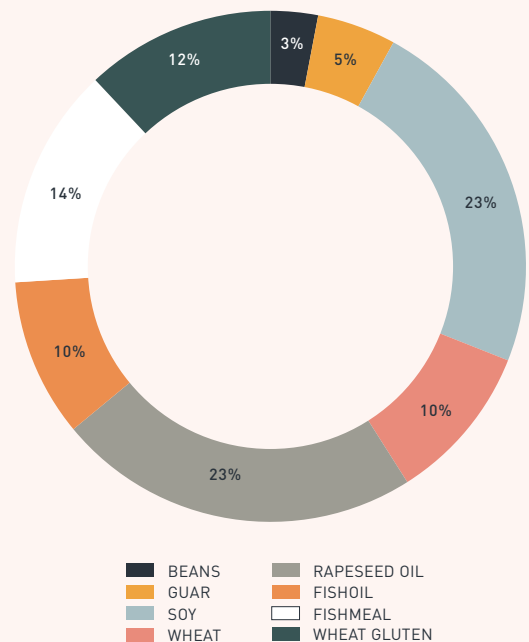
**We comply with the ASC standard** for how much fish meal and fish oil we have in our feed.

We recognize the need to **develop novel marine and plant based feed ingredients**.

### FEED INGREDIENTS AND RISKS

We have focused on several supply chain risks connected to feed ingredients for several years. Overfishing can be a risk connected to marine ingredients, and deforestation can be a risk connected to some plant based ingredients. We have set specific sourcing requirements to feed suppliers on these aspects. During 2020, we will conduct a broader risk assessment of our feed ingredients, which will include assessment areas like carbon footprint, human rights and more.

**FIGURE 2.23**  
FEED INGREDIENTS 2019



This illustrates the average of raw material content in our feed used in Norway and UK. In BC, the content is somewhat different as in general protein from vegetable are replaced by poultry-bi product.

## HOW WE WORK TO IMPROVE

### REQUIREMENTS FOR FEED SUPPLIERS

- From 2020, 100% of the marine ingredients in the feed we use, will comply with the sustainability standard set by Marine Stewardship Council (MSC), Iceland Responsible Fisheries Management (IRFM) Certification Program, Alaska Responsible Fisheries Management Program, or the International Fishmeal and Fish Oil Organization Responsible Supply Standard (FIPs).
- No marine ingredients come from illegal, unreported, or unregulated fisheries.
- 100% of soy ingredients are certified according to the sustainability standards Proterra or Round Table on Responsible Soy. These standards ensure that the soy we use has not contributed to deforestation.
- In our Supplier Code of Conduct, we require our suppliers to minimize their environmental impact, with a particular emphasis on the exploitation of limited resources and on deforestation. Our suppliers are expected to identify and monitor their impact and implement measures where needed.

### DEVELOPING MORE SUSTAINABLE FEED

- We are in dialogue with suppliers to cooperate on developing novel sustainable feed ingredients, such as insect meal.
- We cooperate with other players in the industry, such as the GSI, to encourage feed producers to increase their focus on sustainable ingredients.
- We are a member of the steering committee for the development of a new global ASC standard for fish feed.
- We encourage our suppliers to participate in the International Fishmeal and Fish Oil Organization (IFFO), and its work on a standard for responsible resource use.
- We have been a partner to an R&D project, CO2 Bio, that uses carbon dioxide from the oil and gas industry to produce algae as an alternative fish feed ingredient. In 2019, we withdrew from this project and will look for alternatives.

### FUNDING FOR SOY FARMERS IN THE CERRADO COALITION

**Our mission is to end soy-related deforestation in the Cerrado, while facilitating expansion of the Brazilian soy industry on already cleared land.**

#### The problem

The Brazilian Cerrado stores huge amounts of carbon and is home to 5% of the world's animals and plants. Still, the savannah is one of the world's deforestation frontiers. The habitat is being rapidly cleared to make way for soy and beef plantations. Once covering an area larger than the UK, France and Germany combined, now only half of its original extent and native vegetation remains. An additional 2,000 hectares are being lost every day, equivalent to the area of Greater London every three months.

#### The solution

Grieg Seafood has together with Tesco and Nutreco launched the Funding for Soy Farmers in the Cerrado Coalition. We aim to raise the critical funding needed to implement a Brazilian-led innovative financial mechanism to end deforestation from soy in the Cerrado. This funding will be used by Brazilian stakeholders to develop and implement the mechanism to provide the financial incentives necessary to support farmers to transition to producing soy only on existing agricultural land.

*"Although the soy we use in our salmon feed is certified and deforestation-free in and of itself, the Funding Coalition gives us an opportunity to make a greater industry impact further back in our value chain. There is no contradiction between ending soy related deforestation and continued development of the local soy industry in the Cerrado. We hope many companies will join us, both in and outside the salmon sector, to make that happen."*

— Andreas Kvame, Grieg Seafood CEO

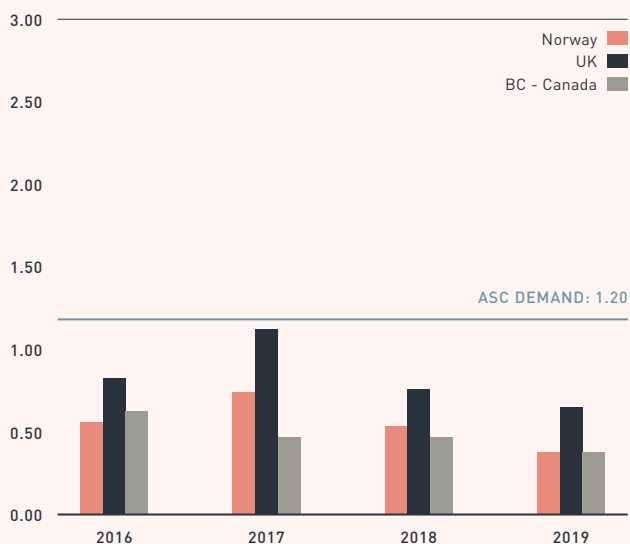
Grieg Seafood will contribute with 2 dollars per ton soy we use in our feed for five years, starting when the financial mechanism is launched.

Grieg Seafood is also in the Steering Committee of Cerrado Manifesto Signatories of Support, together with Tesco (chair), Ahold Delhaize, APG, Avara Foods, CGF, FAIRR, Nestlé, Nutreco, PRI, Robeco, SIM and Unilever. For more information, please visit: [www.businessforthecerrado.com/](http://www.businessforthecerrado.com/)

## RESULTS

**FIGURE 2.24**  
FISH MEAL FFDRM

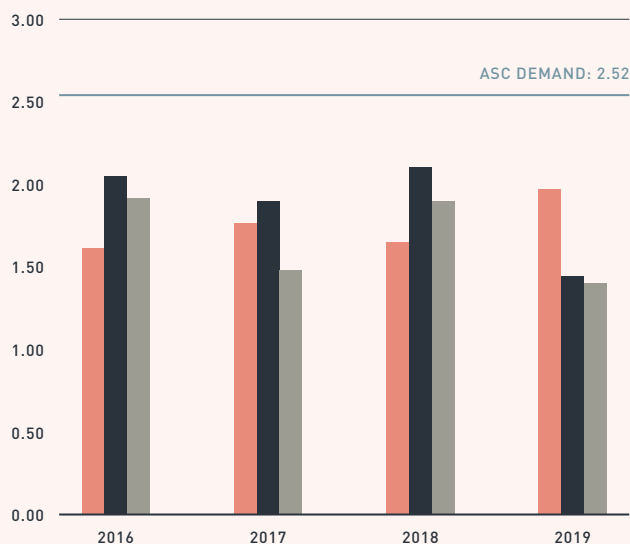
FDDRM	2016	2017	2018	2019
Norway	0.56	0.73	0.54	0.38
UK	0.83	1.12	0.76	0.64
BC - Canada	0.63	0.46	0.46	0.37



The forage fish dependency ratio (FFDR) represents the amount of wild fish needed to produce sufficient fishmeal and fish oil for one kilo farmed salmon. Both are well below the ASC limit.

**FIGURE 2.25**  
FISH OIL FFDR0

FDDRO	2016	2017	2018	2019
Norway	1.61	1.75	1.64	1.97
UK	2.04	1.89	2.09	1.44
BC - Canada	1.90	1.48	1.88	1.39



We use little fish meal and fish oil in our feed. Our FFDRm figures shows a continuous reduction and that we were a net producer of marine protein in 2019 in all regions.

We used less fish oil in 2019 than the year before, except in Norway. We are still well below ASC requirements.

**FIGURE 2.26**  
ECONOMIC FEED CONVERSION RATIO (EFCR)

REGION	2018	2019
Rogaland	1.52	1.28
Finnmark	1.17	1.21
Shetland	1.44	1.47
British Columbia	1.54	1.41

The eFCR describes the amount of feed required to produce one kilo of farmed salmon. It is calculated as the total weight of feed divided by net production (harvested weight). In Rogaland, we had less impact from pancreas disease in 2019 compared to 2018, which improved the feed conversion rate. Due to our efforts related to algae monitoring and improved feeding during challenging situations, we managed to reduce the feed conversion rate in BC.





# Reducing carbon emissions

Though farmed salmon has a low carbon footprint compared to other protein sources, we must reduce our carbon emissions further.

## OUR PRINCIPLES

We must play our part in **reducing greenhouse gas emissions** in order to reach the Paris Agreement’s objectives.

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

### COOPERATING TO REDUCE SCOPE 3 EMISSIONS

Grieg Seafood will take part in a test with transportation suppliers, where salmon from Finnmark will be moved from trucks to train through Sweden to get to the south of Scandinavia. It is estimated that carbon emissions for this distance can be reduced by approximately 66%.

### THE CARBON DISCLOSURE PROJECT

In 2019, Grieg Seafood was given an A rating by the Carbon Disclosure Project (CDP) for our climate disclosures and actions towards a low-carbon future. Even though fish has a low carbon footprint, cutting more emissions from our operations and supply chain is one of the challenges we must solve in our industry. For more information on the CDP, visit [www.cdp.net](http://www.cdp.net).



## HOW WE WORK TO IMPROVE

### SCOPE 1 AND 2

- Our largest direct source of emissions is from the fuel that powers our boats, vehicles, and on-site electricity generators. We are testing out a variety of new technologies to reduce the carbon footprint of these sources, such as replacing the diesel engines used at sites with battery packs or hybrid solutions.
  - We are also testing out new solutions. For instance, in Rogaland, we have a test project on one of our farms with a wind turbine and solar panel.
- Our preventative approach to sea lice control will also reduce our carbon footprint, as use of large vessels in treatments also lead to greenhouse gas emissions (GHG).
- Before making any investments, we evaluate their potential carbon emissions and environmental impact.
- The Grieg Seafood's head office is a certified Eco Lighthouse. The certification process involves an evaluation of energy consumption, supply management, waste management, transport use, sewage treatment, system criteria and the working environment.

### SCOPE 3

- We are working to include Scope 3 GHG emissions in our reporting, and will publish the results in 2020. Our main emission drivers are transport, airfreight and feed.
- We are working to reduce our emissions, both within Scope 1, 2 and 3. We will adopt Science-Based Targets to meet the goals of the Paris Agreement.
- 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 of packed salmon. We will invest in this equipment in the years to come.
- We maintain a regular dialogue with our suppliers of feed, goods and services, and we discuss what they are doing to reduce their GHG emissions. Some of our suppliers already have their own GHG reduction targets. Going forward, we will encourage others to clarify their goals.



## RESULTS

**FIGURE 2.27**  
GREENHOUSE GAS EMISSIONS

REGION	Scope	TOTAL EMISSIONS (tCO <sub>2</sub> e)			EMISSIONS (kgCO <sub>2</sub> e) / TONNES		
		2017	2018	2019	2017	2018	2019
ROGALAND	Scope 1	3 753	3 721	9 211			
	Scope 2 location based	420	456	424			
	<b>Total (scope 1+2)</b>	<b>4 173</b>	<b>4 177</b>	<b>9 634</b>	<b>230</b>	<b>256</b>	<b>382</b>
FINNMARK	Scope 1	4 540	7 134	4 779			
	Scope 2 location based	567	420	696			
	<b>Total (scope 1+2)</b>	<b>5 107</b>	<b>7 554</b>	<b>5 474</b>	<b>224</b>	<b>254</b>	<b>169</b>
SHETLAND	Scope 1	8 071	9 813	10 507			
	Scope 2 location based	2 265	2 741	1 494			
	<b>Total (scope 1+2)</b>	<b>10 336</b>	<b>12 554</b>	<b>12 001</b>	<b>857</b>	<b>1 053</b>	<b>1 065</b>
BRITISH COLUMBIA	Scope 1	5 974	9 143	14 867			
	Scope 2 location based	768	783	685			
	<b>Total (scope 1+2)</b>	<b>6 742</b>	<b>9 926</b>	<b>15 552</b>	<b>702</b>	<b>597</b>	<b>1 101</b>
ASA	Scope 1	-	-	-			
	Scope 2 location based	5	4	3			
	<b>Total (scope 1+2)</b>	<b>5</b>	<b>4</b>	<b>3</b>			
OQ	Scope 1	-	-	-			
	Scope 2 location based			2			
	<b>Total (scope 1+2)</b>	<b>-</b>	<b>-</b>	<b>2</b>			
<b>TOTAL GROUP</b>	Scope 1 (tCO <sub>2</sub> e)	22 338	29 811	39 363			
	Scope 2 location based (tCO <sub>2</sub> e)	4 025	4 404	3 304			
	<b>Total scope 1 + location based scope 2</b>	<b>26 363</b>	<b>34 215</b>	<b>42 667</b>	<b>421</b>	<b>459</b>	<b>514</b>

Our total greenhouse emissions increased by 25% compared to last year, while production increased by 11%. Measured as CO<sub>2</sub> equivalents per tonne harvested, the increase is 12%.

In Rogaland, total emissions more than doubled from 2018 to 2019. The increase is due to a 55% increase in the harvested volume, and a considerable increase in the consumption of marine gas oil (MGO), which is mainly used for well boat services. Measured in terms of emissions per tonne, the increase from 2018 to 2019 is 49%.

In Finnmark, the decrease of both total emissions and emissions per tonne harvested is due to the reclassification of 3 299 tCO<sub>2</sub>e of marine gas oil consumption from Scope 1 to Scope 3 based on a change in operational ownership at the start of 2019. Excluding this reclassification, total emissions increased by 16%, while the increase per tonne is 7%. The harvested volume rose by 9%. Measures taken to reduce greenhouse gas emissions during the year includes connecting three production sites to the electrical grid, and installing batteries on four production vessels, enabling diesel electric production. With the installation of heat pumps, on-shore electricity, and hybrid solutions, we were able to save 521 tCO<sub>2</sub>e in 2019. At the same time, these measures increased our electricity consumption by 63 tCO<sub>2</sub>e. The net reduction of these measures came to 458 tCO<sub>2</sub>e.

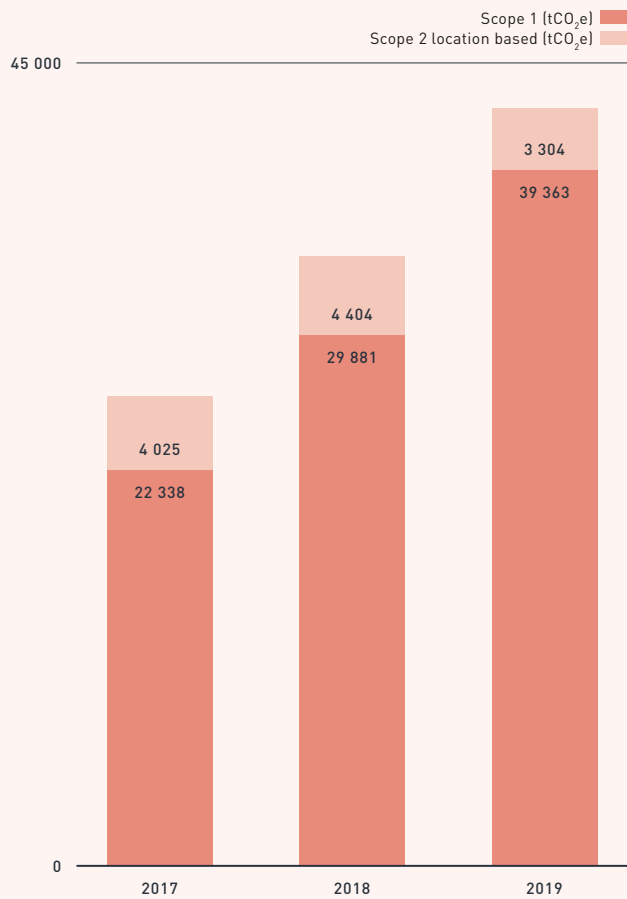
In Shetland, the harvested volume decreased by 5%, while total emissions decreased by 4%. Emissions per tonne rose by 1%.

In BC, the 57% increase in total emissions is attributable to a substantial increase in the consumption of diesel to power our sites. Due to a 15% decrease in the harvested volume compared to the year before, emissions per tonne rose by 85%.

Because we are growth oriented, and are therefore targeting higher production and harvest volumes, we expect an increase in our total emissions going forward. Nevertheless, we will continue to work towards our goal of a reduction per kilo.

In Finnmark, we have started to observe the benefits of using onshore electricity instead of diesel generators to operate a growing number of production sites. However, we are not satisfied with the substantial increases in Scope 1-emissions, especially in Rogaland and BC. Well-boat services make up a substantial proportion of our emissions, and the decisions we take about whether to provide these services ourselves or outsource them to external service providers, have a considerable influence on our Scope 1 emissions. In 2019, we were able to significantly increase the level of detail of our data collection, and aim to include Scope 3 in our reporting in 2020. Capturing all emission data on an individual production site basis allows us to compare the energy intensity of each production site across all regions, and to develop strategic low-carbon transition plans for 2020 and beyond.

**FIGURE 2.28**  
GREENHOUSE GAS EMISSIONS



Our greenhouse gas emissions are reported in accordance with the Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG protocol), using the operational approach. 2017 is our baseline year, as this was our first year of complete and verified data.

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

Scope 2 emissions are indirect emissions relating to third-party generation of the electricity we consume at our sites. Emissions are reported as location-based and market-based emissions in accordance with the GHG protocol. Location-based factors are from the International Energy Agency (IEA), using three-year rolling averages, while market-based factors are from RE-DISS (Reliable Disclosure Systems for Europe), apart from Canada which come from Green-E. Underlying data is collected from financial cost and on-site meters.



# Climate risk

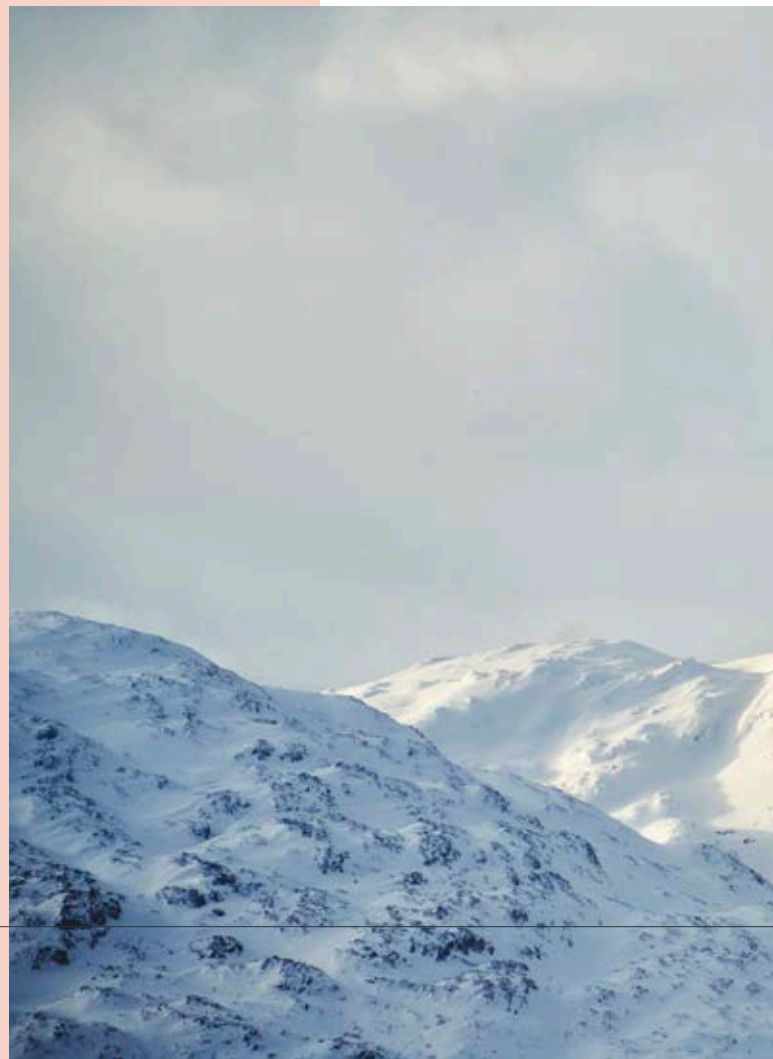
The effects of climate change, such as extreme weather, warmer seawater, and rising sea levels can have financial impact in the coming decades. Knowledge of the possible financial consequences of global warming, and the integration of climate risk, is an essential part of our risk management strategy.

## OUR PRINCIPLES

---

**Climate-related risks** are mapped as part of our overall risk management strategy.

We are committed to transitioning to a low-carbon economy together with the rest of the world.





## HOW WE WORK TO IMPROVE

---

- Climate-related risks are mapped in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures.
- Our climate-related risks include the physical risks of climate change, such as disruption of operations due to extreme weather, and the impact of the transition to a lower-carbon economy. Transition risk covers market risk, such as constraints on emissions; regulatory risks, such as imposition of carbon tax; technology risks, such as competition from land-based fish farming or lab-produced proteins; and reputational risk.
- When considering our exposure to climate-related risks and opportunities, we also consider exposure in our value chain.
- As a part of our 2025 strategy, we will address climate-related risks and opportunities.
- To ensure that our long-term strategic decisions enable us to be a sustainable and preferred agent in the low-carbon future, we will conduct scenario analyses and assess the related financial impacts.



## OUR RESULTS

---

See our TCFD report in the Appendix to this Annual Report.

# Waste management

Our waste should always be disposed of in compliance with prevailing regulations, and recycled whenever possible.

## OUR PRINCIPLES

We make every effort **not to pollute the environment** where we farm our salmon.

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

**Plastic should be recycled** and not end up in the ocean.



## HOW WE WORK TO IMPROVE

### FRESH WATER

- Most of the tanks in our fresh water facilities are Recirculating Aquaculture Systems (RAS), which recycle at least 90–97% of the water used.

### BIOLOGICAL WASTE

- Fish trimmings and dead fish from the farms are disposed of separately, and processed into fish silage. Depending on quality, it may be used for animal feed, biofuel, or fertilizer.
- Organic waste from our fresh water facilities are recycled and used as biofuel or fertilizer. We currently do this in Rogaland, Finnmark, and BC. In Shetland, the organic waste is currently used for biogas production.

### FARMING EQUIPMENT

- Old farming equipment is safely removed, and we are working to establish an effective recycling system. Project to improve recycling practices will be implemented in 2020.
- We engage in annual beach clean-ups around our farms.

## OCEAN PLASTICS

**Ocean plastics is pollution, which can impact fish and life below water negatively. While the aquaculture industry has been less conscious of plastics from operations going astray in the past, awareness has increased during recent years.**

Grieg Seafood has a partnership with the NGO Bellona, where Finnmark is piloting a project on plastics. Main parts of the initiative are:

- Mapping sources of plastics in operations. At our sites, cages, moorings and ropes, nets, feeding tubes, sea lice skirts, and shelter for cleaner fish are the main sources of plastics. A typical site with ten cages of 90 x 90 meter pens contains approximately 360 000 kg of plastic. It is estimated that 0.5% of this, 1 800 kg, disappears.
- Developing plastics accounting, an overview of all plastics bought. The aim is to recycle all plastics and avoid leakages.
- Making recycling of plastics easier at sites with separate containers, and create a culture for reducing use of plastics and recycle what is used.

- Develop plastics products that last longer and are easier to recycle together with suppliers, such as sea lice skirts and artificial kelp forests for cleaner fish.
- Work with suppliers to develop return schemes. For instance, nets made of nylon can be reused in various textiles and carpets, or turned into other nylon products.

The project will be implemented in other regions in the coming years. Grieg Seafood Finnmark will extend the pilot and start evaluating the value chain.

As part of the Grieg Group, we have also partnered with the World Wildlife Fund to reduce ocean plastics in Asia. The project has clear ambitions: 50% reduction of plastic pollution in three Philippine port cities by 2023.

ROOTED IN

# PROFIT & INNOVATION

## Improving Performance

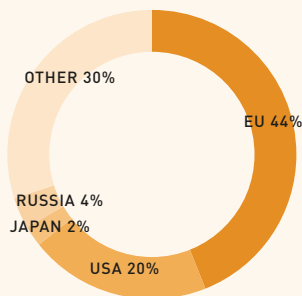
Without a profitable business, we will not be able to farm healthy salmon for people to eat all over the world. To achieve good financial results, our farming methods need to be both cost-effective and sustainable.



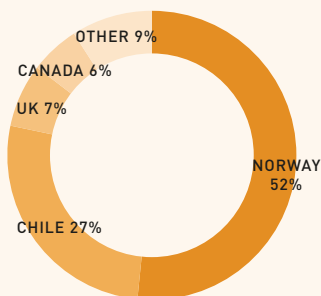
# The global salmon market

Grieg Seafood is part of a global salmon market. We supplied approximately 4% of the global volume of Atlantic salmon harvested in 2019 and aim to increase this to almost 5% by 2020.

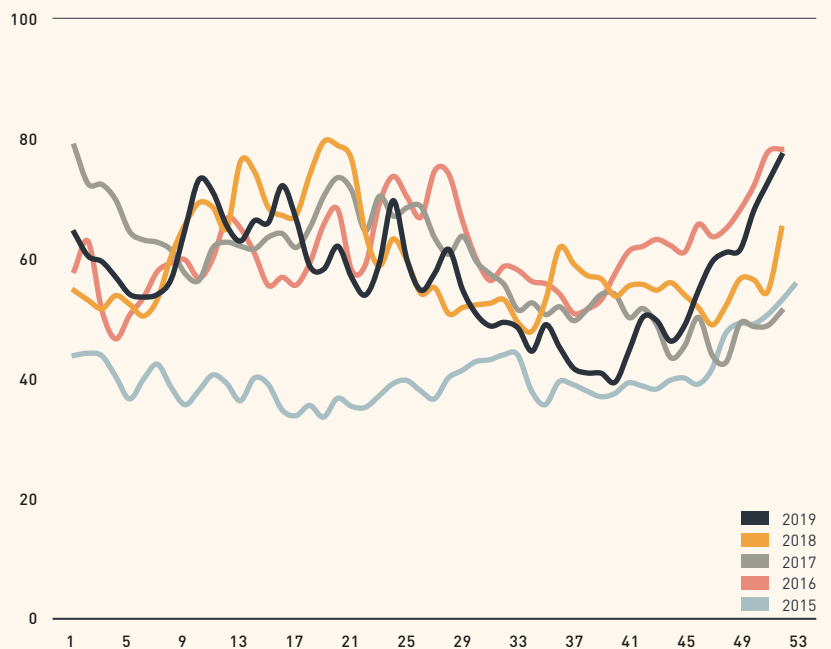
**FIGURE 2.29**  
ATLANTIC SALMON CONSUMPTION IN 2019



**FIGURE 2.30**  
ATLANTIC SALMON HARVEST IN 2019



**FIGURE 2.31**  
NQSALMON WEEKLY AVERAGES (NOK/KG) (LESS DISTRIBUTOR MARGIN OF NOK 0.75)



Source: <https://salmonprice.nasdaqomxtrader.com/public/home?0>

Source: Kontali - Production and market update Feb 2020\*

\*All market data is based on reports from Kontali Analyse AS.



## GLOBAL MARKET DEVELOPMENTS IN 2019

The global harvest of Atlantic salmon increased by 7.4% in 2019, continuing an upward trend seen over several years. A total of 2 325 600 tonnes GWT was estimated to have been harvested globally in 2019, up from 2 164 590 tonnes in 2018. The largest contributors to the increase in supply were Norway, Chile, and the UK, with an increase in output of 72 000, 27 180, and 27 000 tonnes, respectively. The Chilean industry has mustered an impressive recovery after its difficulties in 2016, while Norway has seen incremental growth in harvested volumes as farmers have adapted to challenging biological conditions over the past few years. Canada, on the other hand, experienced a 2 610 tonne reduction in the volume harvested in 2019.

It is estimated that consumption in most major markets increased in 2019, except for Russia and Japan which decreased by 9% and 2%, respectively. The largest relative increases in consumption were found in the USA and the EU, with 8% and 6%, respectively.

Salmon spot prices noted on NASDAQ Salmon Index (NQSALMON) had a notable price drop from August to October, with the lowest price of NOK 39.75 per kg. Prices stabilized in November and ended the year at NOK 77.07. After five years of sharply rising prices, the 12-month average NQSALMON for 2019 (less distributor margin of NOK 0.75) came to NOK 57.21 compared to NOK 59.22 in 2018.

## GLOBAL MARKET EXPECTATIONS

Kontali estimates that the supply of Atlantic salmon will increase by 4% worldwide in 2020. This is based on a forecast increase in output of 3% in Norway, 4% in Chile, 33% in Iceland, and 6% in the Faroe Islands.

At year-end 2019, the consensus was that the global demand for Atlantic salmon would remain high. Combined with limited possibilities for increasing the harvested volume, prices were also expected to remain high. However, the market situation in 2020 has been impacted by the coronavirus (COVID-19) pandemic. The escalation of both spread of the disease and the measures taken to combat it is currently causing extreme uncertainty for producers and processors, as well as for consumers. Industry reports point to a boost in sales to the retail segment, while sales to the HoReCa segment is essentially closed. Market distribution going forward is both uncertain and challenging.

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

For the past 25 years, literally all new fish volumes have come from aquaculture. Wild fishing has long had to deal with smaller catches, quotas, and other regulatory restrictions. 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 relating to health and sustainability, there has been growing 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 more and more new consumers across the globe. 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 rising demand for Atlantic salmon over time.

# Ocean Quality and our markets

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

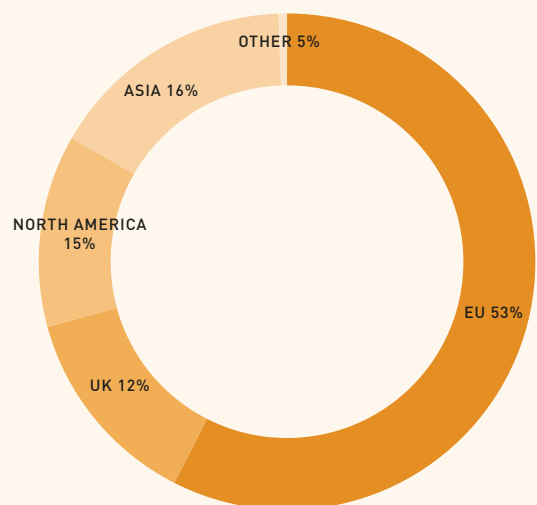
## OUR PRINCIPLES

Our operations span the **entire value chain** from roe to harvestable fish, primary processing, packaging, and sales.

Our farming regions sell their fish to **Ocean Quality**, which resells it 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**.

**FIGURE 2.32**  
OUR MARKETS IN 2019



## OCEAN QUALITY

Headquartered in Bergen, Norway, Ocean Quality is the sales organization of Grieg Seafood (60% shareholding) and Bremnes Seashore (40% shareholding). The Ocean Quality Group also has sales companies in Shetland and North America which sell Grieg Seafood's salmon in these regions. In 2019, Ocean Quality sold 125 530 tonnes of salmon, an increase in volume of more than 9% compared to the 114 720 tonnes it sold in the year before. Grieg Seafood accounted for 66% of the total volume sold in 2019.

## OUR MARKET DEVELOPMENT IN 2019

In 2019, the Grieg Seafood Group's (including Ocean Quality) sales revenues amounted to NOK 8 274 million, corresponding to an increase of NOK 773 million or 10.3% from 2018. Continental Europe is by far our most important market, representing 53% of our sales revenues. The market distribution of sales varies year on year, depending on the harvested volumes across our regions. The main change in our sales distribution was an increase to the EU, from 51% in 2018 to 53% in 2019, due to the increased volume from our Norwegian farming regions. At the same time, sales directed to the UK market decreased from 17% in 2018 to 12% in 2019.

### OCEAN QUALITY IS COMMITTED TO HIGH STANDARDS

Reliable year-round supply that meets customer requirements.

Fresh and healthy products.

Traceability and food safety.

Quality control and sustainability of raw materials.

Fish health, welfare, and environmental care.

## OUR MARKET EXPECTATIONS

2020 started well, with high market activity. In March 2020, however, the COVID-19 situation impacted the salmon market, with a shift in demand from hotels and restaurants to supermarket retailers, as people started to eat more at home. So far, production in Grieg Seafood is going relatively well and according to plan, and sales have remained more or less at normal level. Most of our salmon is trucked from Norway or the UK to European customers, or from Canada to our American customers. Having production in more than one continent gives us more flexibility and reduces logistical difficulties. Exporting salmon by air is a challenge due to the reduced availability of commercial flights. We are working closely with freight carriers and customers to find appropriate solutions.

The production cycle of salmon is 12-16 months in sea, and adjusting supply in the short term is difficult. Logistical challenges or changes to demand will cause short to medium-term mismatch between supply and demand, and potentially pressure on spot prices. The spot market price of fresh whole salmon is trending down, in particular for large sized salmon. While expert opinions indicate that the virus situation in some European countries and in the USA will get worse before it improves, the market situation is improving and gradually returning close to a normal situation in China.

Although the market situation is uncertain, Ocean Quality currently expects to sell 150 125 tonnes in 2020, corresponding to an increase of 13% compared to 2019. Grieg Seafood's harvest will account for 100 000 tonnes of this sales volume. In the medium and long term, there is a clear market trend towards increased demand for certified and specialty products. Grieg Seafood is working continuously to adapt to changing customer preference. Our efforts to increase the number of ASC-certified sites is one example of this. After the HoReCa markets have recovered from COVID-19, we are committed to improve sales of our high-end products like our Skuna Bay brand from BC or Kvitsøy from Rogaland. Skuna Bay salmon is sold to gourmet restaurants in major American cities, while the majority of the Kvitsøy Salmon brand is sold to the Italian and Spanish markets. As part of our 2025 strategy, we also aim to re-position Grieg Seafood in the value chain from a pure commodity supplier to a customer innovation partner. We will increase our presence downstream through partnerships, category development and brand cultivation.

# Economic productivity

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

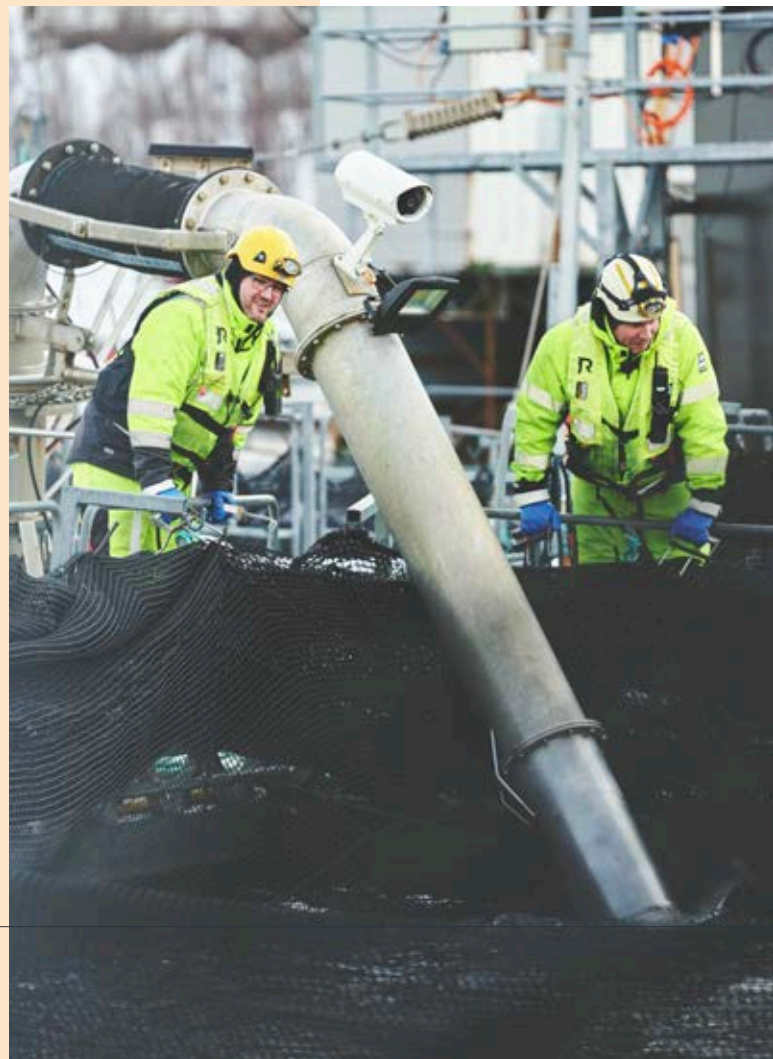
## OUR PRINCIPLES

### **Improving sustainability is key to increasing our profits.**

By focusing on reducing our environmental impact and improving fish welfare, we aim to increase the harvested volume 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.



## RESULTS

### PROFIT AND LOSS

2019 was characterized by good market conditions and continuous improvement across our operations. We reached a harvested volume of 82 973 tonnes, which was almost 1 000 tonnes above our target of 82 000 tonnes and approx. 11% higher than in 2018. The average spot price for 2019 (NASDAQ Salmon Index average, less a distributor margin of NOK 0.75) was NOK 57.21 per kg, down by NOK 2.01 per kg compared to last year. The Group's sales revenues increased by NOK 773 million to NOK 8 274 million. In addition to a strong market for our product, these results were achieved by maintaining a strict focus on sustainability, driving forward improvements at our farming operations and increased harvest volume. Total cost, excluding depreciation and write downs, came to NOK 6 806 million, an increase of NOK 590 million compared to 2018. The rise in cost mainly relates to a higher harvested volume.

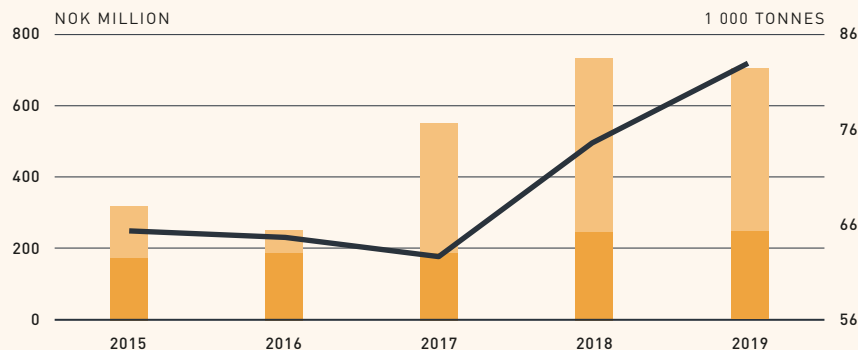
EBIT for the Group before fair value adjustment of biological assets ended at NOK 1 088 million, a decrease of about 1% compared to last year. The EBIT per kg of NOK 13.11 was positively affected by the harvested volume and high spot prices. Lower cost in Rogaland and Finnmark contributed positively, while cost in BC and Shetland were impacted by challenging biological conditions. The total farming cost per kg for the Group came to NOK 43.54 compared to NOK 43.10 in 2018.

**FIGURE 2.33**  
KEY FIGURES

NOK MILLION	2015	2016	2017	2018	2019
Sales revenues	4 609	6 545	7 017	7 500	8 274
EBITDA	261	1 342	1 106	1 334	1 498
EBIT	48	1 168	904	1 099	1 088
Harvest volume (tonnes GWT)	65 398	64 726	62 598	74 623	82 973
EBIT/ kg (NOK)	0.73	18.04	14.45	14.71	13.11
Return on Capital Employed (ROCE)	1%	33%	24%	22%	19%

**FIGURE 2.34**  
GROSS INVESTMENTS

■ Growth investments  
■ Maintenance investments  
— Harvest volume (GWT)



## RESULTS

### CASH FLOW

#### Operating activities

The Group had a net positive cash flow from operating activities of NOK 1 456 million in 2019, compared to NOK 806 million the year before. There was a change in working capital of NOK 5 million during the year. This mainly related to increased biomass, in accordance with our growth strategy, and increased trade receivables as a result of a high sales volume towards the end of the year.

#### Investing activities

Net cash flow from investing activities totaled NOK -382 million in 2019, compared to NOK -593 million the year before. The largest investment in 2019 was related to several new sea sites in Finnmark, totaling almost NOK 185 million, together with the expansion of our Gold River Hatchery in BC. Access to high-quality smolt is key to ensuring production growth through improved fish health and better survival in sea, and is a cornerstone in our operational strategy in all regions. Obtaining new farming locations in Finnmark is a key part of our strategy to improved utilization of our maximum allowed biomass in the region, through better flexibility in production and harvest planning.

#### Financing activities

Net cash flow from financing activities came to NOK -1 000 million in 2019 compared to NOK -347 million the year before. The Group's gross interest-bearing liabilities, including lease liabilities, had a net increase of NOK 194 million during the year. The Group applied IFRS 16 from 1 January 2019, affecting interest-bearing liabilities at a total of NOK 380 million at 31 December 2019. Please refer to Note 11 and 26 for further information. During the year, Ocean Quality AS entered into a new factoring agreement, in which the factoring company purchases all credit-insured trade receivables from Ocean Quality AS, which had a significant positive effect on total factoring liabilities at year-end. Furthermore, financing activities were negatively affected by the payment of dividends totaling NOK 462 million to shareholders and non-controlling interests.

### FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2019, the book value of total assets was NOK 8 935 million, up from NOK 8 142 million at the same time in 2018. NOK 374 million of this increase are due to the adoption of IFRS 16 (see Note 11). Total equity amounted to NOK 4 141 million, corresponding to an equity ratio of 46% at year end. The return on capital employed (ROCE) was 19%, 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 framework of NOK 955 million. Factoring liabilities amounted to NOK 86 million at year-end 2019, compared to NOK 573 million

the year before. Ocean Quality AS entered into a new factoring agreement during the year, with the factoring company purchasing all credit-insured trade receivables from Ocean Quality. Net interest-bearing debt (NIBD) totaled NOK 2 376 million, compared to NOK 2 236 million at year-end 2018. NIBD at year-end 2019 includes leases classified as operational leases according to the superseded standard, IAS 17, which have been recognized in the balance sheet after the adoption of IFRS 16. NIBD according to loan covenants (refer to APM for description) totaled NOK 1 939 at year-end 2019, compared to NOK 1 690 million in 2018. The NIBD/harvested volume ratio was 23.4 at year-end 2019, compared to 22.3 in 2018. The NIBD/EBITDA ratio came to 1.4 at year end-2019, compared to 1.3 the year before.

### DIRECT ECONOMIC VALUE GENERATED

Taxes are important sources of government revenue. They are central to the fiscal policy and macroeconomic stability of countries and are acknowledged by the United Nations to play a vital role in achieving the Sustainable Development Goals. Further, they are a key mechanism by which organizations contribute to the economies of the countries in which they operate, i.e. Norway, the UK and Canada for Grieg Seafood. By reporting our taxes paid country-by-country, we indicate our scale of activity and the contribution we make through tax in these jurisdictions. Living up to our obligation to comply with tax legislation and our responsibility to our stakeholders to meet their expectations of good tax practices is extremely important to us.

**FIGURE 2.35**  
TOTAL TAXES (INCOME AND PROPERTY TAX) PAID IN 2019  
(NOK 1 000)

Norway	130 037
Shetland	4 665
British Columbia, Canada	2 056
<b>Total taxes paid</b>	<b>136 758</b>

The information on the creation and distribution of economic value shall provide a basic indication of how we create wealth for our stakeholders. In addition, the components of the economic value generated and distributed sharpen Grieg Seafood's economic profile, permit a different interpretation of the economic figures and outline the overall economic value retained from the Group's ordinary operations during the year. In 2019, the economic value retained came to NOK 735 million, corresponding to an increase of about 55% compared to 2018.



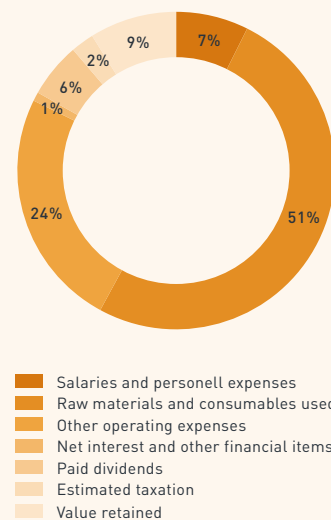


**FIGURE 2.36**  
DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

NOK MILLION	2015	2016	2017	2018	2019
<b>Value generated</b>					
Revenues	4 609	6 545	7 017	7 500	8 274
<b>Value distributed</b>					
Salaries and personnel expenses	409	483	483	541	611
<b>Operating cost</b>					
Raw materials and consumables used	2 739	3 287	3 724	3 853	4 182
Other operating expenses	1 236	1 457	1 725	1 822	2 013
<b>Payments to providers of capital</b>					
Net interest and other financial items	118	91	62	64	75
Paid dividends	55	179	474	467	462
<b>Payments to government</b>					
Estimated taxation	14	339	198	280	196
<b>Value retained</b>	<b>38</b>	<b>709</b>	<b>351</b>	<b>474</b>	<b>735</b>

All figures compiled from the audited Group Accounts.

**FIGURE 2.37**  
VALUE GENERATED IN 2019





## GRIEG SEAFOOD PRECISION FARMING

### AIM

To develop our experience-based salmon farming processes by introducing smart technology and data analytics enabling our employees to make better decisions throughout the value chain.

### RESULTS SO FAR

- We used regression analyses to better understand the cause of PD in Rogaland.
- We have analyzed drivers for growth and mortality in Shetland. The results back up our improvement strategy in the region.
- We are developing a model for daily prediction of harmful algal blooms (heterosigma).
- We analyze causes of winter wounds to improve fish welfare.
- We see improved feed conversion ratio partially due to our Operations Center in Rogaland.
- Though digital tools, we compare the effect from feeding on growth, regardless of fish size, between all sites.

### HOW WE WORK

#### Operations Centers

- We have tested a pilot installation for integrated operations for our marine facilities in Rogaland.
- The Operations Center has gradually taken over responsibility and execution of several production-related tasks. An integrated management and control system that monitors and provides decision support in operational processes in the site.
- The goal is to improve fish health and welfare through closer monitoring with early warning algorithms, better coordination of on-site operations and optimizing the feed factor.

#### A HUB for analyses

- We have started building a HUB for analyses for the entire Group, and conducted data analyses in all regions. Analyses consist of regressions, machine learning and AI, as well as prediction models.



# Profitable growth

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

## OUR PRINCIPLES

By focusing on a number of different areas to **reduce our environmental impact**, fish welfare will be improved and, as a result, the harvested volume will increase and production cost will decrease.

In 2020, we are aiming for a **harvest volume of 100 000 tonnes**, with a production cost at or below a weighted industry average of NOK 37.90 per kg.

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



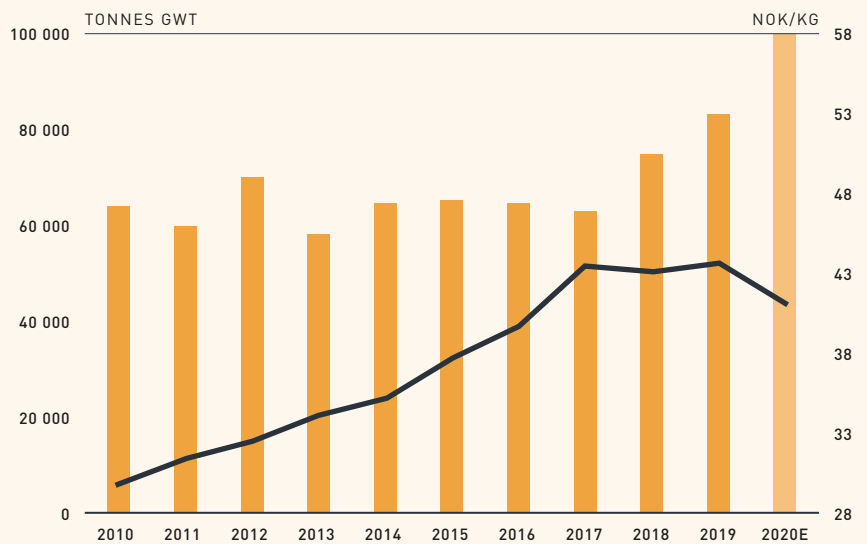
## HOW WE WORK TO IMPROVE

- Improve the utilization of our current capacity.
- Produce larger smolt to reduce production time at sea, thereby reducing exposure to biological challenges while increasing 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 2.38 HARVEST AND GROUP COST**

■ Total harvested volume (tonnes GWT)  
— Group cost excl. headquarters (NOK/kg)



# 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 the salmon we harvest in this region is processed and packed at our own facilities.

Our operations contribute significantly to local value creation. For further detail, see the "Local Communities" section.

## OPERATIONAL PRIORITIES

Grieg Seafood Rogaland aims to reduce production time at sea from 18 to 12 months, with an average smolt size increasing to 410 grams in 2020. Larger smolt will significantly reduce seawater production time, making the fish less exposed to challenges such as sea lice and Pancreas Disease (PD). In 2018, the average weight of smolt transferred to sea in Rogaland was 178 grams. In 2019, this increased to 279 grams, with individuals larger than 550 grams. An important part of our post-smolt strategy is the expansion of Tytlandsvik Aqua in Rogaland, where we have a 33.33% ownership.

Our sites in Rogaland are located in Norwegian Production Area 2, which received a green light under Norway's recently introduced "traffic light" system. This means that the area's production capacity may be increased by up to 6%. Grieg Seafood Rogaland has worked methodically to sustainably combat the challenge of sea lice and has used cleaner fish as a preventive measure. We did not perform any sea lice treatments between July and October.

PD has been a long-term challenge in Rogaland, negatively affecting feeding and reducing growth rates. Two of our sites were affected by PD going into 2019, but by year-end, all of our sites were free of the disease. This has been a key factor in the strong performance delivered by Rogaland in 2019.

As part of our Precision Farming project, we launched our first pilot of an integrated operations center in Rogaland in September 2018. All sites in Rogaland are now being monitored and fed

remotely from this facility. Precision farming will ensure more efficient feeding, leading to reduced cost and improved growth going forward.

## OPERATIONAL RESULTS

A total of 25 217 tonnes was harvested in 2019, an increase of 55% compared to the 16 293 tonnes harvested in 2018. The increase in the harvested volume was primarily linked to strong biological performance, combining favorable sea temperatures with good fish health and continuous efforts to keep sea lice pressure low. Revenue amounted to NOK 1 539 million, with an average price achieved of NOK 61.03 per kg.

Seawater production was strong throughout the year, with a survival rate of 93% (calculated according to the GSI definition), compared to 92% in 2018.

The cost per kg of harvested salmon decreased from 2018 to 2019. The reduction was primarily achieved through the strong farming performance in 2019, and mitigation of the challenges related to PD and lice that we experienced in 2018. Based on the current biological performance, we expect the cost level in Rogaland for 2020 to remain stable.

EBIT per kg before fair value adjustments amounted to NOK 22.53 in 2019, compared to NOK 13.48 in 2018.

*\*We have 18 license numbers, but one of our licenses is doubled, 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 make use of 20 license equivalents in total.*

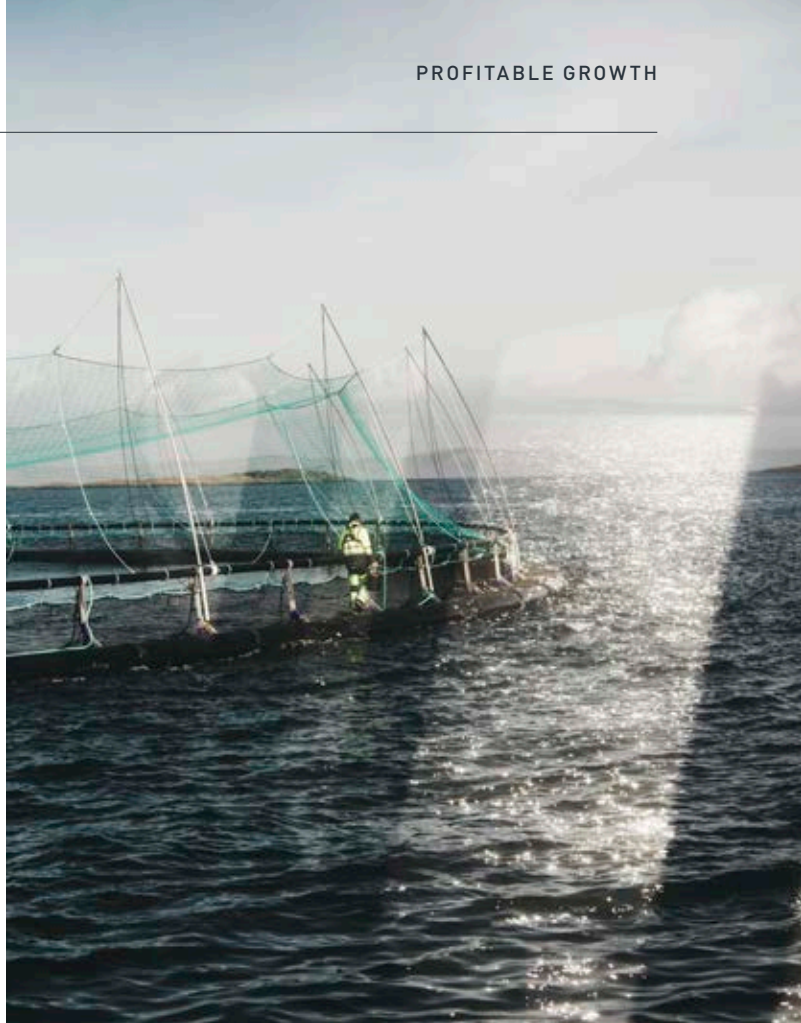


25 217

TONNES GWT HARVESTED

22.53

EBIT/KG (NOK)

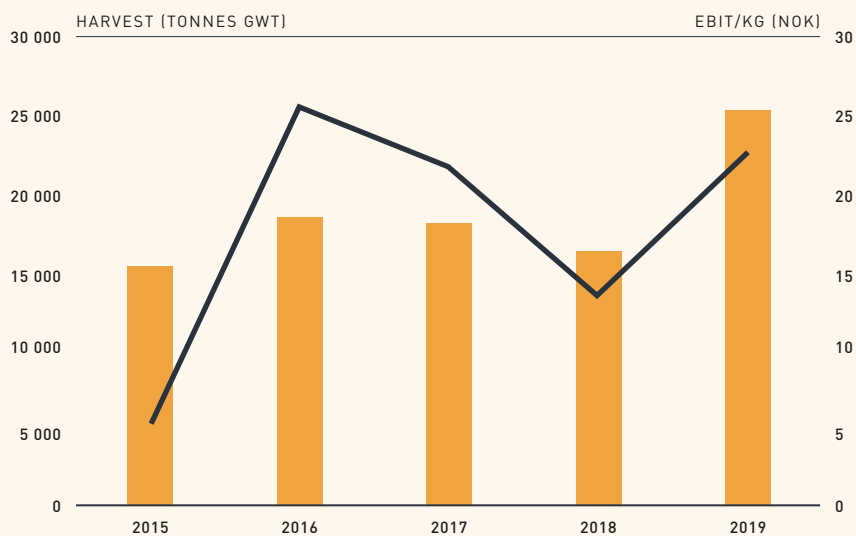


**FIGURE 2.39**  
RESULTS FOR ROGALAND

ROGALAND	2014	2015	2016	2017	2018	2019
Harvest (tonnes GWT)	12 778	15 236	18 367	18 111	16 293	25 217
Revenue (NOK million)	572.6	661.2	1 140.4	1 150.2	959.6	1 538.9
EBIT (NOK million)	77.8	83.5	466.8	393.1	219.6	568.3
EBIT / kg (NOK)	6.1	5.5	25.4	21.7	13.5	22.5

**FIGURE 2.40**  
EBIT AND HARVEST ROGALAND

■ Harvest (tonnes GWT)  
■ EBIT/kg (NOK)



# Grieg Seafood Finnmark

Grieg Seafood Finnmark AS farms salmon in Finnmark, the northernmost county in Norway. Of the company's 28 seawater licenses, eight are "green licenses" and therefore subject to stricter environmental standards. In addition, we own one freshwater license. In general, the salmon we harvest is processed and packed at our local facility in Alta.

Our operations contribute significantly to local value creation. For further detail, see the "Local Communities" section.

## OPERATIONAL PRIORITIES

As in all our regions, we focus on improving fish welfare and achieving a high survival rate. Camera surveillance and sensor technology are utilized to continuously monitor the environment. As a result of our efforts in the area of sustainable production, we had achieved ASC certification of ten sites in Finnmark by year-end 2019.

Flexibility is a requirement to achieve better utilization of our capacity, and we are continuously looking for opportunities to secure access to good new locations. In 2019, we were granted approval for a new location in the Hammerfest area.

Biological conditions in Finnmark were favorable throughout the year, with consistently low sea lice levels. We utilized our option to increase our MAB by 470 tonnes, in accordance with the Norwegian "traffic light" system.

The expansion of the Adamselv smolt facility was completed at the end of 2018. This helped increase the average size of smolt transferred to the sea in Finnmark from 135 grams in 2018 to 184 grams in 2019. Together with the acquisition of 50% of Nordnorsk Smolt AS during the year, this is an important step in our strategy

of continued growth, safeguarding survival rates, and lowering cost through the stocking of larger smolt.

## OPERATIONAL RESULTS

A total of 32 362 tonnes was harvested in 2019, an increase of 9% compared to 2018. 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 totaled NOK 1 815 million, and the average price achieved was NOK 56.09 per kg.

The cost per kg of salmon harvested increased slightly in 2019 compared to 2018. Growth rates in 2019 were somewhat impacted by low seawater temperatures, and the mortality of fish with a slightly larger average size negatively affected the achieved economical feed conversion rates. However, biological performance in Finnmark was strong in 2019, with a very low mortality rate and a favorable sea lice situation.

EBIT per kg before fair value adjustments came to NOK 17.93, compared to NOK 19.98 in 2018.

32 362

TONNES GWT HARVESTED

17.93

EBIT/KG (NOK)

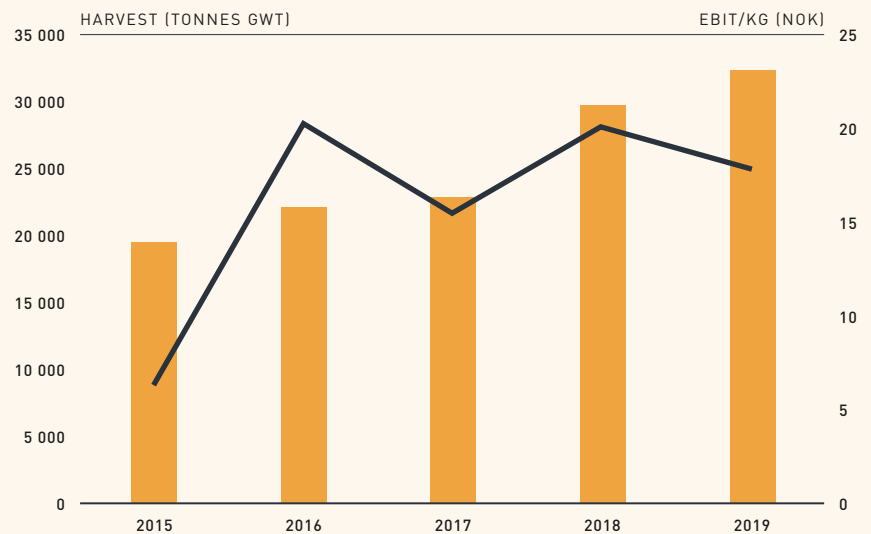


**FIGURE 2.41**  
RESULTS FOR FINNMARK

FINNMARK	2014	2015	2016	2017	2018	2019
Harvest (tonnes GWT)	26 470	19 481	22 104	22 831	29 774	32 362
Revenue (NOK million)	975.3	797.9	1 244.3	1 265.2	1 671.3	1 815.3
EBIT (NOK million)	205.9	124.0	447.1	351.9	594.9	580.2
EBIT / kg (NOK)	7.8	6.4	20.2	15.4	20.0	17.9

**FIGURE 2.42**  
EBIT AND HARVEST FINNMARK

■ Harvest (tonnes GWT)  
■ EBIT/kg (NOK)



# Grieg Seafood Shetland

Grieg Seafood Shetland Ltd farms salmon in Shetland and the Isle of Skye in Scotland. We have 17 active seawater sites and one fresh-water location. We process our salmon at our own facility in Lerwick.

Our operations contribute significantly to local value creation. For further detail, see the "Local Communities" section.

## OPERATIONAL PRIORITIES

The aquaculture industry in Shetland has experienced a variety of biological challenges over the years. We cooperate closely with other sea farmers in the region to secure a sustainable marine biology. Whole farming areas operate with coordinated fallowing periods and sea lice counting, and treatment activities are coordinated between farmers.

Over the last four years, we have cut production from 27 to 17 sites, focusing our production to the best sites with the strongest biological control. We have implemented routines and systems for monitoring and mitigating algae-related issues. Other 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 freshwater treatments.

We have a strong focus on improving our smolt quality to ensure a more robust and healthy fish, which is essential for good growth. In 2019, we saw the first IPN-free generation go through our nursery, and we believe this can improve performance at sea going forward.

## OPERATIONAL RESULTS

A total of 11 273 tonnes was harvested in 2019, compared to 11 924 tonnes in 2018. Revenues amounted to NOK 731.6 million, with an average price achieved of NOK 64.90 per kg.

Biological conditions in Shetland have been challenging in the past year due to gill-related diseases, algae, and plankton, in combination with high sea lice pressure. As a result of healthier and more robust smolt, improved vaccine strategies and continuous improvement of the handling and treatment of fish at sea, the 12-month survival rate has increased from 83% in 2018 to 89% in 2019 (calculated according to the GSI definition).

Loss of production, combined with extensive efforts to mitigate biological challenges, impacted the cost per kg of salmon harvested in 2019. By improving our smolt quality and continuing to focus on initiatives to improve biosecurity and fish welfare we expect to be able to reduce the cost going forward.

The EBIT per kg before fair value adjustments amounted to NOK -5.96, compared to NOK 2.83 in 2018.

11 273

TONNES GWT HARVESTED

-5.96

EBIT/KG (NOK)

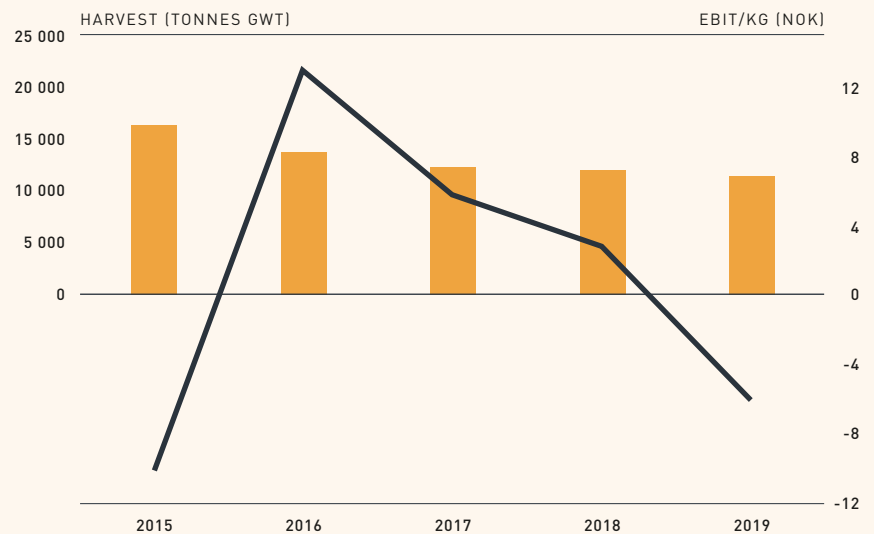


FIGURE 2.43 RESULTS FOR SHETLAND

SHETLAND	2014	2015	2016	2017	2018	2019
Harvest (tonnes GWT)	19 231	16 370	13 541	12 056	11 924	11 273
Revenue (NOK million)	852.5	773.5	859.8	745.9	799.9	731.6
EBIT (NOK million)	81.1	-164.9	176.6	68.7	33.8	-67.2
EBIT / kg (NOK)	4.2	-10.1	13.0	5.7	2.8	-6.0

FIGURE 2.44 EBIT AND HARVEST SHETLAND

■ Harvest (tonnes GWT)  
■ EBIT/kg (NOK)



# Grieg Seafood British Columbia

Grieg Seafood BC Ltd farms salmon on the east and west sides 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 in B.C.

All of our sites are located in traditional First Nation territories. Our relations with the Mowachaht Muchalat, Tlowitsis and Ehattesaht Chinehkint First Nations are good, and are very important to us. For further details on our local community initiatives, see the "Local Communities" section.

## OPERATIONAL PRIORITIES

Access to high-quality smolt is key to ensuring sustainable production growth. With the expansion of the Gold River smolt facility, Grieg Seafood BC expects to increase its smolt capacity from 500 tonnes to 900 tonnes in early 2021.

Harmful Algal Blooms (HAB) represent a major biological risk in BC. We continuously monitor and analyze algae movements and oxygen levels, using high-grade sensor equipment and satellite imagery. Aeration systems have been installed to allow feeding during challenging situations and mitigate harm. Investments in seagoing production equipment will play an important role in maintaining good production levels and increasing survival rates when environmental conditions are difficult.

## OPERATIONAL RESULTS

A total of 14 120 tonnes was harvested in 2019, down from 16 632 tonnes in 2018. The decrease was mainly due to the production and following cycle of our farming areas. In 2020, we expect a significant increase in the volume harvested, because we had 60 percent more biomass at sea at the end of 2019 than at year-end 2018. Revenues amounted to NOK 861 million, with an average price achieved of NOK 61.01 per kg.

The cost per kg of salmon harvested increased from 2018 to 2019, mainly as a result of several of our locations being affected by biological challenges throughout the year of 2019. The survival rate for the year was 88% (calculated according to the GSI definition). Going forward, we expect to mitigate the loss of fish and boost growth by leveraging our continuous monitoring efforts to better predict and prepare for algae and plankton incidents.

The EBIT per kg before fair value adjustments came to NOK 5.19, down from NOK 17.49 in 2018.

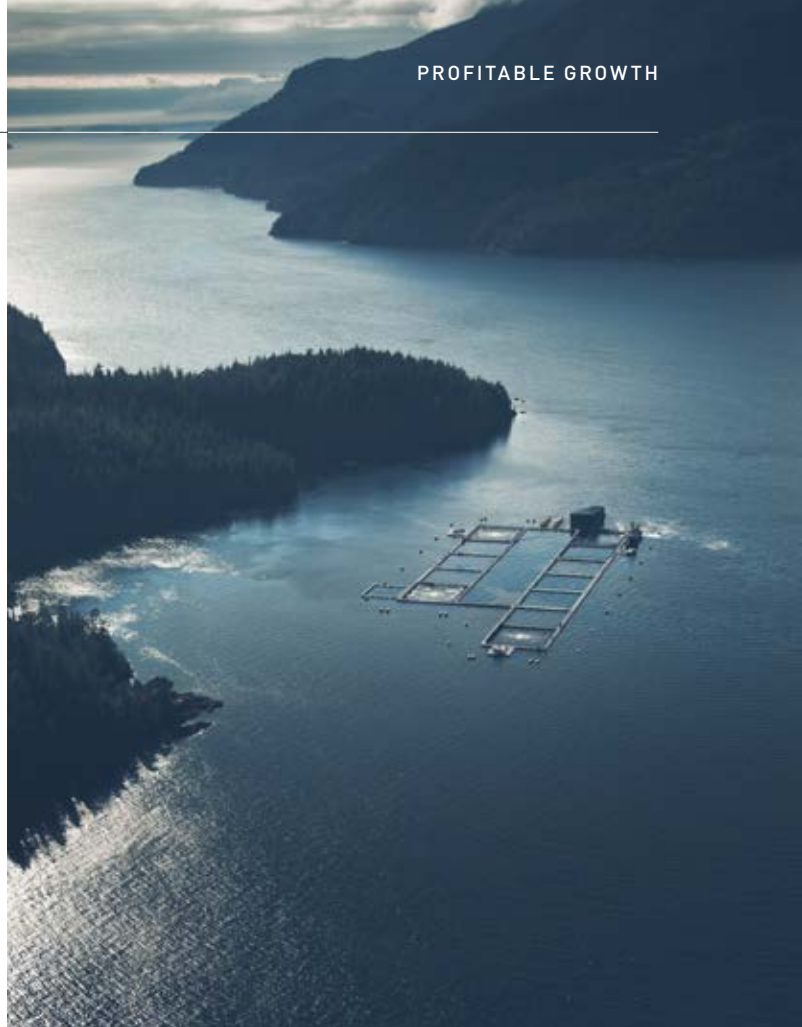


14 120

TONNES GWT HARVESTED

5.19

EBIT/KG (NOK)

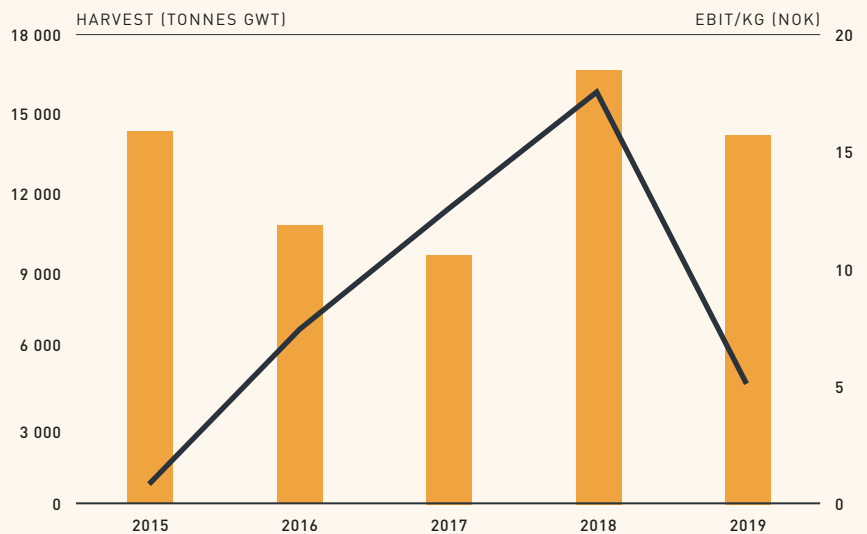


**FIGURE 2.45**  
RESULTS FOR BRITISH COLUMBIA

BRITISH COLUMBIA	2014	2015	2016	2017	2018	2019
Harvest (tonnes GWT)	6 257	14 311	10 715	9 600	16 632	14 120
Revenue (NOK million)	277.8	573.9	611.2	580.3	1 075.3	861.4
EBIT (NOK million)	-47.8	13.3	80.5	120.2	290.9	73.3
EBIT / kg (NOK)	-7.6	0.9	7.5	12.5	17.5	5.2

**FIGURE 2.46**  
EBIT AND HARVEST BRITISH COLUMBIA

■ Harvest (tonnes GWT)  
■ EBIT/kg (NOK)



# The Grieg Seafood shares

We aim to provide 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 30-40% of the Group's net profit after tax before fair value adjustments.



## 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. As of 31 December 2019, the Company had 110 448 313 shares outstanding, at a nominal value of NOK 4.00 per share (excluding treasury shares).

As of 31 December 2019, we had 4 968 shareholders, with our ten largest investors holding 71.5% of our shares. Norwegian-based shareholders own the majority of the Company's shares, with Per Grieg Jr. and the Grieg family controlling 52.8% of the outstanding shares as of 31 December 2019. A further 5.5% was controlled by OM Holding AS, and 4.6% by the Norwegian National Insurance Fund (Folketrygdfondet) as of year-end 2019. Grieg Seafood ASA held a total of 1 213 687 treasury shares as of 31 December 2019. For a detailed breakdown of our 20 largest shareholders, please see note 17 in the Group Accounts.

Our shareholders reside in all parts of the world, with a clear concentration in Europe. Over the last six years, Grieg Seafood has experienced an upsurge in interest from investors, and we have more than doubled the percentage of non-Norwegian shareholders since 2013. Excluding our majority shareholder, the Grieg family, which is based in Bergen, Norway, most of the shareholders come from the EU, the UK, or the USA.

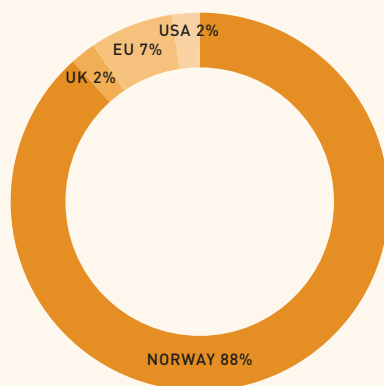
## THE RETURN ON OUR SHARES

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

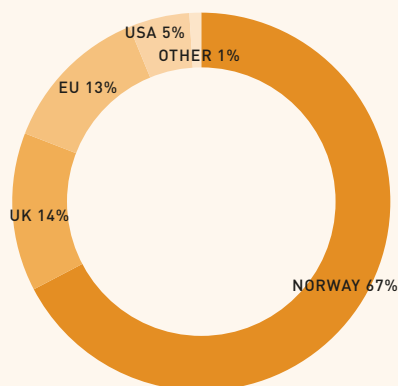
Grieg Seafood's share price increased by 37% in 2019. The closing price at 31 December 2019 was NOK 140.30, compared to NOK 102.30 at year-end 2018. Our dividend yield was 2.9% in 2019, and adjusted for a dividend payout of NOK 4.00 per share, the total return on our share was 40.0% in 2019. By comparison, the Oslo Stock Exchange Total Return Index (OBX) and the Oslo Stock Exchange Seafood Index (OBSFX) produced a return of 14.1% and 18.1% respectively. The total accumulated dividend since our initial public offering in 2007 is NOK 15.60.

Over the past five years, the salmon farming industry has experienced a tremendous increase in profitability and market capitalization. Driven by high demand and increased prices, the Grieg Seafood share has yielded a return of 438% over the past five years, compared to 253% for the OBSFX, and 62% for the OBX. Since the release of shares following the exercise of forward contracts in 2016 (see below), the return on the Grieg Seafood share has substantially outperformed the Seafood Index.

**FIGURE 2.47**  
GEOGRAPHICAL OWNERSHIP IN 2013



**FIGURE 2.48**  
GEOGRAPHICAL OWNERSHIP IN 2019



## THE LIQUIDITY OF OUR SHARES

Since May 2016, the liquidity of our shares has increased significantly compared to previous 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 injection 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 2017 to 2019. In 2019, a total of 72 million shares were traded, with a median of 240 801 shares per trading day.

## DIVIDEND AND DIVIDEND POLICY

We aim to provide our shareholders with a competitive return on invested capital, through the payment of dividends in addition to share price increases. Dividend will be evaluated twice a year. The dividend payout should amount to 30-40% of the Group's net profit after tax, before fair value adjustments on biological assets. At the same time, the Group's net interest-bearing debt per kg harvested salmon should remain at NOK 20, with possibilities to increase during period of growth investments. Dividends declared and paid may be adjusted to satisfy the targeted level of debt.

In 2019, a dividend of NOK 4.00 per share was paid out. This corresponds to a payout ratio of 55% on profit after tax for 2018. The high payout ratio reflects a sound financial position and strong financial performance.

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

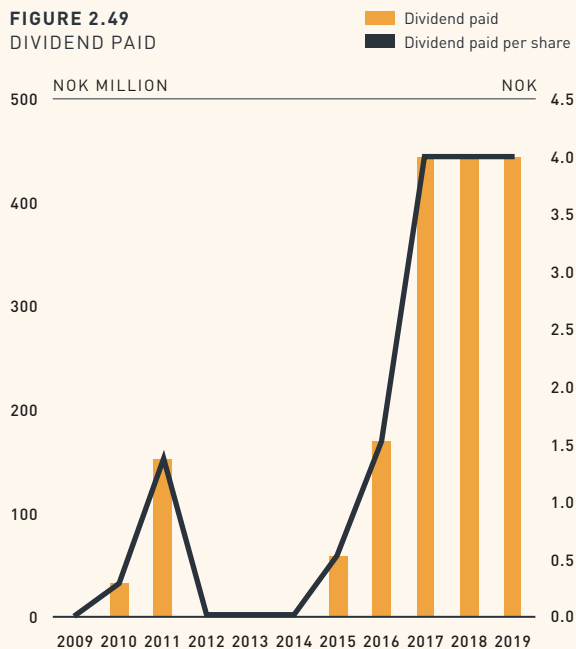
KEY FIGURES	2014	2015	2016	2017	2018	2019
Number of shares at year-end (incl. own shares)	111 662 000	111 662 000	111 662 000	111 662 000	111 662 000	111 662 000
Number of shares traded	13 108 181	8 251 926	167 281 077	143 109 533	116 144 510	72 001 397
Number of shareholders	1 028	1 156	4 390	4 433	5 124	4 968
Total value of shares traded per day (NOK million)	1.34	0.94	31.64	40.68	42.07	33.7
Average number of shares traded per day	52 433	33 008	661 190	570 158	466 444	289 162
Median number of shares traded per day	32 100	19 562	317 820	486 933	411 341	240 801
Total market value OSE (NOK 1 000)	3 182 367	3 461 522	9 122 785	8 067 580	11 423 023	15 666 179
Share price 31.12 (NOK)	28.5	31.0	81.7	72.3	102.3	140.3
Average share price (NOK)	26.1	28.2	52.7	71.5	92.2	118.0
Lowest closing price (NOK)	21.8	23.1	26.7	58.0	66.2	96.8
Highest closing price (NOK)	29.8	33.6	84.5	85.1	131.9	146.8
Price/Earnings ratio*	79.17	-114.81	11.38	12.26	14.61	19.57
Price/Book ratio**	1.42	1.53	2.81	2.41	2.95	3.79
Pay-out ratio [%]**	0%	139%	-556%	56%	68%	55%
Enterprise value (EV)****/Capital employed (CE)*****	1.41	1.38	2.64	2.27	2.71	3.16
Enterprise value (EV)****/EBITDA	10.15	20.40	7.77	8.81	10.14	11.93
Enterprise value (EV)****/EBIT before fair value adjustments	14.31	111.64	8.92	10.77	12.31	16.43
Dividend yield [%]	0.0%	1.6%	1.8%	5.5%	3.9%	2.9%
Return on Capital Employed (ROCE)	10%	1%	33%	24%	22%	19%

\* 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. \*\*\*\* EV is calculated as market capitalization excl. treasury shares plus NIBD. \*\*\*\*\* CE is calculated as NIBD plus equity net of booked fair value adjustment of biomass net of tax.

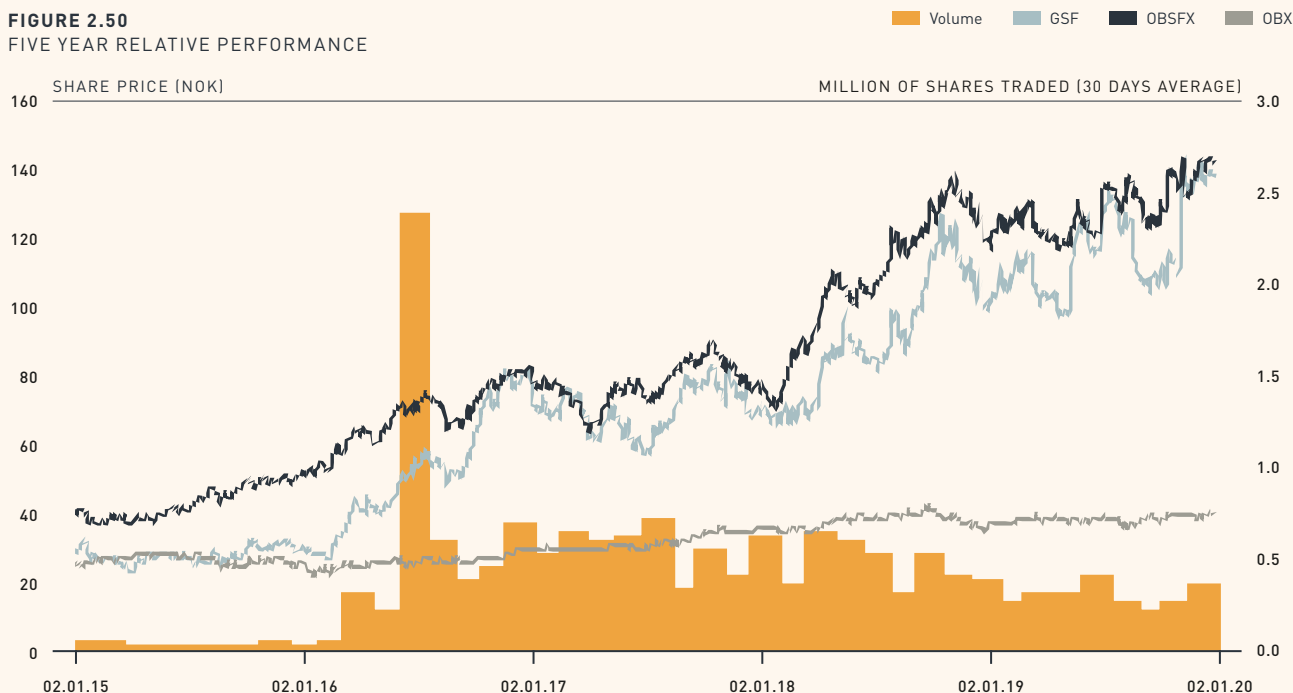
## INVESTOR RELATIONS

Grieg Seafood provides information to, and communicates with, the capital markets, including shareholders, potential investors, analysts, portfolio managers, investment banks, and others 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 create a 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 goals, strategy, operations, financial developments, and outlook. Investors, analysts, the media, and other stakeholders were invited. We expect to host a Capital Markets Day in 2020, depending on the coronavirus situation. For more information and the dates of our Annual General Meeting and quarterly presentations in 2020, visit our website [www.griegseafood.com](http://www.griegseafood.com).

**FIGURE 2.49**  
DIVIDEND PAID



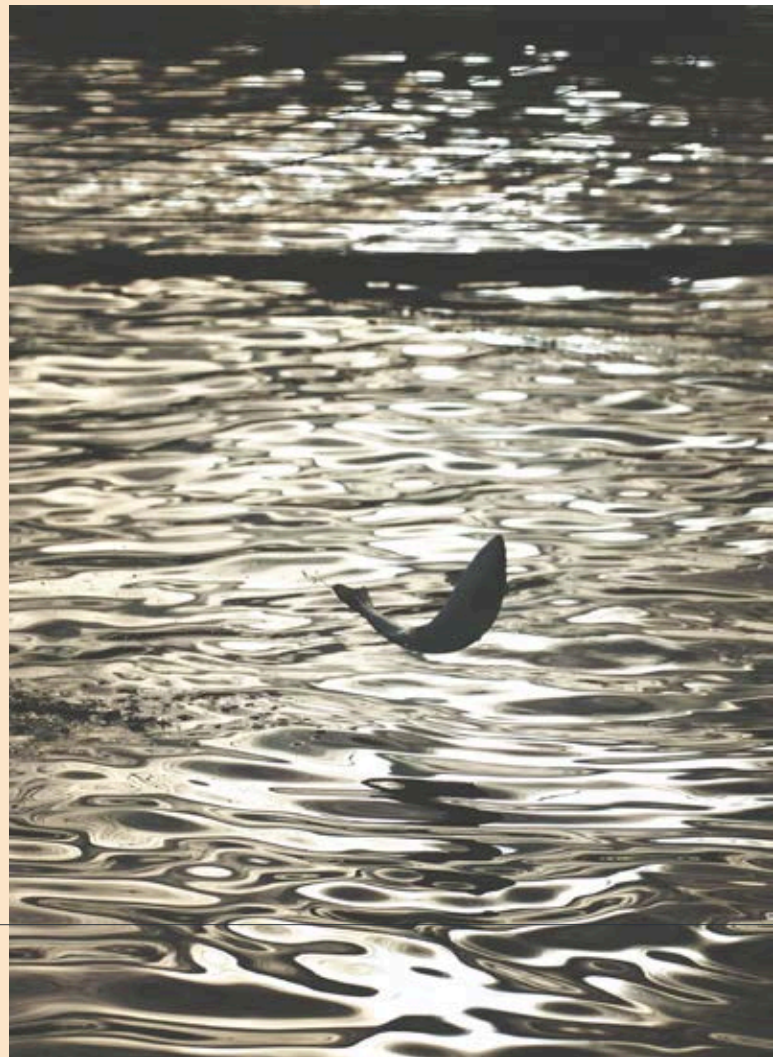
**FIGURE 2.50**  
FIVE YEAR RELATIVE PERFORMANCE



Source GSF: [https://www.oslobors.no/ob\\_eng/markedsaktivitet/#/details/GSF.OSE/overview](https://www.oslobors.no/ob_eng/markedsaktivitet/#/details/GSF.OSE/overview)  
 Source OBSFX: [https://www.oslobors.no/ob\\_eng/markedsaktivitet/#/details/OBSFX.OSE/overview](https://www.oslobors.no/ob_eng/markedsaktivitet/#/details/OBSFX.OSE/overview)  
 Source OBX: [https://www.oslobors.no/ob\\_eng/markedsaktivitet/#/details/OBX.OSE/overview](https://www.oslobors.no/ob_eng/markedsaktivitet/#/details/OBX.OSE/overview)

# Analytical information and alternative performance measures

Our ambition is to be open and transparent with respect to all our stakeholders. This is the only way we can earn their trust. By sharing honest and relevant information about our operations and the salmon farming industry, we aim to contribute to an improved understanding and correct valuation of our shares.



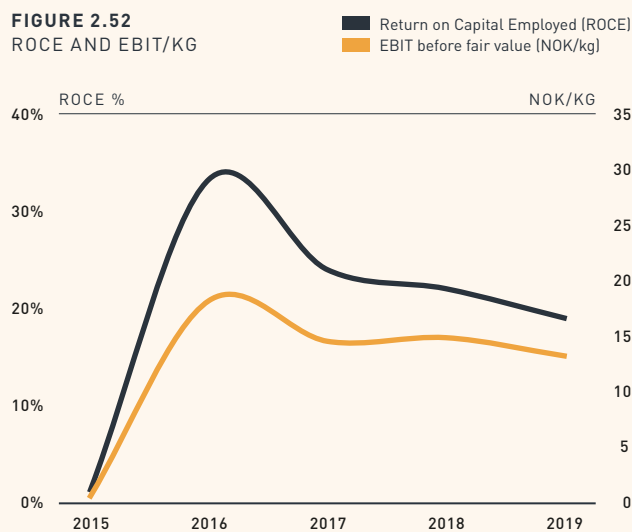
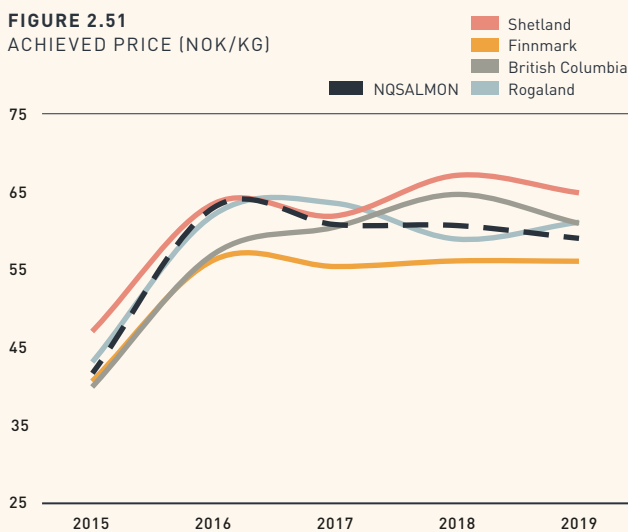


## VALUE CREATION

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 that sustainability and financial results go hand in hand. We need good financial results to develop our operations sustainably. However, we also need 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 our starting point, we break down our performance based on the profitability of our product (EBIT per kg before fair value adjustment) and developments in invested capital (fixed assets and working capital). We have a long-term goal of delivering a ROCE of at least 12% per year. Our EBIT performance is driven by a multitude of operational factors that affect both revenues and cost. Producing salmon takes two to three years from roe to harvest, and while the cost of a harvested fish accumulates through the production period, it does 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 the cost of salmon to be harvested in the future.



**FIGURE 2.53**  
OTHER REVENUE DRIVERS IN 2019

REGIONS	Rogaland	Finnmark	Shetland	British Columbia
Survival rate	93%	96%	89%	88%
Superior quality share	75%	86%	94%	86%

## REVENUE DRIVERS

### HARVEST VOLUME

How much salmon we harvest depends on the number of smolt transferred to the sea, and how well that fish performs in terms of growth and survival. In line with our growth ambitions, we transferred approximately 25 million smolt to the sea in 2019. Fish growth and survival rates at sea can be affected by innumerable factors, but certain factors are of critical importance:

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

We strive to produce the highest quality salmon at a competitive cost, overcoming the challenge posed by the above-mentioned factors. By effectively preventing and combatting sea lice and health issues, and by 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 impose Maximum Allowed Biomass (MAB) restrictions on the volume of fish we can have at sea at any given time. In Shetland and British Columbia, the limitations are imposed only 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, feeding, and harvesting activities across sites and regions.

### QUALITY

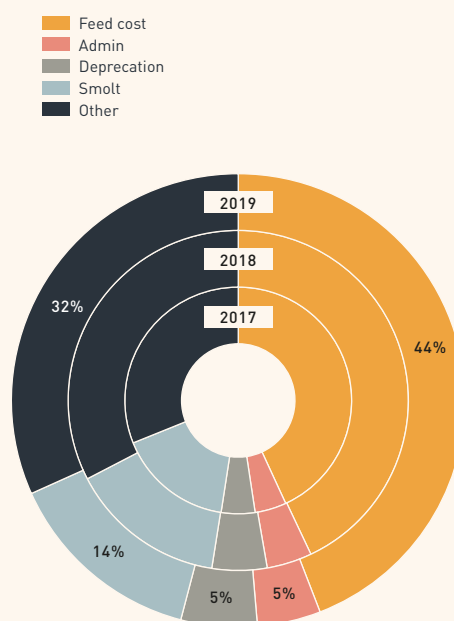
Diseases, winter ulcers, and other biological issues may affect the quality of our product. We categorize the quality of our salmon as superior, ordinary or production grade. "Superior" quality salmon has a positive overall impression with good meat quality and no external damage or faults. Downgraded salmon has from minor to significant external and/or internal faults or damage, and therefore commands a lower price. In Norway, downgraded salmon is priced according to standard discount rates. For salmon classified as "ordinary", the standard discount is NOK 1.50-2.00 per kg GWT. For salmon classified as "production grade", the discount is NOK 5.00-15.00 per kg GWT, depending on the extent of the impairment. In other countries, 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 criteria 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 a general market price. The prices we achieve will, to some extent, deviate from the market price, based on 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 price achievement relative to the relevant observed market price.

There are several reference prices for salmon. In Norway, Fish Pool provides historic price information, as well as future salmon derivative prices FCA Oslo as part of the NASDAQ Salmon Index (NQSALMON). In the USA, 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.

**FIGURE 2.54**  
PRODUCTION COST IN 2017-2019



## COST DRIVERS

The cost of the inputs needed to raise a live salmon from roe to harvest accounts for the bulk of our production cost. 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 farming cost per kg of harvested salmon. Most important is tracking the cost drivers that influence the cost of salmon to be harvested in the future, namely survival and growth.

### SALMON SURVIVAL

A vast number of factors can affect salmon survival rates, such as diseases, algal blooms, water conditions, predation, and sea lice treatments. In the industry as a whole, approximately one out of five of the smolt transferred is lost during the seawater growth phase. The number of fish lost per generation varies immensely

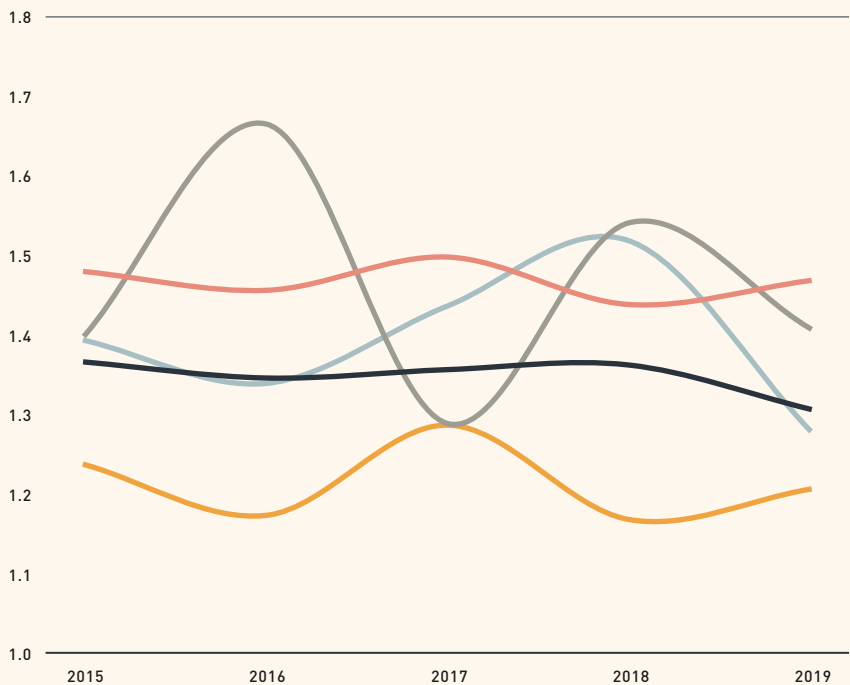
across locations and regions. For salmon generations fully harvested in 2019, our survival rates also varied. Grieg Seafood Finnmark achieved a survival rate of 96% (calculated according to GSI definition). In our financial statements, we expense mortality exceeding a threshold level, deemed to be extraordinary, either by month or for the generation to date. Costs associated with "normal" mortality are retained kept in the book value of the remaining inventory, contributing to an increased cost when the fish are harvested and sold.

### SALMON GROWTH

Our profitability is also influenced by how quickly our salmon grow, and how efficiently feed is converted into weight gain (feed conversion rate). Water temperatures, biological conditions, farming practices, and fish survival are key drivers for salmon growth. Higher seawater temperatures increase growth, but

**FIGURE 2.55**  
ECONOMIC FEED CONVERSION RATE

- Shetland
- Finnmark
- British Columbia
- Rogaland
- Group



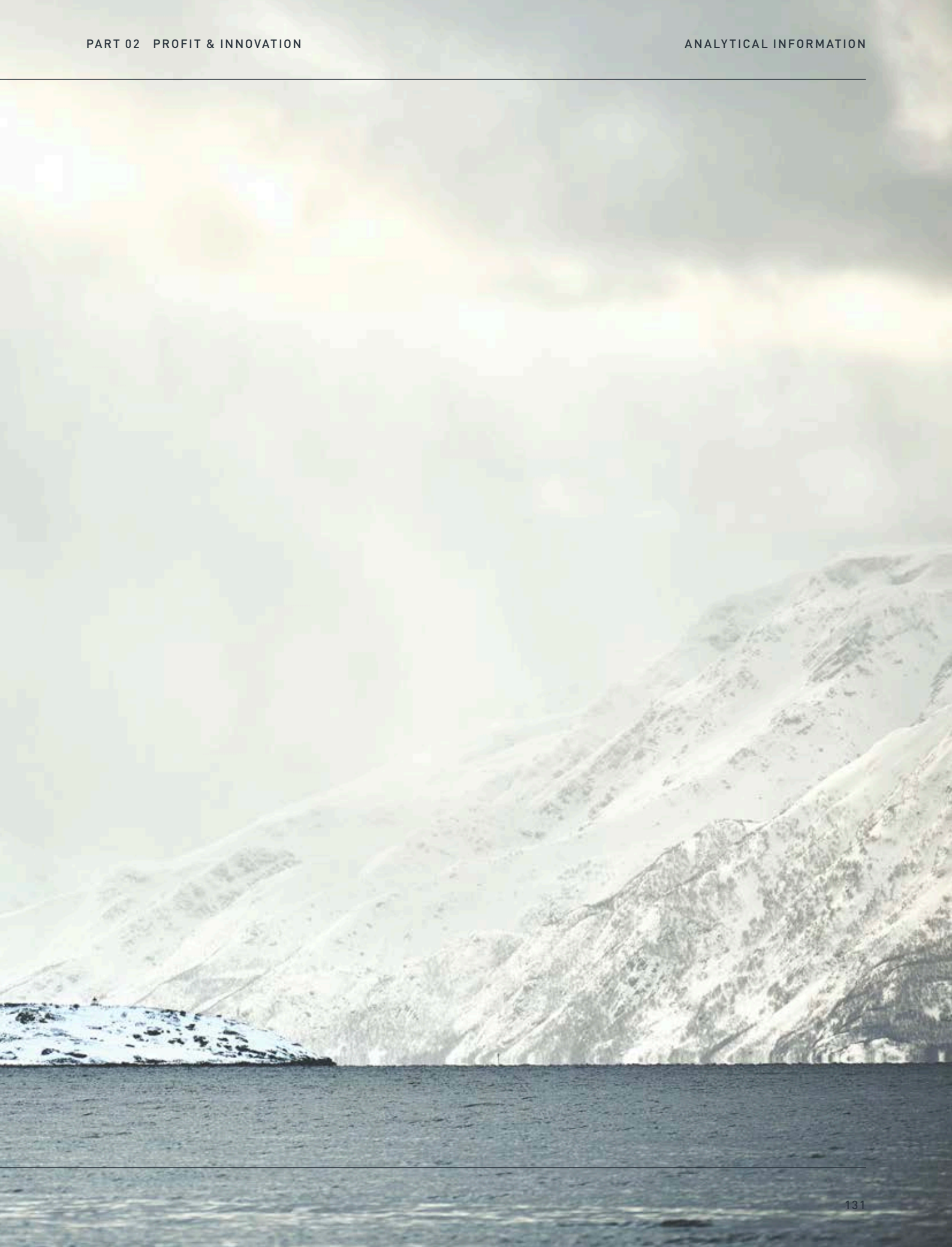
also increase biological risks in the form of diseases, sea lice, and algal blooms. This may in turn result in lost feeding days, lower growth, and reduced survival. Through the introduction of improved sensor technology, use of advanced image analysis, and other technologies, we continuously improve our ability to make informed decisions about feeding and protective measures.

Efficient feed conversion is crucial to meeting our future cost targets. Feed accounts for 44% of our total cost per kg harvested fish. Strong and healthy fish, combined with high feed quality and good feeding practices, is key to achieving low production cost. We measure our farming performance through feed conversion rates (amount of fish feed used to produce one kg of live salmon) and relative growth indices (achieved growth compared to own and feed supplier expectations). Salmon growth, survival rates, and the economic feed conversion rate (EFCR), are strongly connected to fish health, disease, and sea lice. Treatments, fasting, and reduced appetite impact growth negatively, reduce our harvested volumes, and increase the cost per kg of harvested fish.

## COST OF HARVESTED SALMON

Our cost base consists mainly of feed, smolt, salaries, treatments, administration, well boats, harvesting cost, and depreciation. In recent years the industry has faced acute challenges with respect to sea lice. This has caused an increase in cost related to direct treatment and increased investments in equipment and technologies. This development has had a noticeable effect on the relative allocation of cost factors, as well as the total cost level in the industry. In terms of cost per kg, however, the loss of harvested volumes has had a significantly larger impact than the direct cost increases. As production cost per kg have risen in recent years, the directly variable cost of feed has become a smaller part of the total incurred cost per kg produced salmon. At the same time, other cost, such as salaries, health cost, and maintenance, have become a larger share of the total.

In recent years, we have seen an increase in total cost across all our farming regions. In addition to an increase in health cost related to disease and sea lice treatments, smolt cost and depreciation have increased due to expansion of our smolt facilities and extensive investments in various item of high-tech equipment. In Shetland, we have experienced significant challenges related to lice and diseases, resulting in reduced survival, low harvested volumes, and therefore high cost per kg. However, our cost per kg remained relatively stable from 2018 to 2019.



## KEY PERFORMANCE INDICATORS AND ALTERNATIVE PERFORMANCE MEASURES (APM)

We believe that our financial statements only partially reflect the underlying performance of our operations. We are therefore working continuously 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 the non-controlling interest Bremnes Fryseri AS's share of Ocean Quality AS's bank deposits from the calculation.

APM	DEFINITION AND CALCULATION	REASON FOR APPLYING APM
<b>EBIT</b> = 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. EBIT before fair value adjustment is generally considered the standard industry measure for profitability.</p>
<b>EBITDA</b> = 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>
<b>EQUITY RATIO EXCLUDING OCEAN QUALITY</b>	<p>The equity ratio is calculated both with and without consolidation of Ocean Quality Group. The bank syndicate equity covenant definition is exclusive of Ocean Quality. It covers only Grieg Seafood companies both with regards to equity and total liabilities, excluding effects of IFRS 16.</p>	<p>The equity ratio is applied to measure financial solidity in accordance with the Group's covenant requirements.</p>



APM	DEFINITION AND CALCULATION	REASON FOR APPLYING APM
<b>NIBD</b>	<p>Net interest-bearing debt (NIBD) comprises non-current and current debt to financial institutions, after deducting cash and cash equivalents.</p> <p>NIBD is calculated in three ways:</p> <ol style="list-style-type: none"> <li>1) For ROCE calculation: including all long-term and current debt to credit institutions, incl. IFRS 16 effect and factoring liabilities.</li> <li>2) Including all long-term and current debt to credit institutions incl. IFRS 16 effect, but excl. factoring liabilities.</li> <li>3) For covenant calculation as required by the bank syndicate: as in method 2, but cash and cash equivalents are reduced with an amount corresponding to Bremnes Fryseri AS 40% share of Ocean Quality AS bank deposits, and lease liabilities (former IAS 17 operational leases only) are excluded. This method is used for calculation of NIBD/EBITDA.</li> </ol>	<p>NIBD/EBITDA is a measure of financial solidity and is 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>
<b>ROCE</b>	<p>Return on capital employed (ROCE) is calculated using values before fair value adjustment of biological assets and is calculated as follows:</p> <p>ROCE for the year is calculated as the average of the ROCE for each of the years four quarters. Quarterly ROCE is calculated as quarterly EBIT before fair value adjustment of biological assets multiplied by four such to annualize the EBIT figure. Then, this annualized EBIT figure is divided by the sum of NIBD plus equity before fair value adjustment of biological assets.</p> <p>The quarterly values for NIBD and equity are calculated as Opening balance plus Ending balance divided by 2. NIBD is calculated according to method 1, described in the NIBD section 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>
<b>EPS ADJUSTED FOR FAIR VALUE OF BIOLOGICAL ASSETS</b>	<p>Adjusted earnings per share (adj. EPS) is calculated as net profit after tax minus non-controlling interests plus/minus fair value adjustment of biological assets net of tax effects, divided by the number of shares.</p>	<p>The fair value adjustment of biological assets is extracted to avoid future gains or losses on fish not yet sold due to its non-operational nature. Adj. EPS is used to calculate the dividend payout ratio (dividend paid per share relative to adj. EPS).</p>

---

ROOTED IN

# PEOPLE

## Improving Culture

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 drive Grieg Seafood forward.



# Human rights and ethics

Respecting the rights and dignity of all human beings is the very basis of a civilized society. Businesses, or any other entities, should not compromise on human rights.

## OUR PRINCIPLES

We adhere to the **Universal Declaration of Human Rights** and **ILO Conventions**.

Through the Grieg Group, we are also a signatory to the **UN Global Compact**, where these particular rights are emphasized:

- We uphold **freedom of association** and recognize the **right to collective bargaining** in all regions.
- We do **not tolerate child labor, forced, or compulsory labor**.
- We conduct our activities **without discrimination**, we treat our employees fairly and compensate fairly.

We are currently working to implement the **United Nations Guiding Principles on Business and Human rights** in our operations and supply chain.

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

Employees have a **right to privacy**.

### 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.

## HOW WE WORK TO IMPROVE

### IN OUR OWN OPERATIONS

- All our employees are required to complete and abide by our Code of Business Conduct program, which includes our ethical standards, employee rights, applicable laws, and regulations.
- Some regions also have additional courses:
  - Grieg Seafood Shetland has 15 hours of mandatory training on human rights for the staff representatives, who then inform the employees through town hall meetings.
  - Grieg Seafood Finnmark has a course in non-discrimination, which 76% of the employees have taken.
- Our Code of Business Conduct and the culture we have built, start from the top, with our Board of Directors and our owners.
- Our third-party certifications include independent audits of human rights practices:
  - ASC has requirements related to ILO rights, prohibits the use of child or forced labor, and has HSE requirements.
  - GlobalG.A.P has requirements related to the work environment such as workers' health, safety and welfare. We provide ongoing training to update our employees on the requirements in aquaculture, safe chemical handling, and awareness about food safety. Through GLOBALG.A.P. Certification, employees also receive adequate health and safety training, and a preventive measure and emergency response plan is in place.
  - BAP has requirements towards unsafe working conditions, eliminating of forced child labor, fair wages and appropriate terms of employment.
- We have a whistleblower channel operated via an external service provider, EY. Our whistleblower channel is available to all employees at Workplace and through our intranet.

### SEXUAL HARASSMENT

All our employees are entitled 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.

### 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.

### IN OUR SUPPLY CHAIN

- Our suppliers are required to follow our Supplier Code of Conduct. This means they are expected to adhere to global standards for good corporate practice, including the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the Norwegian Code of Practice for Corporate Governance and International Labor Standards on Forced and Child Labor.
- In Norway we are obligated by law to set the same standards for our suppliers and partners with respect to the provision of proper training, competitive wages, and good working conditions, as we do for our own employees. We will work towards implementing the same requirements in all of our regions.
- Going forward, we will undertake human rights due diligence to identify, prevent, mitigate, and account for human rights impacts in our supply chain.

### RIGHT TO PRIVACY

- The introduction of the General Data Protection Regulation (GDPR) 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.

## RESULTS

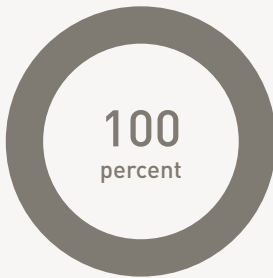
**FIGURE 2.56**  
UNIONIZED EMPLOYEES (%) AT YEAR END 2019

Region	%
Rogaland	31%
Finnmark	40%
Shetland	-
British Columbia	0%
ASA	0%
Ocean Quality	0%

We accept and welcome union memberships among employees. Grieg Seafood has established a good and involving relationship with our Union representatives and cooperate in more internal improvement projects than just salary negotiations.

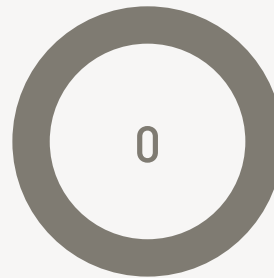
The numbers reflect union memberships in Fellesforbundet and The Norwegian Food and Allied Workers Union (NNN), which are the most common unions for operational positions in our industry. We do not log all types of memberships, such as members of positions with university education. We do not track the number of unionized employees in Shetland due to legal restrictions.

**FIGURE 2.57**  
CODE OF CONDUCT PROGRAM



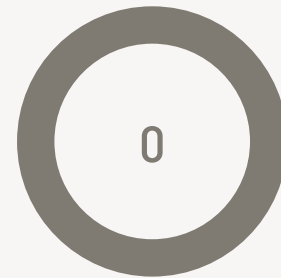
100% of our employees have completed our Code of Conduct program.

**FIGURE 2.58**  
HARASSMENT INCIDENTS



No harassment incidents were reported in 2019.

**FIGURE 2.59**  
WHISTLE BLOWER CASES



No cases were reported through our whistle blower channel in 2019.

**FIGURE 2.60**  
TRAINING ON HUMAN RIGHTS



In 2019, 113 employees, constituting 13% of our total employees, were given training on human rights. The training equals 281 hours.

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



## TRANSPORTATION AND RISKS

Most of our salmon is transported by trucks to the European or North American markets. There are some particular risks connected to this part of our supply chain, which we are aware of and working on.

In Norway, truck drivers from abroad may not always be equipped for driving during winter conditions. While regulations on the matter are strict, some are still breaching the rules, which can potentially cause deadly road accidents in our local communities. Such breaches are particularly severe in Finnmark, where winter conditions occur during large parts of the year. To mitigate the challenge, Grieg Seafood Finnmark is taking part in the "Safe trucking" project organized by the Norwegian Seafood Federation. Before each truck leaves the processing plant, employees check whether tires and other trucking conditions are suitable for driving during cold temperatures. Trucks not deemed fit for driving, will not receive any cargo, and police is contacted when appropriate.

So-called "social dumping", to use cheaper foreign labour, can be another issue in the transportation sector serving Norway. While most follow the regulations, some transportation companies are accused of bending the rules regarding employee rights or HSE. Grieg Seafood is mainly working with large transportation suppliers to reduce these risks, and require all Norwegian regulations to be followed. We are also working on improving requirements to transportation companies, making them more comprehensive.




# Embracing diversity

Diversity is not only the right thing to do ethically. It leads to greater employee retention and improves productivity. Bringing together employees with different experiences, backgrounds and educations spurs creativity and can lead to new and innovative ideas.

## OUR PRINCIPLES

We **embrace diversity** with respect to employee gender, age, ethnicity, physical abilities, personality, skills, experiences, and backgrounds.

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

## RESULTS

**FIGURE 2.61**  
THE SHE INDEX 2019



We report on the SHE Index in order to be transparent about our organization and to improve our gender balance. The SHE Index scores companies based on the gender balance in management teams at different levels, as well as the companies’ policies to improve female representation in management. The SHE Index will from 2020 be published once a year. Our goal is to improve gender balance and diversity to become the preferred employer by choice.

The methodology used in the index has changed several times. In H2 2019, we received 29th place due to such changes. In 2020, however, the She index adjusted the weighting of the Index to have more focus on the policies and practices that will create a long-term change. Change takes time, and we should pay more attention to the work being done to create positive changes for diversity and inclusion. In 2019, Grieg seafood performed many initiatives and established procedures and guidelines on how to improve our gender balance. This include a fair pay and benefit policy for all of our employees regardless of gender.

## HOW WE WORK TO IMPROVE

### IN OUR OWN OPERATIONS

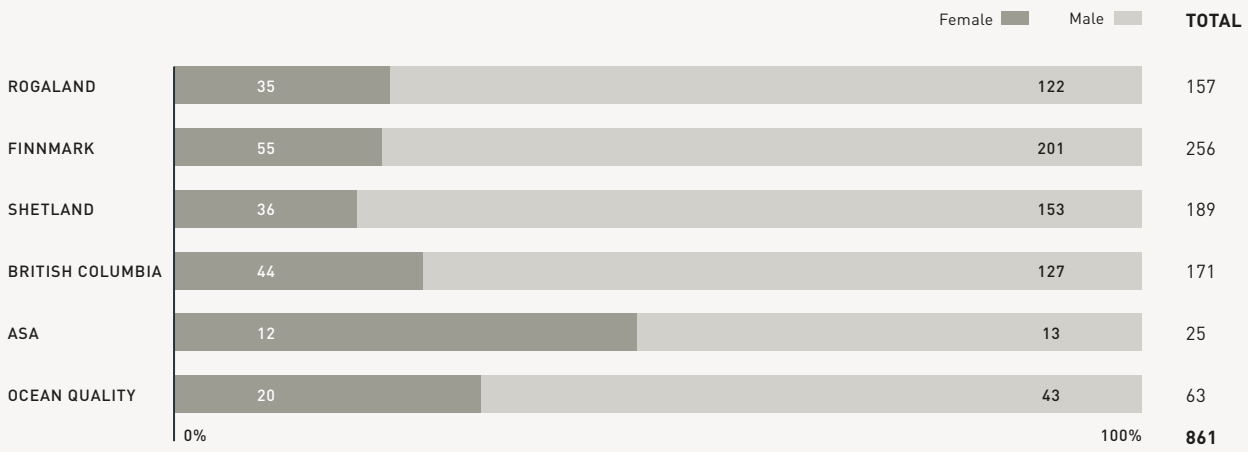
- We strive to attract more female workers to reduce the gender gap, to which end we are keen to facilitate flexible working.
- We have a fair and transparent recruitment process, and strive to have both female and male candidates in the final round of interviews.
- We report on the SHE Index because we believe that what gets measured gets done.
- We support Women in the Scottish Aquaculture Industry (WiSA). WiSA promotes the diverse and rewarding careers that are available in aquaculture, to encourage more women to enter the sector. It also supports the progression, opportunities, and development of women who already work in aquaculture.

- We offer parental leave to both women and men in accordance with local laws.

### IN OUR SUPPLY CHAIN

- We expect our suppliers to conduct their activities with respect for individuals as individuals, and without discrimination.

**FIGURE 2.62**  
NUMBER OF EMPLOYEES (FTE) AND GENDER BALANCE AT YEAR-END 2019



At the close of 2019, the Grieg Seafood Group had 861 employees including full-time and temporary workers. Women make up 23% of the workforce, while 77% are men. The ratio between male and female employees is similar across the regions. The management and support functions at Grieg Seafood ASA, and the sales teams at Ocean Quality, have the highest proportion of female employees.

Employee data is registered in a specific HR database. Only HR personnel are allowed access to register employee data, and the data is reviewed regularly to ensure data quality.

# Creating attractive jobs

To reach our goals and resolve the challenges we face, we need the best people. A good working environment is key to attracting and retaining the best talents.

## OUR PRINCIPLES

---

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

We believe in **life-long learning**, and aim to help our employees develop and reach their individual potential.

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

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

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



## HOW WE WORK TO IMPROVE

---

### COMPENSATION

- Our pay and benefits policies are based on a bi-annual survey to ensure that we always pay market rates or above for all jobs. We comply with the laws and regulations related to employment protection, compensation, and working hours in the countries where we operate.
- All our employees have written employment contracts. Most of our employees are employed on a permanent basis, though we also use temporary employees, particularly in our processing facilities. There are some differences in the payment and benefit arrangements for temporary employees due to the number of hours worked.
- All permanent employees are part of our annual bonus program.
- We have an employee share program and share our profits with our employees.

### EMPLOYEE DEVELOPMENT

- We offer employees training and further education to support the development of necessary skills.
- We offer aquaculture apprenticeships.
- Through the use of new technology and digitalization, e.g. our Precision Farming scheme, we aim to offer untraditional and exciting positions. Sensor technology, big data, and analytics demands further development and training of our employees, and will also attract people with new skills to the industry.

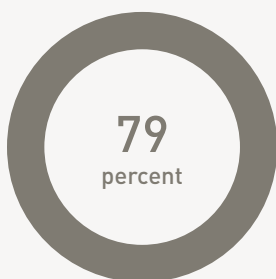
### DIALOGUE AND CULTURE

- We hold quarterly feedback meetings to discuss important initiatives with our union representatives in order to encourage good and constructive dialog.
- We focus on internal communication. Through our shared communications platform, Workplace by Facebook, all our employees are given a voice and an opportunity to participate actively in discussions, and to share knowledge and information across borders.



## RESULTS

**FIGURE 2.63**  
GREAT PLACE TO WORK 2019

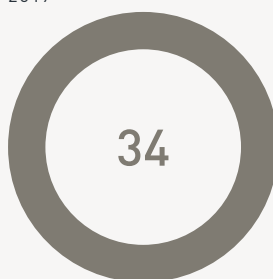


Great Place to Work assesses and evaluates organizations and the practices that underpin workplace culture based on the experience of employees.

We are proud to announce that Grieg Seafood's operations in Finnmark, Rogaland and Bergen, Norway, have received the Great Place to Work certification. This is a step towards becoming one of the best companies to work for in Norway. Grieg Seafood Norway received a score of 86%. The average score for European companies was 57%, the best score being 89%. The Grieg Seafood Group received an overall score of 79%.

We will continue our structured approach to working with and including our employees in order to find better solutions in their day-to-day work.

**FIGURE 2.64**  
NUMBER OF EMPLOYEES COMPLETING TRAINING OR FURTHER EDUCATION IN 2019

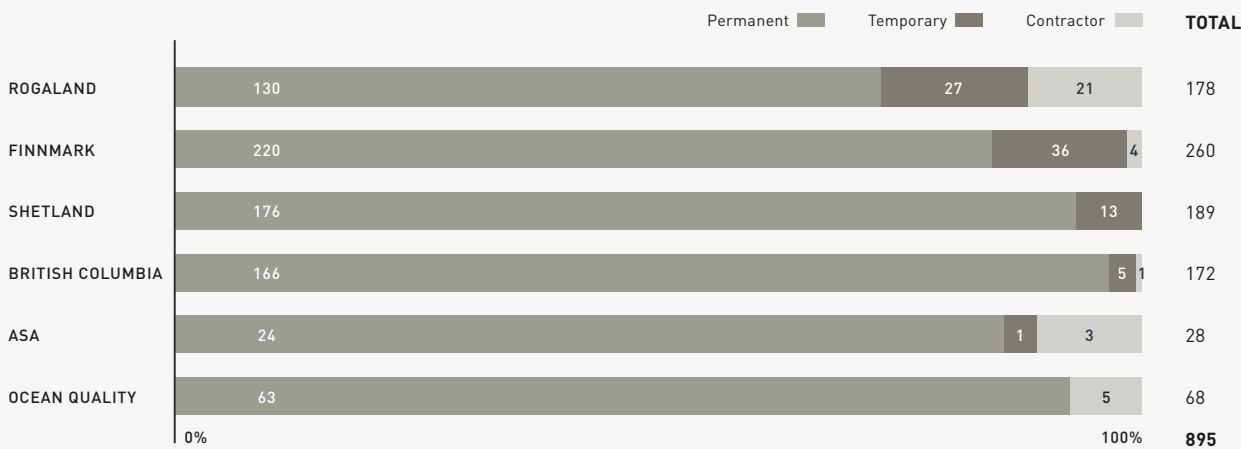


In Rogaland, Finnmark and Shetland, a total of 34 employees received their certificate of apprenticeship in 2019. In cooperation with North Island College, Grieg Seafood British Columbia prepared the "Seawater Technician Advancement Program" (TAP) in 2019. The program will provide mandatory additional training for technicians, as well as further training for higher positions within aquaculture.

**FIGURE 2.65**  
NUMBER OF APPRENTICES YEAR-END 2019



**FIGURE 2.66**  
TYPE OF WORKER AT YEAR-END 2019



87% (779 of 895) of our workers are permanent employees. Temporary workers consist mainly of seasonal workers and apprentices. Most of our apprentices are offered a permanent position with us after their apprenticeship is over. Contractors are mainly used in Norway during peak periods of harvesting.

Employee data is registered in a specific HR database. Only HR personnel are allowed access to register employee data, and the data is reviewed regularly to ensure data quality.





**FIGURE 2.67**  
NUMBER OF FULL TIME AND PART TIME EMPLOYEES IN 2019

Region	Full-time		Part-time		Total
	Female	Male	Female	Male	
<b>Rogaland</b>	26	108	9	14	<b>157</b>
<b>Finnmark</b>	46	197	9	4	<b>256</b>
<b>Shetland</b>	32	152	4	1	<b>189</b>
<b>British Columbia</b>	41	127	3	-	<b>171</b>
<b>ASA</b>	11	13	1	-	<b>25</b>
<b>Ocean Quality</b>	20	43	0	0	<b>63</b>
<b>Total</b>	<b>176</b>	<b>640</b>	<b>26</b>	<b>19</b>	<b>861</b>

**FIGURE 2.68**  
TYPE OF WORKER SPLIT BY GENDER IN 2019

Region		Permanent	Temporary	Contractor	Total
<b>Rogaland</b>	Female	31	4	3	<b>38</b>
	Male	99	23	18	<b>140</b>
<b>Finnmark</b>	Female	46	9	1	<b>56</b>
	Male	174	27	3	<b>204</b>
<b>Shetland</b>	Female	31	5	0	<b>36</b>
	Male	145	8	0	<b>153</b>
<b>British Columbia</b>	Female	40	4	0	<b>44</b>
	Male	126	1	1	<b>128</b>
<b>ASA</b>	Female	12	0	0	<b>12</b>
	Male	12	1	3	<b>16</b>
<b>Ocean Quality</b>	Female	20	0	3	<b>23</b>
	Male	43	0	2	<b>45</b>
<b>Total</b>		<b>779</b>	<b>82</b>	<b>34</b>	<b>895</b>

# Keeping our employees safe

Accidents can be prevented through the development of adequate operating procedures, a safety-focused corporate culture, and by improving equipment quality. We never compromise on health and safety.

## OUR PRINCIPLES

Our mission is to provide a **safe work place**, ensure compliance and minimize future potential liabilities. We work systematically to safeguard our employees' health, safety and working environment. The aim is to prevent and manage work-related injuries, illness, accidents, and fatalities.

We target an **absence rate of below 4.5%** in each region.

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

Health and safety are **serious and important matters** for Grieg Seafood, and we want our employees to know this and act accordingly every single day.



## HOW WE WORK TO IMPROVE

### SYSTEMS, PROGRAMS AND RISK ASSESSMENT

- We use occupational health and safety systems and standards in line with local regulations in each country (we are currently implementing one in our UK operations):
  - Norway: Working Environment Act, Internal Control Regulations
  - UK: Health & Safety at Work Act 1974
  - BC: Work Safe BC
- All aspects of work are covered by our health and safety systems.
- All health and safety managers are certified according to local laws, and ensure that all personnel are well trained in health and safety at work.
- We introduced a safety excellence program, Brainsafe, in Grieg Seafood BC in 2018, which was a pilot project. The project is still undergoing and we will in 2020 decide whether to roll it out globally or consider other safety programs for global implementation.
- Job risks in each department are formally evaluated and categorized using a risk matrix. Job hazard assessments are also carried out for non-routine jobs.

### CREATING AN HSE CULTURE

- All employees receive health and safety training when they join the Company, and are required to re-take the courses regularly.
- To ensure that all our employees understand and follow our Safety Management Principles, each and every one:
  - is encouraged to take responsibility for their own personal safety in everything they do.
  - understands the importance of working for the safety of others.
  - is required to engage and communicate with colleagues to support safe behavior and compliance.
- We have annual HSE exercises to ensure that everyone knows what to do in case of an emergency.

### REVIEWING AND REPORTING

- We carry out yearly reviews of our health and safety procedures.
- We have dedicated HSE Managers in each region.
- On a regular basis, the Health and Safety committees represented by all areas of our operations, monitor and review HSE incidents and accidents together. Feedback from employees is reviewed and, if necessary, implemented in procedures.
- Employees can report hazards to their line manager or the H&S Advisor by any method they feel comfortable (directly, phone, message apps, email), including our anonymous whistleblowing service. Grieg Seafood has a "no reprisal" policy when it comes to reporting health and safety issues, described in our Code of Conduct.
- All incidents are recorded in our health and safety system, and reviewed. After corrective action is taken, the result of the action is disseminated to the rest of the region for implementation.

### PROMOTING EMPLOYEE HEALTH

- External health services provide health checks and advice to employees. In some regions they are represented on our Health and Safety committees.
- We provide a health-plan for employees, ranging from dental and medical to counselling depending on the region.
- We offer a variety of health programs to the employees (competitions, gym membership).
- An employee Health & Wellness program is in place in BC, focusing on improving our employees' physical and mental health.

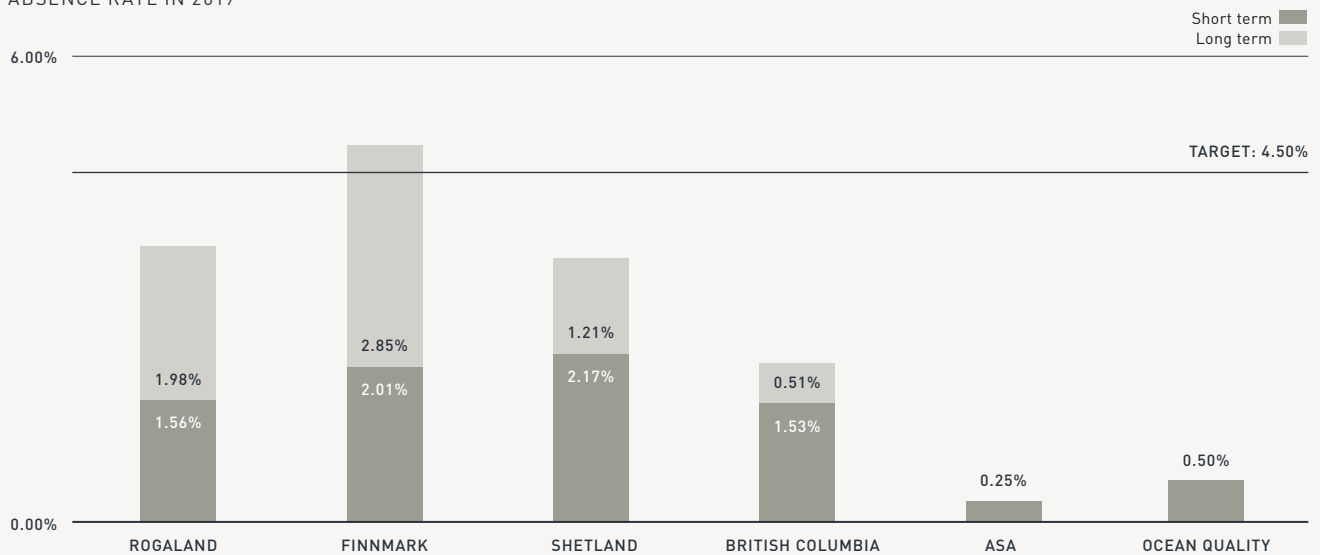
### IN OUR SUPPLY CHAIN

- In our Supplier Code of Conduct, we expect suppliers to provide a safe and healthy environment for their workers and contractors, and minimize workers' exposure to potential safety hazards. Furthermore, we expect our suppliers to adhere to all applicable laws and regulations.

SAFETY MANAGEMENT PRINCIPLES	
All locations shall establish annual safety targets with action plans (what, who, when).	A safety assessment shall be carried out for all jobs, equipment, and potentially hazardous materials.
All locations shall have high standards of housekeeping.	Annual audits of HSE-related activities shall be conducted.
All managers shall carry out safety walks (Walk - Observe - Communicate).	All regions shall have safety procedures, to help facilitate a safety focus throughout the organization.
All employees shall participate in safety meetings on a regular basis.	A program for systematic and regular safety training shall be in place.
The use of personal protective equipment and life jackets shall be specified for employees, contractors, and visitors.	All accidents and near-misses shall be reported and investigated, including a root-cause analysis, and corrective actions implemented within a reasonable period of time.

## RESULTS

**FIGURE 2.69**  
ABSENCE RATE IN 2019



In Rogaland and Finnmark, the absence rate has decreased compared to the year before, while in Shetland and British Columbia the absence rate increased. The absence rate in Finnmark is above our target of 4.5%, mainly due to long-term sickness. We are monitoring developments.

**FIGURE 2.70**  
FATALITIES IN 2019



We had no fatalities in 2019.

**FIGURE 2.71**  
ABSENCE RATE

Absence	2018	2019
Short-term	1.29%	1.69%
Long-term	2.02%	1.50%
<b>Total</b>	<b>3.31%</b>	<b>3.19%</b>

**FIGURE 2.72**  
SAFETY INDICATORS IN 2019

Region	Hours worked	Total work related injuries	High consequence work-related injuries
Rogaland	195 766	9	0
Finnmark	361 799	20	2
Shetland	327 469	11	0
British Columbia	256 370	25	1
ASA	45 916	0	0
Ocean Quality*	125 800	0	0

\* Estimated based on number of employees and general annual working hours.

Health and safety incidents are registered in our systems, and reviewed as part of the monthly HSE meetings. In BC, quality control of incident data is achieved through support from a third party.

Injuries are caused mainly by being struck by objects, handling equipment, squeezes, cuts, slips, and falls. According to risk assessment, the injuries posing high-risk consequences are being struck by an object, squeezes and cuts. During 2019, the high consequence injuries were related to being struck by an object and squeezes. The injuries were assessed, and reported to other sites to prevent similar accidents from happening.

**FIGURE 2.73**  
H1-FACTOR/LTIR

Region	H1-factor/LTIR*				Absence rate			
	2016	2017	2018	2019	2016	2017	2018	2019
Rogaland	9	11	24	15	3.42%	3.17%	4.65%	3.54%
Finnmark	13	24	18	22	6.10%	4.40%	5.40%	4.86%
Shetland	10	13	24	15	2.67%	3.15%	2.25%	3.38%
British Columbia	72	16	38	35	1.58%	0.88%	1.81%	2.04%
ASA	0	0	0	0	0.30%	1.00%	0.12%	0.25%
Ocean Quality	na	na	0	0	na	na	0.62%	0.50%

\*H1-factor/LTIR: number of lost-time injuries divided by the total number of hours worked, multiplied by 1 000 000. Permanent and temporary employees are included in our incident data. Information on contractors is not currently available. Absence rate for QQ in 2016 and 2017 is not available due to incomplete information.

# Anti-corruption

Business integrity is essential to become a preferred provider of sustainably produced salmon.

## OUR PRINCIPLES

---

We have **zero tolerance** for all forms of fraud, corruption, facilitation payments, kickbacks, bribery and other misconduct.

## RESULTS

---

### INVESTIGATIONS

In February 2019, the European Commission launched an investigation to explore potential anti-competitive behavior in the Norwegian salmon industry. Grieg Seafood is one of the companies under investigation. Based on the EU investigation, US competition authorities launched their own investigation into the matter in November 2019. By the end of the year, four class-action lawsuits had been filed by minor customers in the USA and two in Canada. Grieg Seafood is not aware of any anti-competitive behavior within the Group; not in Norway, the EU, the USA, or in Canada. We are fully collaborating with European and American authorities in this matter and will follow up the lawsuits in the USA and Canada accordingly.



## HOW WE WORK TO IMPROVE

- Our Code of Conduct sets out a zero-tolerance policy with respect to anti-corruption, bribery, and money-laundering.
- We continuously assess our own operations and those of our suppliers with regards to corruption risk, as part of our risk management framework.
- Members of group and local management are encouraged not to hold shares or accept board positions in companies that Grieg Seafood has commercial relations or competes with. All relations that may involve a conflict of interest must be reported, to ensure that business decisions are made by impartial staff members.
- In our Supplier Code of Conduct, we state our zero-tolerance policy. We expect our supplier to adhere to the same principles and to never enter into agreements or understandings with competitors, or engage in other conduct, that undermines competition.

## NON-COMPLIANCE

In January 2018, Ocean Quality AS was suspected of exporting salmon with PD (Pancreas Disease) to China. The case was dropped in January 2020 after the Norwegian authorities concluded that Ocean Quality had done nothing wrong.

**FIGURE 2.74**  
NON-COMPLIANCE WITH LAWS AND REGULATIONS IN 2019

Area of non-compliance	Description	Fines (NOK)	Number of non-monetary sanctions	Dispute resolution mechanisms
Environmental	Penalty of MNOK 1.4 from the Norwegian Directorate of Fisheries related to incorrect positioning of pens at sea.  Fine of MNOK 2.5 related to the export of salmon silage without appropriate certification. The incident took place between 2010 and 2014.	3 904 510	0	None
Social	N.a.	0	0	None
Economic	N.a.	0	0	None

## CORRUPTION

We did not experience any confirmed incidents of corruption in 2019. However, we did have two incidents where two employees in OQ UK and two employees in OQ in Norway were asked to resign due to breach of internal Code of Conduct and policies.

We had no corruption incidents that resulted in the termination or non-renewal of contracts with a business partner.

---

ROOTED IN

# LOCAL COMMUNITIES

## Improving Relationships

We are grateful to our local communities for giving us permission to farm salmon in their fjords and inlets. 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 many rural areas where we operate.



# Local value creation

We are grateful to our local communities for giving us permission to farm salmon in their fjords. We need their *license to operate* to achieve sustainable growth.

## OUR PRINCIPLES

---

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

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

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

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

We strive to achieve **good relations and a good dialogue** with our local communities.



### LICENSE TO OPERATE

We regard the basis of our license to operate to be two-fold. First, it is based on the public’s trust that we always work to reduce our environmental footprint and improve fish welfare. We report on our efforts in these areas in the chapters Healthy Ocean and Sustainable Food.

Secondly, it is based on our ability to give back to local communities. This is primarily achieved by creating well-paying, full-time jobs in rural areas, by paying local taxes, by using local suppliers of goods and services as often as possible, by hiring local apprentices, and by supporting local sporting and cultural activities. Grieg Seafood aims to be open and honest with local communities about our production methods, our successes, and our remaining challenges. We view it as our responsibility to engage in constructive dialogue with all stakeholders and groups that are impacted by our activities.

### RESPECT FOR INDIGENOUS RIGHTS

In British Columbia, Grieg Seafood is farming in areas that belong to Indigenous peoples, while Finnmark has been home to the Sami people for millennia. We recognize that these groups have special rights, as acknowledged to them by the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and we take particular care to avoid infringing on such rights.

British Columbia is in the middle of a reconciliation process with its more than 300 Indigenous peoples. In 2019, the province enshrined UNDRIP into law. Grieg Seafood supports the implementation of UNDRIP in BC, and is, together with our First Nations partners, the province, and other businesses, on a journey to discover what the path of reconciliation will look like.

In Finnmark, Grieg Seafood is also in a process to understand how we can advance Indigenous culture where we farm salmon.



### THE GRIEG FOUNDATION

Our largest shareholder, the Grieg Group, contributes to sustainable development in a broader perspective. The Grieg Foundation indirectly owns 13% of Grieg Seafood, and a part of the dividend paid to shareholders goes to charitable projects via the Grieg Foundation. Read more here: <https://griegfoundation.no/>.

# Grieg Seafood Rogaland

## COMMUNITY STORIES

### ORGANIZATIONS

We support organizations that engage in ocean-related activities, such as the diving club Sletta Dykkerklubb. Amongst other things, they collect litter and plastics from the ocean.

### CULTURAL EVENTS

We support cultural events for children and young people, so that those who cannot afford it also have the chance to participate in cultural activities. In Stavanger, for instance, we support Barnas Mablis, a cultural event for children who are not on holiday during the summer.

### SPORTS CLUBS

We support sports clubs in all the municipalities where we have farms. Our aim is to contribute to the health and social life of local children and young people.

## RIPPLE EFFECTS

In 2017, a ripple effect study was conducted on behalf of Grieg Seafood Rogaland. It found that Grieg Seafood Rogaland has an indirect employment effect of about **200 jobs** in the private sector, and **111 jobs** in the public sector.

157

employees

565 000 000 NOK

purchase from local suppliers in Rogaland

64%

of total purchase was from local suppliers

733 167 NOK

donated to local cultural and sports activities

1 500 000 NOK

on local road and telecom infrastructure projects

15 900 000 NOK

support from the Norwegian Aquaculture Fund to municipalities where we operate



# Grieg Seafood Finnmark

## COMMUNITY STORIES

### MED AKTIV SOMMER

We support Med Aktiv Sommer in North Cape, an outdoor summer holiday scheme for young people, where learning perseverance is a key element.

### BUL IN ALTA

We support BUL in Alta, a sports club for children and young people. Our support allows the club to reduce fees for membership and equipment.

### "JEG FANT, JEG FANT" LATHARI

We sponsored the artist workshop "Jeg fant, jeg fant" for children and adults, where nature meets art. It takes place in the nature reserve Lathari and focuses on nature, fairy tales, local belonging, recycling and sustainability. In 2019, about 317 young and old participated.

# 256

employees

# 847 000 000 NOK

purchase from local suppliers  
in Troms and Finnmark

# 66%

of total purchase was  
from local suppliers

# 2 463 000 NOK

donated to local cultural  
and sports activities

# 2 800 000 NOK

fiber optic infrastructure project for telecom connection for two of our sites. Of this, approximately NOK 300 000 was spent to ensure connection to local private homes and cabins.

# 122 000 000 NOK

support from the Norwegian Aquaculture Fund to municipalities where we operate

# Grieg Seafood British Columbia

## COMMUNITY STORIES

### FIELD OFFICE IN GOLD RIVER

In 2019, we opened a field office, which is staffed one day a week. We established the office in recognition of the importance of this community, where our hatchery is located and where we use the local government's dock to transport harvested fish. Members of the public can come to the office to find out about job vacancies, inquire about Grieg sponsorship of events, and arrange for farm tours.

### DONATIONS TO LOCAL FOOD BANKS

In November 2019, we donated 1 650 kilos of farmed salmon to eight food banks in smaller BC communities where young families and seniors living on pensions are unable to afford high-quality protein.

### NATIONAL CANADA DAY CELEBRATIONS

Each July 1 in the community of Sayward, a team of Grieg volunteers prepares a salmon barbecue lunch for the community as part of their national Canada Day celebrations. Residents of Sayward and nearby towns participate in the parade and events after enjoying a barbecue lunch.

171

employees

10%

of employees with an Indigenous background

779 000 000 NOK

purchase from local suppliers in B.C.

83%

of total purchase was from local suppliers

1 328 000 NOK

donated to local cultural and sports activities

2 525 000 NOK

contributed to upgrading the Ehattesath Chinehkint First Nation's dock in Zeballos BC, for the transport of farmed fish

# Grieg Seafood Shetland

## COMMUNITY STORIES

### THE SHETLAND FOLK FESTIVAL

The Shetland Folk Festival has been running for 40 years and brings many international folk performers from all over the world to Shetland. It also provides a stage for the superb local folk musicians for which Shetland is famous. We have been a sponsor for over ten years.

### SPONSORING DANCE WORKSHOP

Last summer, we sponsored local third-year dance student Emily Briggs from Scalloway to run a week-long dance workshop at her local community center, the Scalloway Youth Centre Trust. The class offered a chance for young people from the community to explore the medium of dance for the first time.

### THE FEBRUARY SHETLAND SWIM MEET

Together with H Williamson & Sons, we sponsored the February Shetland Swim Meet run by Shetland Lerwick Amateur Swimming Club.

# 189

employees

# 670 000 000<sub>NOK</sub>

purchase from local  
suppliers in Scotland

# 70%

of total purchase was  
from local suppliers

# 234 000<sub>NOK</sub>

donated to local cultural  
and sports activities

# 3 113 000<sub>NOK</sub>

or £24.75 per tonne harvested salmon contributed  
in local tax to the Crown Estate

# Finding the path to shared prosperity

Grieg Seafood BC and their Indigenous partners are together exploring what reconciliation means for the salmon farming industry going forward.



In 2019, the Government of British Columbia passed Bill 41, which officially implemented into law in the province the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). British Columbia will renew its relationship with Indigenous peoples, based on the recognition of rights, respect, co-operation and partnership.

Grieg Seafood BC supports the implementation of UNDRIP.

“It is important to us as a company to respectfully appreciate the rich history, knowledge and rights of coastal Indigenous peoples, while acknowledging that we operate our farms, hatcheries and offices on their traditional lands and waterways with their permission,” says Rocky Boschman, Managing Director of Grieg Seafood BC.

It sounds nice on paper, but how will it change Grieg Seafood’s operations in practice? According to Boschman, the company must go beyond engagement required by regulators.

“It means changing – changing how we communicate, how we involve our Indigenous partners in our operations and, most importantly, how we think and act as a company.”

#### **The industry’s first Director of Reconciliation**

OD Hansen was added as the Director of Reconciliation in Grieg Seafood BC in February 2020. Hansen will connect with coastal

Indigenous communities then liaise with Grieg BC's employees to help the company move towards reconciliation.

This is the first role of its kind in the BC salmon farming industry, one that works to shift workplace culture internally by working with Indigenous communities externally.

"This position will be an educational tool so that everyone has an appreciation of where they are and why they're here," says Hansen. "We should appreciate that we are allowed to be here. It's important to have that appreciation because then we can build relationships and partnerships that work for everyone, as opposed to a process where you check off [the exercise of] consultation and have no regard for the desires of the Indigenous peoples."

He says the onus is now on industry as well as government to keep reconciliation going.

"We must show that we are serious about working with Indigenous communities, about listening to them, and following up. Taking their advice and requests and doing something with it."

#### **New Partners – the Ehattasht Chinehkint**

On July 16, 2019 Grieg Seafood BC and the Ehattasht Chinehkint signed an impact benefit agreement at our Campbell River office.

In addition to financial contributions, Grieg will also provide employment, training and business opportunities for members of the Nation.

"We have had ongoing communications with the Ehattasht Chinehkint for nearly ten years," says Marilyn Hutchinson, Director of Indigenous & Community Relations. "Negotiations toward an agreement can only begin after the trust has been developed by face-to-face meetings over a period of time. It is important for both partners that all interests are acknowledged in the agreement and we were able to do this in a respectful way."

Grieg BC's farms that currently operate in Ehattasht territory are located in the Esperanza Inlet off the west coast of Vancouver Island. These include Steamer Point, Hecate and Esperanza farms.

This is Grieg BC's third impact benefit agreement with a coastal Nation. Twelve Grieg BC farms operate in agreement with three Nations in whose territories the farms are located, and 10 per cent of Grieg BC's workforce includes Indigenous persons.

"We must show that we are serious about working with Indigenous communities, about listening to them, and following up."

**OD HANSEN**

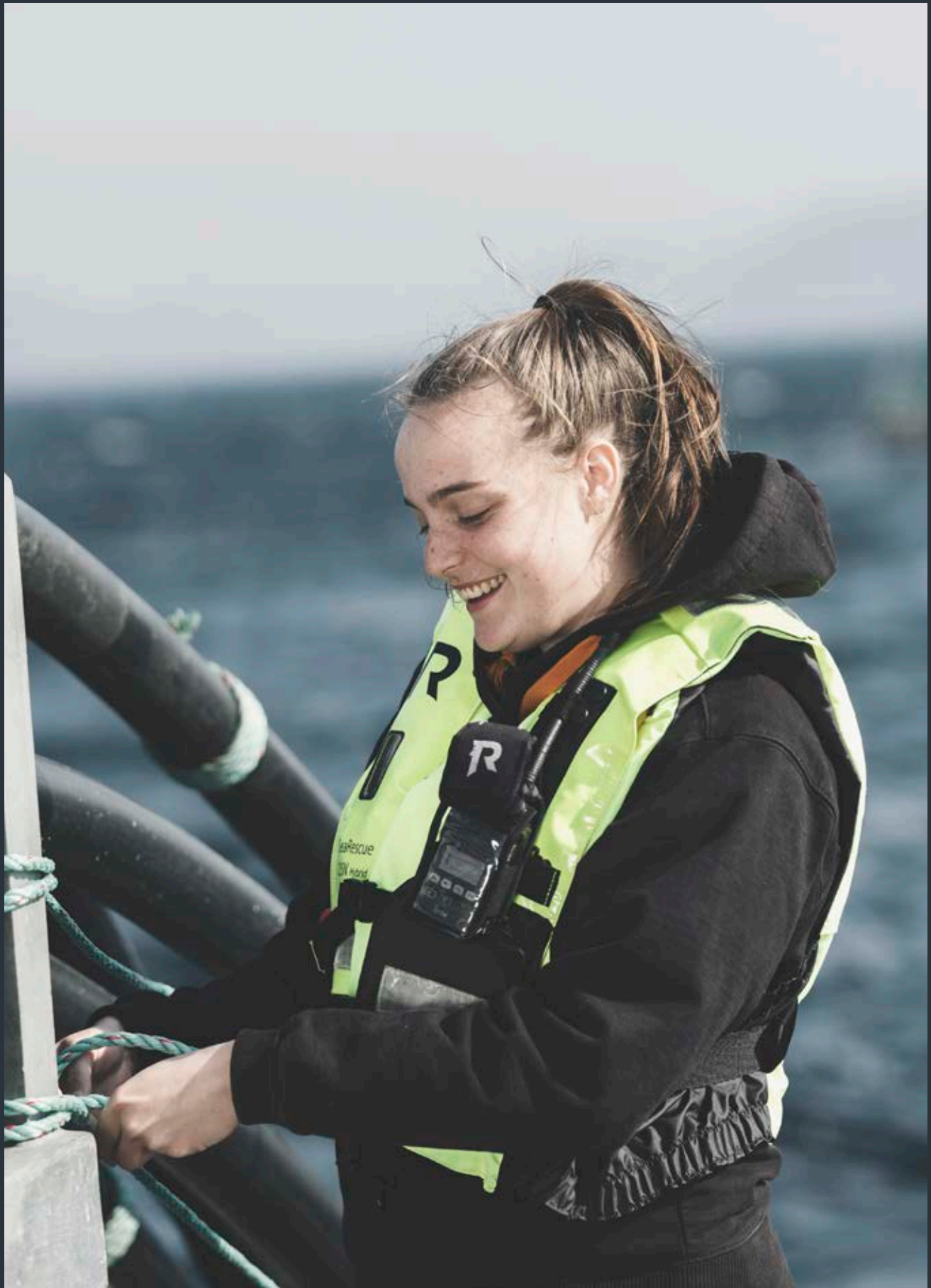
Director of Reconciliation, Grieg Seafood BC



From the signing ceremony between Grieg Seafood BC and the Ehattasht Chinehkint on July 19 2019



OD Hansen, Grieg Seafood BC's new Director of Reconciliation, in a floatplane on his way to a farm





## PART 03

# OUR RESULTS

PRESENTATION OF THE BOARD OF DIRECTORS	164-167
BOARD OF DIRECTORS' REPORT	168-187
CORPORATE GOVERNANCE	188-207
ANNUAL ACCOUNTS 2019	208-312
Grieg Seafood Group	208-285
Grieg Seafood ASA	286-312
AUDITOR'S REPORT	313-317
AUDITOR'S SUSTAINABILITY STATEMENT	318-319

# Presentation of the Board of Directors



**PER GRIEG JR (1957)**

Chair of the Board (from 2009)

**FIELD OF EXPERTISE** Business development

**BACKGROUND** Per Grieg Jr. has been actively involved in Grieg Seafood ASA since its foundation in 1992, and has played a major role in building up the Grieg Seafood Group. He has established numerous companies within different business sectors and has held several directorships.

**EDUCATION**

- MSc in Marine Systems Design from the Norwegian University of Science and Technology (NTNU)
- MBA in Finance and Management from INSEAD

**CURRENT POSITIONS**

CEO at Grieg Aqua AS

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019**

58 961 996 (52.80%), together with the Grieg family

**ASBJØRN REINKIND (1960)**

Vice Chairman (from 2011)

**FIELD OF EXPERTISE** Food industries

**BACKGROUND** 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, as well as Hydro Seafood Group. He has also served as chair of Pieters Group, Seafarm Invest, and Sjøtroll Havbruk, and as a member of the boards of several companies in the marine sector, including Fiskeriforskning, Domstein ASA and Pronova Biocare.

**EDUCATION**

- MSc in Economics and Business Administration from the Norwegian School of Economics (NHH)
- Advanced Management Programme at INSEAD, France
- Management degree from IMD, Switzerland

**CURRENT POSITIONS**

- Deputy Chair at Biomar Group
- Chair of the Board at Grilstad AS, Isbjørn IS AS and Nofitech Holding AS
- Board member at Holding Cage/Mørenot AS

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019**

120 000 (0.11%)

**KARIN BING ORKLAND (1959)**

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

**FIELD OF EXPERTISE** Business finance

**BACKGROUND** Karin Bing Orkland has acquired extensive experience over a long career in 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.

**EDUCATION**

MSc in Economics and Business Administration from the Norwegian School of Economics (NHH)

**CURRENT POSITIONS**

- Chair of the Board at GIEK and Entur AS
- Member of the Board and Chair of the Audit Committee at Storebrand ASA and KID ASA
- Member of the Election Committee at Orkla ASA and Arcus ASA

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019 0**



**SOLVEIG M. R. NYGAARD (1955)**  
Board member (from 2018)

**FIELD OF EXPERTISE** Fish health

**BACKGROUND** Solveig Nygaard has been working with fish health for 35 years and is a specialist in fish diseases. Nygaard has accumulated extensive experience from a variety of fish health projects and various companies, including as CEO of FoMAS. Furthermore, she has participated a program under the auspices of the Research Council of Norway.

#### EDUCATION

- Degree in veterinary medicine from the Norwegian College of Veterinary Medicine
- Degree in business administration from BI Norwegian Business School Stavanger

#### CURRENT POSITIONS

Independent adviser

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019** 0



**TORE HOLAND (1964)**  
Board member (from 2018)

**FIELD OF EXPERTISE** Aquaculture

**BACKGROUND** Tore Holand has 30 years of experience from key positions in the aquaculture industry. Previous positions include CEO of Midt-Norsk Havbruk and CFO of SinkaBerg-Hansen and Arnøylaks. He has held numerous board positions in salmon farming companies.

#### EDUCATION

Bachelor's degree in fishery economics and aquaculture from Bodø University College

#### CURRENT POSITIONS

- Chair of the Board at Emilsen Fisk AS
- Chair of the Board at Eidsvaag AS

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019** 0



**SIRINE FODSTAD (1970)**  
Board member (from 2019)

**FIELD OF EXPERTISE** Business organization & transformation

**BACKGROUND** Fodstad has extensive experience from the public and private sectors, with a focus on people issues and the HR function. Norges Bank Investment Management, Norsk Hydro, Deloitte and Centrica are amongst the companies she has worked at. She has designed and successfully implemented large transformation programs in highly complex global corporations and government departments.

#### EDUCATION

BA in Economics/French and BBA in Business Admin from Pacific Lutheran University WA, US

#### CURRENT POSITIONS

CEO at Grieg Maturitas AS and Grieg Maturitas II AS

**CITIZENSHIP** Norwegian

**NUMBER OF SHARES 31.12.2019** 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

## HIGHLIGHTS 2019

Earnings driven by highest ever harvested volume and continued strong prices.	Biological improvements in BC and Shetland, but still high cost.
Harvested volume of 82 973 tonnes, up 11% compared to 2018 and according to target.	Smolt quality in Shetland improved, leading to increased survival rate from 83% to 89% in Shetland.
EBIT per kg of NOK 13.11, compared to NOK 14.72 in 2018.	Smolt investments starting to pay off, as average smolt size is increasing.
Dividend payout of NOK 4.00 per share due to good profitability during the year.	Ten sites ASC certified in Finnmark by the end of the year, and ASC certification process ongoing in BC.
High financial flexibility due to strong solidity and liquidity.	Awarded A rating by the Carbon Disclosure Project for actions on climate change.
Strong biological performance in Norway resulting in lower cost.	Launch of GSF 2025 strategy, targeting harvest volume in excess of 150 000 tonnes, value chain repositioning and cost leadership.



## 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 2019, the Group harvested a total of 82 973 tonnes of Atlantic salmon. Its entire output was 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. The Group's vision "Rooted in Nature – farming the ocean for a better future", represents 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 – a 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 at a cost equal to or below the industry average, building a platform for sustainable growth for the longer term. By 2025, the Company aims to harvest at least 150 000 tonnes and drive competitiveness through cost leadership in each region. The Company also has an ambition to evolve from a purely commodity supplier into an innovation partner, through increased involvement downstream. Sustainable farming practices are the foundation of the three focus areas towards 2025.

The Company's long-term growth ambitions are built on a continued focus on post-smolt initiatives, new licenses, new technologies, maximizing site utilization, and continuous evaluations of potential merger and acquisition (M&A) opportunities. To achieve cost leadership in each region, Grieg Seafood will maintain its rigorous focus on fish health and welfare, and drive digitalization through continuous research and development and the utilization of new cutting-edge technologies throughout its operations.

### TARGETS AND ACHIEVEMENTS

The scoreboard is an overview of a set of key performance indicators for the Group's five pillars, which is used to track developments according to the current 2020 strategy.

The increase in the survival rate in Shetland from 83% in 2018 to 89% in 2019 is a result of measures taken to ensure healthier and more robust smolt, as well as continuous improvement of the handling and treatment of the fish in sea.

The post-smolt strategy provides better control of the environment of the fish for a longer period of time. It makes the fish more robust before being transferred to sea and reduces exposure time to biological risks in sea. The total use of antibiotics, sea lice treatment and hydrogen peroxide, measured as gram API per tonne net growth for the period, decreased by 30% compared to 2018. Medicine is used to fight illness and subject to strict regulations. Because sea lice are developing a resistance to medical treatments, the industry is transitioning from medical to mechanical treatment. The use of wrasse to combat sea lice has provided good results in Rogaland.

We regret to report two escape incidents in Shetland during the year, with a loss of 4 500 fish. Investigations were performed and procedures to avoid future escapes have been implemented,

The Group targets to reduce carbon emissions per kilo by 30% in 2030. We are not satisfied with the increase of 12% in carbon emissions per kilo harvested from 2018 to 2019. Grieg Seafood reports to the Carbon Disclosure Project (CDP). Even though fish has a low carbon footprint, cutting more emissions from both own operations and the supply chain is a challenge that the Grieg Seafood will continue to work on. The Board is proud that the Company has been awarded the highest rating, A, by the CDP for its climate disclosures and actions towards a low-carbon future.

The Group does not compromise on health and safety, and follows up accidents and absence rates. We are below the target of 4.5% absence rate in all regions, except in Finnmark which ended at 4.9% due to long-term sickness.

In the beginning of 2019, a Group communication manager was hired as part of the efforts to improve dialogue with the stakeholders. During the year, we have actively engaged with our stakeholders. Examples of the stakeholder dialogue can be found in Part 1 of this Annual Report.

The Group aims for a cost at or below industry average in 2020, which was set at NOK 37.9 per kilo as part of the GSF 2020 strategy in 2017. The farming cost has increased from NOK 39.7 in 2016 to NOK 43.5 in 2019. Rogaland and Finnmark have competitive cost levels driven by good biological performance and successful post-smolt strategy. In British Columbia and Shetland we have environmental challenges which still needs to be solved. Operational measures implemented in British Columbia are promising. In Shetland, unfortunately, it will take longer than expected to reach the cost target due to low volume in addition to biological challenges.

Creating shareholder value is the prerequisite for growth and survival, and return on capital employed (ROCE) is the Group's ultimate performance target. Sustainability and financial results are interdependent. The ROCE for 2019 was 19%, well above the target of 12% per year.

## OPERATIONAL REVIEW AND SEGMENTS

---

2019 was another strong year for Grieg Seafood, and was marked by good market conditions and continuous improvement across all operations. This was achieved by maintaining a strict focus on sustainability and driving forward improvements in farming operations.

The global harvest volume of Atlantic salmon increased by 7.4% compared to 2018. The main increase came from Norway, due to higher smolt stockings, and Scotland due to improved production. Canada experienced a reduction in harvested volume. Consumption also increased in most markets in 2019, with the highest increase in the EU and the USA. Monthly average salmon spot prices varied from NOK 39.75 to NOK 77.07, with an annual average of NOK 57.21 compared to NOK 59.22 last year. Contract prices were in general somewhat higher than spot prices during the year. The Group's contract share was 22% in Norway and 24% in the UK. As a result of an efficient Ocean Quality sales organization, the Group was able to achieve prices above spot, even with a high proportion of spot sales.

This helped us deliver our highest annual revenue ever.

Feed comprised 44% of the Group's cost in 2019. Feed prices are sensitive to change in currency rate, marine and vegetable raw material prices, seasonal variation, fish catches, and production. Good access to feed raw materials and a strong NOK/USD exchange rate contributed to stable feed prices throughout 2019.

Grieg Seafood harvested a total of 82 973 tonnes of fish in 2019, an 11% increase from 2018. This was slightly above expectations. Improved utilization of seawater licenses through a larger and more stable biomass was the most important factor behind the increase in production and harvested volume. Tools such as oxygen sensors and digitally assisted feeding are a vital part of our strategy and growth initiatives. Better prediction and industrial monitoring of both feeding and biological development ensure stable growth in accordance with our plans.

Throughout 2019, operational performance varied between regions. While Finnmark and Rogaland exceeded expectations, operations in BC and Shetland were impacted by challenging biological conditions, which resulted in somewhat higher cost. Long-term initiatives to address biological challenges in BC and Shetland continued to yield positive results throughout the year, and in Shetland in particular biological improvements led to higher survival rates.

2019 started with good production across all regions, due to favorable temperatures and a good fish health situation, especially in Rogaland and Finnmark. We managed to avoid previous challenges related to PD in Rogaland, and were not affected by the harmful algal bloom in Norway during the spring. Taken together, the first two quarters showed a very strong performance for the Group as a whole.

During the summer and early fall, production remained very strong in Rogaland, while low sea temperatures negatively impacted growth in Finnmark. Challenges related to algae and environmental conditions negatively impacted feeding and growth in BC, while the UK faced challenging conditions related to gill health and sea lice pressure.

During the early winter, conditions improved across all regions and production was strong. However, some challenges remained in the UK. We initiated a strategic assessment of our operations on Skye in 2019, as the synergy between our farming areas on Shetland and Skye are low. The evaluation has not yet been completed.

For the year as a whole, we were able to surpass our forecast harvested volume by almost 1 000 tonnes, with a total harvest of 82 973 tonnes.

Access to equipment and measures to address biological challenges in a timely and effective manner has increased cost in 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 and new technology, and to increasingly farm salmon on nature's terms.

Smolt production was good during the year. The Group continues to follow its growth strategy and transferred 25 million smolt to the sea during 2019, with an average weight of 191 grams per smolt.

For 2020, Grieg Seafood has a long-standing ambition of reaching a harvested volume of 100 000 tonnes, with cost equal to or below the industry average. At the start of 2020, this volume target is well within reach.

## ROGALAND

Rogaland harvested 25 217 tonnes in 2019. This was above expectations and 55% up on 2018. Sales revenues amounted to NOK 1 538.9 million, compared to NOK 959.6 million in 2018. The higher revenue is mainly explained by higher harvested volumes, increased average weight at harvest, and improved biological performance.

Price achievement was good compared to 2018, mainly due to improved quality and increased average weight at harvest. This was partly offset by somewhat lower spot prices in the second and the third quarters.

Biological performance was very good in 2019, with high production and utilization of the maximum allowed biomass (MAB). The average survival rate for the year met our target of 93% (calculated according to the GSI definition), up from 92% in 2018. The cost per kg decreased compared to 2018, due to biological improvements.

EBIT before fair value adjustment of biological assets for the year totaled NOK 568.3 million, which corresponds to NOK 22.53 per kg. Comparable figures for 2018 were NOK 219.6 million and NOK 13.48 per kg, respectively.

In previous years, Grieg Seafood Rogaland has faced challenges with sea lice and pancreas disease (PD), which have negatively impacted feed and growth rates, thus increasing cost. As of mid-2019, none of the sites in Rogaland were affected by PD.

Grieg Seafood Rogaland aims to reduce the time fish are kept at sea from 18 to 12 months, primarily by increasing average smolt size to 500 grams by 2020. While the average weight of smolt transferred to the sea was 173 grams in 2018, this increased to 279 grams in 2019, with some individuals weighing up to 550 grams.

As part of Grieg Seafood's digitalization efforts, a pilot integrated operations center is monitoring all sites in Rogaland. Precision Farming will ensure more efficient feeding, leading to reduced cost and improved growth going forward.

By focusing on its stated operational priorities, Grieg Seafood Rogaland has improved its performance and maintains its forecast for 25 000 tonnes harvested in 2020.

## FINNMARK

Finnmark harvested 32 362 tonnes in 2019, an increase of 9% compared with 2018. The average weight at harvest was 4.01 kg, and the superior share for the year was unchanged at 86%. Earnings were somewhat impacted by lower spot prices in the second and third quarters, in addition to lower average weights toward the end of the year due to MAB harvesting. The majority of the harvested volume was skewed towards the second half of 2019, which was somewhat unfavorable due to a fall in spot prices towards the end of the year. Sales revenue for the year totaled NOK 1 815.3 million, compared to NOK 1 671.3 million in 2018.

Production and biological performance were strong during the year, with a survival rate of 96%, well above the target of 93%. The cost per kg increased slightly compared to 2018, mainly due to early harvest of a few sites in the second and third quarters due to winter ulcers, and mortalities with a slightly larger average size.

EBIT before fair value adjustments ended at NOK 580.2 million or NOK 17.93 per kg, compared to NOK 594.9 million and NOK 19.98 per kg in 2018.

Grieg Seafood Finnmark is focused on continuing to improve fish welfare and survival rates. Camera surveillance and sensor technology are used to continuously monitor the environment and take appropriate actions. Biological conditions were favorable in 2019, however medical treatments were performed during the year due to increasing sea lice levels. Grieg Seafood Finnmark works towards sustainable production, and at the end of 2019, ten out of 27 sites were ASC certified.

Grieg Seafood Finnmark was allocated a new location in the Hammerfest area at the start of October 2019, and smolt were transferred to this location a month later. Acquiring additional farming locations is a key component in improving the utilization of resources, assets, and licenses in the region.

Production at the smolt facility in Adamselv and at Nordnorsk Smolt AS (50% shareholding) is progressing as planned, which is important to increase access to larger, high-quality smolt going forward. Grieg Seafood Finnmark expects to harvest 38 000 tonnes in 2020.

## SHETLAND

Shetland harvested 11 273 tonnes in 2019, compared to 11 924 tonnes in 2018. Price achievement was impacted by lower spot prices during the period, and total revenues amounted to NOK 731.6 million, compared to NOK 799.9 million in 2018.

Despite biological challenges related to gill diseases, algae and plankton, combined with high sea lice pressure, the quality of fish harvested throughout the year was high. Average weight at harvest remained at 4.30 kg, with a superior share of 94% in both 2018 and 2019. Furthermore, the use of healthier and more robust smolt, combined with a new vaccination strategy and continuous improvement in the handling and treatment of fish during seawater production, resulted in a survival rate of 89%, up from 83% in 2018.

Loss of production combined with extensive efforts to mitigate biological challenges impacted the cost per kg, which increased compared to 2018.

EBIT before fair value adjustment of biological assets for 2019 came to NOK -67.2 million or NOK -5.96 per kg, compared to NOK 33.8 million and NOK 2.83 per kg, respectively, in 2018. As part of the accounting principle of recognizing abnormal mortality as a cost in the income statement, a write-down of NOK 77.2 million was recognized during the year, increasing cost by NOK 6.85 per kg.

Grieg Seafood Shetland cooperates with other sea farmers in the region to secure sustainable marine biology. Production is concentrated at the best sites with the strongest biological control, and routines and systems for monitoring and mitigating algae-related

issues have been implemented. Other measures to ensure strong biosecurity, improved fish welfare, and control of the sea lice situation include the use of aeration systems, sea lice skirts, and freshwater delousing treatments. The sea lice level remained high during the year, and both medical and non-medical sea lice treatments were carried out.

Grieg Seafood Shetland has managed to improve smolt quality, which is essential for good growth and reduced cost, and the survival rate for smolt transferred to the sea has risen. On the basis of its focus on initiatives to improve biosecurity and fish welfare, Grieg Seafood Shetland expects to harvest 17 000 tonnes in 2020.

## BRITISH COLUMBIA

Grieg Seafood British Columbia (BC) harvested 14 120 tonnes in 2019, compared to 16 632 tonnes in 2018. The lower harvested volume was primarily due to cyclicity in site utilization as a result of fallowing procedures in the region.

Price achievement per kg decreased compared to 2018, due to lower spot prices. However, this was partly offset by higher average weights at harvest. The superior share for the year ended at 86%, up from 84% in 2018. Sales revenues for 2019 ended at NOK 861.4 million, compared to NOK 1 075.3 million in 2018.

Biological conditions in 2019 were challenging, with algal blooms and plankton causing acute low oxygen levels at times. Combined with high sea lice pressure, this had a negative impact on production and cost, which increased compared to 2018. Despite challenging conditions, the use of aeration systems enabled high feeding rates and improved seawater production. The overall survival rate for the year was 88%, similar to 2018.

EBIT before fair value adjustment of biological assets came to NOK 73.3 million, which corresponds to NOK 5.19 per kg, compared to NOK 290.9 million and NOK 17.49 per kg in 2018. As part of the accounting principle of recognizing abnormal mortality as a cost in the income statement, a write-down of NOK 73.3 million was recognized during the year, increasing cost by NOK 5.19 per kg.

Access to high-quality smolt is key to ensuring sustainable production growth. The expansion of the Gold River smolt facility is proceeding as planned, and Grieg Seafood BC is expected to increase its smolt capacity from 500 tonnes to 900 tonnes by the end of 2020.

Harmful Algal Blooms (HAB) represent a major biological risk in BC. Algae movements and oxygen levels are therefore continuously monitored and analyzed using high-grade sensor equipment and satellite imagery. In addition, aeration systems have been installed to enable feeding during challenging situations. Investments in sea production equipment will play an important role in maintaining good production levels and increasing survival rates during challenging environmental conditions.

Grieg Seafood BC will continue its efforts within the areas of algae mitigation and digital monitoring in order to increase the harvested volume and reduce cost. It expects to harvest 20 000 tonnes in 2020.



## 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, Canada and the USA, Ocean Quality sells fish to Europe, Asia, the USA, and Canada. Europe is the dominant market, representing 65% of total sales in 2019.

During its nine years of operation, Ocean Quality has established good customer relations and is therefore able to return solid profits to the salmon producers. Ocean Quality sold a total of 125 530 tonnes in 2019, compared to 114 720 tonnes in 2018.

Overall demand for Atlantic salmon remained strong in 2019 with demand for branded and certified, high-quality products increasing. This included the Grieg Seafood brands; Skuna Bay and Kvitsøy. By the end of 2019, Grieg Seafood had achieved ASC certification at ten of its 27 sites in Finnmark, and is working to certify more sites in Finnmark and also in BC.

In January 2018, Ocean Quality AS was suspected of exporting salmon with pancreas disease (PD) to China. The case was dismissed in January 2020 after the Norwegian authorities concluded that Ocean Quality had done nothing wrong.

## FINANCIAL PERFORMANCE

---

### GROUP FINANCIAL STATEMENTS

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

### PROFIT AND LOSS

#### Sales revenue and harvested volume

Grieg Seafood harvested a total of 82 973 tonnes in 2019, compared to 74 623 tonnes in 2018. The higher volume, combined with continued strong prices, generated revenues of NOK 8 273.6 million, up from NOK 7 500.3 million in 2018. The higher harvested volume is a result of Grieg Seafood's overall growth strategy, and derives mainly from higher utilization of current production capacity, in addition to improved biology and better fish health.

The global supply of Atlantic salmon has flattened out, while underlying demand has strengthened. This resulted in a shortage of salmon and high prices, a situation that is expected to persist. However, short-term price fluctuations may occur. To offset the effects of possible fluctuations, Grieg Seafood has adopted a policy to ensure that some 20–50% of all production in the coming years is hedged at fixed prices. In 2019, the share of fixed-price contracts was 22% in Norway and 24% the UK.

#### Farming cost

The total farming cost per kg for the Group came to NOK 43.54 in 2019, compared to NOK 43.10 the year before. This includes write-downs due to abnormal mortality of NOK 2.31

per kg, compared to 2.78 per kg in 2018.

Use of raw materials and consumables, which consist mainly of our biomass in freshwater and seawater in addition to feed, ended at NOK 4 182.0 million, a cost increase of NOK 329.1 million compared to last year due to the increased harvest volume and a slightly higher cost of fish harvested.

Salaries and personnel expenses for the year ended at NOK 610.8 million, an increase of NOK 69.8 million compared to 2018. The increase was driven by 42 new employees, in addition to more farming activities driven by the volume increase. Other operating expenses ended at NOK 2 013.0 million, an increase of NOK 191.4 million compared to 2018, which is also related to the increase in production and harvested volume. Digitalization projects also generated an increased operating cost during the testing and implementation phase. The group also had increased cost related to attorneys' fees in connection to the investigation from European Commission and US competition authorities. IFRS 16 affects other operating expenses positively by NOK 126.5 million, as operational leases are replaced by depreciation and interest on lease liabilities.

#### **EBIT**

Depreciation and amortization came to NOK 410.6 million in 2019, an increase of NOK 174.9 million compared to 2018. The main reason for the increase is the effect of IFRS 16, which increased depreciation by NOK 120.7 million in 2019. The remaining depreciation is related to the new smolt plant in Finnmark which was completed at the end of 2018. Investment in new sites and production technology has also driven up depreciation.

EBIT for the Group before fair value adjustment of biological assets ended at NOK 1 087.6 million, compared to NOK 1 098.8 million in 2018.

EBIT per kg came to NOK 13.11, compared to NOK 14.72 per kg in 2018. EBIT per kg was positively affected by the increased harvested volume and high spot prices. However, biological challenges related to algae and environmental conditions in BC and Shetland negatively impacted cost.

#### **Fair value adjustment**

Fair value adjustments of biological assets in 2019 were negative in the amount of NOK 220.7 million, and the EBIT after fair value adjustments came to NOK 866.9 million. In 2018, fair value adjustments of biological assets were positive in the amount of NOK 256.1 million, while EBIT after fair value adjustments totaled NOK 1 354.9 million. The negative changes in 2019 is mainly due to lower forward salmon prices in the global market compared to the end of 2018. The relation between the time of harvest and fluctuations in price also has a negative effect.

#### **Financial items**

Net financial items came to NOK -26.2 million, bringing profit before tax to NOK 840.6 million. In 2018, net financial items came to NOK -78.0 million, while profit before tax totaled NOK 1 276.95 million. The decrease in financial items is due to positive effects in currency gain compared to 2018.

**Taxes**

Taxes for the year amounted to NOK 195.7 million, bringing the net profit for the period to NOK 644.9 million. Taxes in 2018 amounted to NOK 279.8 million, while net profit ended at NOK 997.1 million.

**FINANCIAL POSITION**

The Group's recognized asset value as at 31 December 2019 was NOK 8 934.7 million, compared to NOK 8 142.5 million at the end of 2018. Goodwill amounted to NOK 109.5 million, while the value of farming licenses was NOK 1 133.6 million.

The value of property, plant, and equipment including right of use assets totaled NOK 2 957.9 million. Investment in non-current tangible assets relates mainly to new farming sites in Finnmark, totaling NOK 185 million, expansion of the Gold River hatchery in BC, and the expansion of smolt capacity in Finnmark and Rogaland.

As at 31 December 2019, the Group's equity amounted to NOK 4 140.8 million, compared to NOK 3 883.5 million in 2018. The equity ratio at the end of the year was 46%, compared to 48% the year before.

The Group's net interest-bearing liabilities totaled NOK 2 375.8 million at year-end 2019. This figure includes factoring liabilities of NOK 86.1 million. In 2018, the comparable figure was NOK 2 236.3 million, of which factoring amounted to NOK 573.4 million. During the year, the Group has through Ocean Quality AS entered into a new factoring agreement, in which the factoring company purchases all credit-insured trade receivables from Ocean Quality AS.

Net interest-bearing liabilities excluding factoring and IFRS 16 lease liabilities, as per bank covenants, totaled NOK 1 938.7 million (NOK 1 689.5 million in 2018). The bank syndicate consists of Nordea and DNB.

The Grieg Seafood Group's loan agreements include two term loans of NOK 600.0 million and EUR 60.0 million, respectively; a revolving credit facility of NOK 1 000.0 million, which during the year was extended to NOK 1 300.0 million; and an overdraft facility of NOK 100.0 million.

At the end of the year, NOK 769.0 million of the revolving credit facility and the overdraft facility had been drawn down. NOK 98.3 million was repaid during the year.

Current loan agreements also allow the Group to utilize up to NOK 600 million for leasing. The majority of the Group's new feed barges and operational equipment are leased. At the end of 2019, operational lease liabilities (classification according to IAS 17) amounted to NOK 379.8 million, while financial lease liabilities (classification according to IAS 17) amounted to NOK 452.1 million.

According to the Group's loan covenants, the equity ratio is calculated excluding Ocean Quality, and was 51% at year-end 2019, compared to 53% at year-end 2018.

As at 31 December 2019, the Group had a good level of free liquidity and unutilized credit facilities, with available cash and credit facilities of NOK 955 million.

## CASH FLOW

Net cash flow from operations ended at NOK 1 456.0 million in 2019, up from NOK 805.9 million in 2018. The increase is mainly related to changes in working capital due to biomass transfers.

Net cash flow from investment activities amounted to NOK 381.5 million, compared to NOK 592.5 million in 2018. Investment in non-current assets and intangible assets amounted to NOK 706.3 million, of which NOK 181.4 was financed by financial leasing and NOK 155.5 by operational leasing. Last year's figure was NOK 733.0 million, of which NOK 169.2 million was financed by leasing. In line with its growth strategy, the Group has invested substantially in smolt production, biosecurity, and digitalization.

Net cash flow from financing activities came to NOK -1 000.0 million, compared to NOK -346.6 million in 2018. The change is due to the derecognition of financial assets (factoring agreement) of NOK 487.3 million in 2019. As mentioned above, drawdowns on the credit facility increased in 2019 due to the effect of IFRS 16 on operational lease. A dividend of NOK 462.0 million, or NOK 4.00 per share, was paid in 2019. NOK 20.3 million of this was paid by Ocean Quality to non-controlling interests.

Cash and cash equivalents increased by NOK 74.5 million during the year, and available cash totaled NOK 214.5 million as at 31 December 2019.

## GRIEG SEAFOOD ASA

---

### PROFIT FOR THE YEAR

The parent company's financial statements are prepared in accordance with Norwegian accounting principles (NGAAP).

The parent company recorded an operating loss of NOK 87.4 million in 2019, compared to a loss of NOK 61.7 million in 2018. The increase in operating cost is due to legal fees related to the EU investigation, share options, and cost associated with our Precision Farming project.

The company has a syndicated loan provided 50/50 by DNB and Nordea. The financing agreement includes two term loans of NOK 600.0 million and EUR 60.0 million, a revolving credit facility of NOK 1 300.0 million, alongside overdraft facilities of NOK 100.0 million. The agreement has a term of five years and matures on 28 February 2023. At the end of the year, the company had a total revolver credit facility and overdraft facility of NOK 1 400.0 million, of which NOK 769.0 million was available for utilization.

Accrued dividends from Ocean Quality, in the amount of NOK 14.7 million (NOK 20.1 million in 2018), and Group contributions from subsidiaries in the amount of NOK 862.4 million (NOK 611.0 million in 2018), contributed to a positive financial result. Unrealized gains/losses on foreign exchange relating to non-current loans from Group companies amounted to NOK 29.8 million for the year, while net unrealized currency gains amounted to NOK 29.0 million.

Interest expenses from external financing increased slightly in 2019. This is due to increased funding compared to 2018. The Group was in compliance with its covenants throughout the year, which had a positive effect on the interest margin. The equity ratio at year-end was 46%, compared to 41% last year.

During the year, there were two dividend payments of NOK 2.00 per share. The total payout for the year came to NOK 441.8 million, or NOK 4.00 per share. The last payment was approved by the AGM (Annual General Meeting) on 13 June 2019.

The parent company's net cash flow from operations in 2019 totaled NOK -159.9 million, compared to NOK -146.9 million in 2018.

Cash flow from investing activities came to NOK 349.5 million (NOK 333.0 million in 2018). The decrease is due to lower repayments of loans from Group companies compared to 2018.

Net cash flow from financing activities came to NOK -189.0 million, compared to NOK -337.8 million in 2018. In 2019, dividends were paid, while loans to subsidiaries increased.

Cash and cash equivalents increased marginally during the year. As at 31 December 2019, available cash totaled NOK 6.4 million.

## FINANCIAL RESULTS AND ALLOCATIONS – GRIEG SEAFOOD ASA

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

The Group's dividend policy is that the dividend should, over time, average 30-40% of the Group's net profit after tax before fair value adjustment of biological assets. At the same time, the Group's net interest-bearing debt per kg harvested salmon should remain at NOK 20.

The Board has resolved to request an authorization provided by the Annual General Meeting to pay dividend later in 2020.

The parent company, Grieg Seafood ASA, recorded a gain of NOK 667.0 million for 2019, which the Board proposes the Annual General Meeting allocates as follows:

<b>Additional dividend paid out, not accrued previous year</b>	NOK 220.9 million
<b>Transferred to other equity</b>	NOK 446.1 million

## GOING CONCERN

The market situation in the beginning of 2020 has been impacted by the COVID-19 pandemic. Grieg Seafood's operations are currently running as normal. Although there has been a shift in the market, the demand is still there, while marked prices have been impacted.

Read further in the "Outlook" section. The Group will follow the market situation closely, and measures will be taken to ensure continued shareholder value.

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 presentation 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 have been met.

## RISK AND RISK MANAGEMENT

---

The Group is exposed to risks in numerous areas, such as biological production, the effects of climate change, compliance risk, the risk of accidents, changes in salmon prices, the risk of political trade barriers, etc. The current coronavirus outbreak poses a material risk, affecting most of our operational areas, and is classified as a market risk.

The Group's internal controls and risk exposure are subject to continuous monitoring and improvement, and efforts to reduce risk in different areas have a high priority. Management has established a framework for managing and eliminating most of the risks that could prevent the Group from attaining its goals. For further information, see the corporate governance section in this Annual Report.

In the following, only some of Grieg Seafood's risks will be discussed.

### FINANCIAL RISK

The Group operates within an industry characterized by high volatility, which entails greater financial risk. 2019 provided a good financial market for the aquaculture industry, with good access to liquidity.

The Group renegotiated its syndicated bank loan agreement in 2018, which will secure the working capital needed to achieve its growth targets. The agreement matures in 2023. Financial and contractual hedging is a matter of constant consideration, in combination with operational measures. 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 2019, the Group had NOK 955 million in available liquidity. During the year, the Group increased the limit on its revolving credit facility by NOK 300 million. 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 translating the operating income and balance sheet items 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 businesses in their local currencies. All long-term loans from the parent company to subsidiaries are in the local currency. Such loans are regarded as a net investment, as they are not repayable to the parent company. The subsidiaries will always require long-term funding. The currency effect of this net investment is included



in the Group's consolidated statement of other comprehensive income (OCI).

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 had been concluded up until the first quarter of 2021. Long-term foreign currency contracts are hedging instruments, where unrealized currency gains or losses are recognized through other comprehensive income (OCI) in the financial statements. 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 borrowing activities, and to fluctuating interest rate levels in connection with the financing of its activities in the various regions. The Group's existing loans are at floating interest rates, but separate fixed-rate contracts have been entered into to reduce interest rate risk. It is the Group's policy to have 20–50% of its interest-bearing debt hedged through interest rate swap agreements. A given proportion shall be at floating rates, while consideration will be given to entering and exiting hedging 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, interest-bearing liabilities have increased. The Group has invested substantial amounts during the year and built up its biomass, as well as paid out a dividend. This year's refinancing 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 in Norway and the UK each have factoring agreements that cover the financing of outstanding receivables. The agreement for Ocean Quality UK means that any significant risk and control of trade receivables remains with Ocean Quality UK. Ocean Quality AS entered into a new factoring agreement in 2019. Under this agreement, the factoring company purchases all credit-insured trade receivables from Ocean Quality AS. The factoring agreement is a financial arrangement, as the factoring company does not assume any credit risk. Management monitors the Group's liquidity reserve, which comprises a loan facility, bank deposits, and cash equivalents, based on expected cash flows. This is carried out at Group level in collaboration with the operating companies. 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 funding flexibility.

### **OPERATIONAL RISK**

The greatest operational risk relates to biological developments within the Group's smolt and aquaculture operations. The book value of live fish in the balance sheet at year-end was NOK 3 438 million. To reduce this risk, the Group focuses on the production of Atlantic salmon as its main product. Employee training and the establishment of 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 the 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 the utilization of sensor technology, the Group aims to reduce the algae challenges in BC and 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 have different effects on the salmon.

Salmon price developments are highly volatile, with major fluctuations within relatively short time spans. However, there has been a stable rise in 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, sea lice, outbreaks of disease, and other indirect and direct factors, which affect production and hence also supply.

## CLIMATE RISK

The climate plays an important role in Grieg Seafood's operations. The Company recognizes that climate change is likely to present a range of challenges to the aquaculture industry. Without proactive adaptation, salmon farming may become more vulnerable to physical risks such as damages caused by extreme weather, disease due to higher seawater temperature, in addition to regulatory risk, technology risk, market risk and reputational risk. However, climate change may also offer opportunities, including the adoption of resource efficiencies and waste management initiatives.

Grieg Seafood is currently developing policies to ensure adequate management of climate change, and its impact on the business. This includes the disclosure of climate-related information based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which can be found in the Appendix to this Annual Report.

## MARKET RISK

There are several issues that could affect the sale of salmon in 2020. After the outbreak of the COVID-19 pandemic, authorities worldwide have implemented strict measures to reduce and slow its spread. These measures are likely to impact global economic activity, which might also affect global demand for salmon. Furthermore, Grieg Seafood might experience disruptions to its supply chain upstream or downstream. Air traffic restrictions may impact the aquaculture industry's capacity to transport products to end-markets globally, which may have different impacts on salmon prices in different markets, and on Grieg Seafood's operations in Norway, Shetland, and British Columbia.

The outcome of the UK's departure from the European Union (Brexit) represents an uncertainty for the Scottish salmon farming industry and for Norwegian exporters. Once the Brexit transition period comes to an end, the salmon industry will experience operational and economic changes in trade between the UK and the rest of the world. Approximately 68% of farmed Scottish salmon was destined for markets outside the UK in 2019. For

Grieg Seafood Shetland, 20% of the volume in 2019 went to other markets. Although the Board believes the potential post-exit problems will be temporary, some challenges will have to be resolved and adapted to.

## CORPORATE AND SOCIAL RESPONSIBILITY

---

Sustainability underpins Grieg Seafood's operations – it is our license to operate and our 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".

The vision demonstrates the commitment to corporate responsibility by operating profitably and sustainably in a manner that conforms with fundamental ethical norms and respect for the individual, the society and the environment.

This sustainability strategy is built on the five pillars: Healthy ocean, Sustainable food, Profit & innovation, People and Local Communities. These pillars define our focus areas. They are founded on external expectations, based on dialogues with stakeholders, and the Company's own goals and ambitions.

The Company's reporting on corporate social responsibility is based on several standards, such as the Euronext guidance on ESG reporting, OECD guidelines for multinational enterprises, the Global Reporting Initiative (GRI), the Global Salmon Initiative (GSI), Task Force on Climate-related Financial Disclosures (TCFD) amongst other. Grieg Seafood is also committed to the UN Global Compact as part of the Grieg Group, and has signed the Sustainable Ocean Principles. Our sustainability strategy is described in Part 1, while our activities and results are presented in Part 2 of this Annual Report.

### RESEARCH AND DEVELOPMENT – ACHIEVING SUSTAINABLE GROWTH

Innovation and research in the areas of biology and technology are 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 tests and trial projects in the various regions, the Group contributes to the industry's advancement.

Active projects report on their progress throughout the year. The project plan is reviewed annually, summarizing completed projects and prioritizing new ones. The Group's R&D focus is on operational projects that contribute to short and long-term solutions to biological and technical challenges, and improved operational efficiency. The projects are numerous and span a wide area, ranging from fish health and fish welfare to effective use of large units, feeding control, and the optimization of smolt production in large recirculation units. Please refer to Part 2 for an introduction to some of the collaborations.

## EMPLOYEES

To reach goals and to solve challenges, Grieg Seafood needs the best people, regardless of gender or background. The majority of the Group's employees, including managers, are men. In total (including Ocean Quality), 861 people were employed in the Group at 31 December 2019, of whom 202 were women and 659 were men. The Group's employment policy facilitates the recruitment and retention of qualified employees of both genders. A good working environment is key to attracting and retaining the best talent.

Human resources are managed locally in compliance with local rules and instructions, and in accordance with the Group's guidelines. We are working continuously to strengthen global routines and guidelines for HR and HSE throughout the Group, and actively seek to reduce sick leave and the number of HSE incidents. Our working environment is good. The Company's employee policy is described in detail under the "People" section in this Annual Report.

Business integrity is essential for the Group, and we have no tolerance for fraud, corruptions and other misconduct. In 2019, two employees in Ocean Quality UK were asked to resign due to breach of our Code of Conduct.

To strengthen our corporate culture and encourage employee loyalty, Grieg Seafood continues to give its employees the opportunity to become shareholders in the Company.

The Board wishes to thank all our employees for their dedication, efforts and contributions in 2019.

## CORPORATE GOVERNANCE

Grieg Seafood ASA seeks to comply, where applicable, with the Norwegian Code of Practice for Corporate Governance, last revised on 17 October 2018. The Company's corporate governance policies and practices are disclosed in the "Corporate governance" section in this Annual Report, and on the website [www.griegseafood.com](http://www.griegseafood.com).

## POST-BALANCE SHEET EVENTS

---

In January 2018, Ocean Quality AS was suspected of exporting salmon with pancreas disease (PD) to China. The case was dismissed in January 2020 after the Norwegian Authorities concluded that Ocean Quality had done nothing wrong.

14 January 2020, Grieg Seafood notified the Norwegian Food Safety Authority (FSA) of the possibility of an outbreak of infectious salmon anemia (ISA) in fish at our Laholmen site in Nordkapp. The suspicion was confirmed by the FSA on 23 January. The fish were of harvestable size, and have now been harvested out in accordance with the procedures and requirements set by the FSA.

In February 2020, Norway's Ministry of Trade, Industry and Fisheries presented its updated "traffic light" scheme, allowing a net national increase in the production of

salmon and trout of approximately 23 000 tonnes per year. The classification of Grieg Seafood Rogaland's sites has been amended from yellow to green.

In February 2020, Grieg Seafood signed a Share Purchase Agreement (SPA) for the acquisition of Grieg Newfoundland AS in Newfoundland, Canada. Grieg Seafood aims to harvest at least 150 000 tonnes of Atlantic salmon by 2025. Growth will be achieved through post-smolt investments, M&A activity, and organic growth. The acquisition of Grieg Newfoundland AS is an important step towards realization of the 2025 strategy because it includes exclusivity for salmon farming in Placentia Bay, which has a farmable area bigger than the Faroe Islands. The project currently comprises licenses for 11 sea sites, of which three have been approved, three are expected to be approved in 2020, and the rest are in various stages of application. The project has a long-term annual harvest potential of 30 000–45 000 tonnes of Atlantic salmon. The first phase targets an annual harvested volume of 15 000 tonnes, to be reached by 2025, with the first harvest in 2022/2023. The project includes a high-end Recirculating Aquaculture System (RAS) facility, which is currently under construction. The freshwater RAS facility is planned to include a hatchery, a smolt facility, and three post-smolt modules with a potential annual capacity of 7 000 tonnes upon completion.

## OUTLOOK

---

The market situation in the beginning of 2020 has been impacted by the COVID-19 pandemic, which is spreading rapidly globally. The escalation of both spread and measurements taken is currently causing high uncertainties for producers and processors, as well as for end consumers.

### MARKET

Although market demand remains, there has been a significant decrease in demand from hotel, restaurants and catering (HoReCa) and increased demand from retail. Airfreight is a challenge, but the transport of goods between countries on trucks remains relatively good. With farming operations located in close proximity to both the European and the US market, Grieg Seafood's dependence on cross-Atlantic distribution is limited.

### PRODUCTION

Grieg Seafood's operations are currently running as normal, and the salmon is harvested according to plan. As food producers, the industry is recognized as an essential function in Norway, Canada and the UK. The Governments want production to continue and have signaled that they are willing to facilitate that where necessary. The Company is maintaining a good dialogue with the authorities in Norway, the UK and Canada through industry organizations, discussing possible arrangements to safeguard salmon farming operations in various scenarios. On a broader scale, initiatives implemented by authorities to avoid contamination in the general population reduce the risk of supply chain disturbances.

## EMPLOYEES

Grieg Seafood's priority is the wellbeing of its employees, their families and the local communities where we operate, and the Company complies fully with the authorities' recommendations in all locations. The Company has implemented measures to limit contamination, with crises management teams operating in the head office and in each region. The regions have conducted local risk assessments and implemented measures accordingly, such as limiting contact between shifts, hygiene measures and home office where possible. Companies in our supply chain have also implemented measures to avoid contamination and keep operations running safely.

## FINANCIAL POSITION

Grieg Seafood has a solid financial position. The loan agreement includes two term loans of NOK 600 million and EUR 60 million, with maturation in 2023. During the third quarter of 2019, the revolving credit facility was increased by NOK 300 million, to NOK 1.3 billion. The Company also has an overdraft facility of NOK 100 million. At 31 December 2019, the cash and credit facilities totaled NOK 955 million. Net interest-bearing liabilities, excl. factoring and IFRS 16, were NOK 1.9 billion. NIBD/EBITDA was 1.4 and the equity ratio was 46%.

The Company's dividend policy states that the average dividend should correspond to 30-40% of profit after tax, before fair value adjustment of biological assets. At the same time, the net-interest bearing debt per kg harvested salmon should be NOK 20, with possibilities to increase during period of growth investments. Dividends will be adjusted to satisfy the targeted level of debt.

We might reassess or postpone some of the investments scheduled for 2020 to ensure a solid financial position. However, we aim to continue with our 2020 and 2025 strategy, including the integration of Grieg Newfoundland into our operations.

## GUIDING 2020

For 2020, Grieg Seafood has guided on a total harvest of 100 000 tonnes GWT with cost at or below industry average. The full medium- and long-term implications of the coronavirus pandemic remain uncertain. However, based on the current situation, the Company will harvest according to the Q1 guiding of 16 800 tonnes, and the Company's volume target for 2020 remains in place.





## STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We hereby confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2019 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, 8 April 2020

The Board of Directors of Grieg Seafood ASA

ASBJØRN REINKIND  
Vice Chair

PER GRIEG JR.  
Chair

KARIN BING ORKLAND  
Board Member

SOLVEIG M.R. NYGAARD  
Board Member

TØRE HOLLAND  
Board Member

SIRINE FODSTAD  
Board Member

ANDREAS KVAME  
CEO

# Corporate governance



With our vision of farming the ocean for a better future, Grieg Seafood demonstrates its commitment to corporate responsibility by operating profitably and sustainably in a manner that conforms with fundamental ethical norms and respect for the individual, society as a whole, and the environment. In pursuit of this vision while protecting our core values, we will face risks to our business strategy, operational risks, and risks associated with the protection of our employees, other assets, and reputation. Because our risk management is clearly connected with a multitude of stakeholder expectations, this approach includes maintaining a regular dialogue with our stakeholders, as they are the basis for our license to operate. Transparency and disclosure are vital in building trust, and by engaging in a dialogue with our stakeholders we are able to better understand the role we play in local communities and in society as a whole.

### GOVERNANCE STRUCTURE

Grieg Seafood believes that strong corporate governance is an essential element in achieving our overall objectives and acting as a responsible organization. The Board of Directors is committed to sound corporate governance, and our governance structure helps enable the Board to fulfill its fiduciary duties to our shareholders and helps ensure our long-term success. The Board exercises oversight of strategic, operational and financial matters, including the elements and dimensions of our major risks. The Audit Committee, which consists of two members of the Board of Directors, has been given a particular responsibility to monitor critical business risks and address the quality and effectiveness of relevant risk-reducing measures. The Audit Committee reviews our policies at least annually and assesses our risk management quarterly. As our group management team, consisting of 11 senior executives, represents all aspects of our farming operations, we have not set up a committee to deal specifically with economic, environmental and social issues. The Board of Directors holds the group management team accountable for following its strategies, maintaining a high standard of ethical and responsible business conduct, taking care of our employees and safeguarding human rights, and for assessing risks related climate change and the environment. The group management team convenes quarterly. We have a dedicated, cross-functional Sustainability Team, led by the Chief Sustainability Officer, consisting of members of the group management team and employees with particular functional responsibilities. Day-to-day implementation and assessment are, however, a line management responsibility. This means that corporate social responsibility is an integral component of all our operations, for all management teams, units, and departments.

### RISKS RELATED TO CLIMATE CHANGE

One of the many factors that could materially and adversely affect our business and financial results, is the long-term effect of climate change on general economic conditions and the salmon farming industry in particular, along with changes in the supply of feed raw materials and requirements to cut carbon emissions. More information on our risk management procedures, and risks related to climate change in particular, is included in the Board of Directors report in Part 3 of this Annual Report.

### COMPLIANCE

As salmon farming is a highly regulated industry, we are subject to strict standards for fish welfare, environmental impact, food production and production equipment. We must also comply with operational requirements related to the use of medicines and chemicals, biomass levels, sea lice levels, density and water quality, etc. We report regularly to authorities, for instance, on biomass levels, sea lice levels, disease outbreaks and mortality for salmon and cleaner fish. We are also subject to regular inspections and audited from local, national and international stakeholder groups and authorities. For more information of our ASC certificates, see [www.griegseafood.com](http://www.griegseafood.com).

### CODE OF CONDUCT AND BUSINESS BEHAVIOR

Our Values and Code of Conduct underpin the way we conduct ourselves and our approach to corporate social responsibility. Our Code of Conduct sets out the ethical principles and standards that must be upheld by each and every employee, and any agent that acts on our behalf, including our Board of Directors. Through our Supplier Code of Conduct, we demonstrate that we expect no less from our value chain. As part of our risk management, we continuously assess all our operations for risks related to corruption. Corruption is not considered a significant risk and we have controls in place to minimize exposure to it.

Grieg Seafood refrains from anti-competitive behavior, anti-trust and monopolistic practices, as this can severely affect consumer choice, pricing and other factors that are essential to efficient salmon markets. For more information, see the People section in this Annual Report.

# Principles of Corporate Governance

Adopted by the Company's Board of Directors  
on 20 April 2007 and updated on 8 April 2020.

**FIGURE 3.1**  
GRIEG SEAFOOD'S COMPLIANCE WITH THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

Section of the Norwegian Code of Practice for Corporate Governance	Deviation from the Code of Practice
1. Statement of corporate governance	No deviation
2. Activities	No deviation
3. Share capital and dividends	No deviation
4. Equal treatment of shareholders and transactions with related parties	No deviation
5. Negotiability	No deviation
6. General Meeting	Two deviations, see the text below
7. Nomination Committee	Three deviations, see the text below
8. Corporate Assembly and Board of Directors - composition and independence	No deviation
9. Work of the Board of Directors	No deviation
10. Risk management and internal control	No deviation
11. Directors' fees	No deviation
12. Remuneration of executive personnel	No deviation
13. Information and communication	No deviation
14. Company takeover	No deviation
15. Auditor	No deviation

## 1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

---

### PRESENTATION OF CORPORATE GOVERNANCE

Responsibility for ensuring that the Company has good corporate governance rests with the Board of Directors. The Board and management annually review Grieg Seafood Group's principles and code of practice for corporate governance.

The Company abides by the Norwegian Code of Practice for Corporate Governance as recommended by the Norwegian Corporate Governance Board (NUES) on 17 October 2018. The Grieg Seafood Group follows NUES's latest recommendations and has updated its existing rules and defined values in accordance with changes to the Norwegian Code of Practice published in 2014.

The Company has adopted the "follow or explain principle" with respect to the Code's application. This means that the Company provides an explanation whenever it deviates from the Code.

This Annual Report offers a full account of the Company's principles for corporate governance and it is also available on [www.griegseafood.com](http://www.griegseafood.com).

**Deviations from the Norwegian Code of Practice: None**

## 2. BUSINESS

---

### GRIEG SEAFOOD ASA

The Company's business is defined in Article 3 of its Articles of Association:

"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.

### GRIEG SEAFOOD ASA'S VISION AND OVERALL OBJECTIVES

Grieg Seafood's vision is "Rooted in nature - farming the ocean for a better future", creating long-term value for shareholders and other stakeholders through sustainable and cost-efficient growth. Operationally, Grieg Seafood strives to find the right balance between environmental, social and economic impacts. Through our five pillars, Grieg Seafood is committed to creating sustainable and long-term value. Sustainability is core to the industry and strongly impacts our financial performance. Our strategy for 2020 – 2025 is rooted in its desire for sustainable salmon farming. Focus areas are global growth, cost leadership and value chain repositioning.

The Board of Directors has established objectives, strategies, and risk profiles for the Company's defined business scope, in order to create value for its shareholders. The Board has an annual plan for its endeavors and follows a five-year cycle in its strategy work. This includes a review of risk areas and internal controls, as well as approving the strategy, objectives and risks relating to sustainable development.

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 controlled by the Group. In as far as it goes, this statement of principle therefore applies to all companies within the Group. The Company has its own Code of Conduct, which all employees and contract workers must abide by.

### MANAGEMENT OF THE GROUP

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

**Deviations from the Norwegian Code of Practice: None**

## 3. EQUITY AND DIVIDENDS

---

### EQUITY

At any given time, the Group shall have a level of equity and a capital structure that are appropriate to the Group's cyclical activities. The Board requires that, as a minimum, equity consistently complies with current loan covenants.

As at 31 December 2019, the Company's consolidated equity was NOK 4 141 million, equivalent to 46% of total assets, and a debt-to-equity ratio of 1.16. The Board of Directors considers the current capital structure to be satisfactory in relation to the Company's objectives, strategy, and risk profile.

### DIVIDEND

The Group's objective is to give shareholders a competitive return on invested capital through dividend payments and appreciation in the value of the share, at a level at least equivalent to other companies with comparable risk.

Any 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 line with the Group's profit growth, while at the same time ensuring that equity remains 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 meet its desire to minimize capital cost.



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 30 – 40% of profit after tax before fair value adjustment of biological assets.

Furthermore, a net interest-bearing debt per harvested kg of NOK 20 is considered reasonable. Based on this, the size of the dividend could be corrected both up and down to stay within the margin as per above.

During the year, the Company has paid out a dividend of NOK 4.00 per share. This corresponds to a pay-out ratio of 55% of net profit after tax, adjusted for fair value adjustments with respect to the previous year's accounts.

### BOARD AUTHORIZATION

The Board can request the AGM to grant a general mandate to pay out dividends in the period until the next AGM. An explanation must be given for the Board's proposal. The dividend will be based on the Group's current policy. Dividends should be paid on the basis of the last financial statements approved within the scope of the Norwegian Public Limited Companies Act. Upon authorization being granted, the Board determines from which date the shares are to be traded ex-dividend.

The Board has a 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 at the nominal value of NOK 4.00 each. The authorization covers merger decisions as provided for in Section 13-5 of the Norwegian Public Limited Companies Act. 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 2019, no shares have been issued pursuant to this authorization.

This authorization remains in effect until 30 June 2020.

The Board has a general authorization to acquire the Company's own (treasury) 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 180.00 per share when acquiring treasury shares. As at 31 December 2019, no shares have been acquired pursuant to this authorization.

This authorization remains in effect until the next AGM, but not later than 30 June 2020. The Company will observe the Norwegian Code of Practice in respect of new proposals to authorize the Board to implement capital increases and acquire the Company's own shares.

**Deviations from the Norwegian Code of Practice: None**

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

---

### SHARE CLASS

The Company has one class of shares, and all shares carry the same rights. As at 31 December 2019, the Company had 111 662 000 outstanding shares, including treasury shares.

### TREASURY SHARES

If the Company trades in its own (treasury) shares, the Norwegian Code of Practice's provisions relating to the equal treatment of shareholders and transactions with close associates shall be observed.

As at 31 December 2019, the Company held 1 213 687 treasury shares.

### APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

All non-immaterial transactions between the Company and a shareholder, board member, or a senior employee or their related parties, shall be subject to a valuation 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 a General Meeting of Shareholders, 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 2019 pursuant to the requirement above. For further details see Notes 14, 17, and 22 to the Group Accounts in this Annual Report.

### CAPITAL INCREASES

Should shareholders' preferential subscription right be waived, the Norwegian Code of Practice shall be observed. There were no capital increases in 2019.

**Deviations from the Norwegian Code of Practice: None**

## 5. SHARES AND NEGOTIABILITY

---

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

**Deviations from the Norwegian Code of Practice: None**

## 6. GENERAL MEETINGS

---

The Company's highest decision-making body is the General Meeting of shareholders.

With respect to the timing and facilitation of General Meetings, the Board of Directors will do its best to ensure that as many shareholders as possible may attend and exercise their rights, thereby making the General Meeting an effective forum for the views of shareholders and the Board of Directors.

The Company's Annual General Meeting (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 proposed 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 must give at least 21 days' notice that a General Meeting is to be held. During this period, the notice and documents pertaining to matters to be considered at the General Meeting shall be accessible on the Company's website. The same applies to the Nomination Committee's recommendations. When documents are made available in this manner, the statutory requirements for distribution to shareholders do not apply. Nevertheless, a shareholder may ask to be sent physical documents concerning matters to be considered at the General Meeting.

The deadline to register for attendance at the General Meeting is set by the Board in the notice, normally five days prior to the meeting's scheduled 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 authorization form containing a vote option for each agenda item will be enclosed with the notice of meeting. Shareholders may also authorize the Board's chair or the Group CEO to vote on their behalf.

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

The Board's chair, a member of the Nomination Committee and the Group CEO will be represented at the General Meeting. The Board's chair will normally chair the General Meeting. The Board of Directors will ensure that, if it so requests, the General Meeting also is able to appoint an independent chair.

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

The Nomination Committee proposes candidates for election to the Board by the AGM.

In 2019, Grieg Seafood Group held its AGM on 13 June.

**Deviations from the Norwegian Code of Practice:**

GSF Group deviates from the code of practice in two ways.

1. The AGM is not led by an independent chair, but by the Board's chair. This is in accordance with its Articles of Association. Given the matters considered by the AGM, an independent chair has not been considered necessary. In cases that involve related parties, the AGM is chaired by an independent board member.
2. Not all members of the Board or the Nomination Committee attend the AGM. The Board of Directors considers it sufficient that the Board's chair and the chair of the Audit Committee, are present. Other board members and members of the Nomination Committee attend as needed.

## 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 these instructions, the Nomination Committee should safeguard the interests currently embodied in the Norwegian Code of Practice for Corporate Governance.

The present Nomination Committee was elected at the AGM on 13 June 2019.

Nomination Committee	Role	Considered independent	Served since	Term expires
Elisabeth Grieg	Chair	No	13.06.2019	AGM 2021
Yngve Myhre	Member	Yes	12.06.2018	AGM 2020
Helge Nielsen	Member	No	18.06.2012	AGM 2020

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 Nomination 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 well ahead of time and accompany the notice of the AGM, no later than 21 days before the meeting. The Nomination Committee's recommendations 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 attendance at board meetings.

All shareholders are entitled to submit proposals to the Nomination Committee for candidates 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 for the Nomination Committee itself, it should include relevant information about these candidates.

**Deviations from the Norwegian Code of Practice:**

GSF Group deviates from the Norwegian Code of Practice in three ways.

1. The Code of Practice recommends that all shareholders should be able to submit proposals to the Nomination Committee for candidates to the Board of Directors and other appointments in a simple and easy manner. Today, shareholders must contact the Nomination Committee directly. The Company will observe the Norwegian Code of Practice in respect of new proposals to facilitate that all shareholders can propose candidates to the Board and Nomination Committee.
2. The majority of Nomination Committee's members are not independent of the Board.
3. According to the Company's Articles of Association §8, the members of the Nomination Committee is elected for a period of two years, however in 2019 two of the members wanted to run for re-election for only one year more. This was accepted.

## 8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

---

### NUMBER OF BOARD MEMBERS

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

The Board's chair is elected by board members. In the event of a tied vote, the Board's chair has the casting vote. The CEO is appointed by the Board and has both a right and a duty to attend board meetings. The CEO is only entitled to vote on board decisions if he or she is an elected member of the Board.

### ELECTION PERIOD

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

## INDEPENDENT BOARD MEMBERS

As at 31 December 2019, the Board of Directors consisted of the following members:

Name	Role	Considered independent	Served since	Term expires	2019 Meeting attendance	% of shares in GSF per 31.12.2019
Per Grieg jr.	Chair	No	20.05.2009	AGM 2021	100 %	52.80%*
Asbjørn Reinkind	Vice chair	Yes	27.05.2011	AGM 2021	100 %	0.11%
Karin Bing Orgland	Board member	Yes	12.06.2013	AGM 2021	100 %	0.0%
Tore Holand	Board member	Yes	12.06.2018	AGM 2020	100 %	0.0%
Solveig M.R. Nygaard	Board member	Yes	12.06.2018	AGM 2020	100 %	0.0%
Sirine Fodstad	Board member	No	13.06.2019	AGM 2021	100 %	0.0%

\*Per Grieg jr. and indirectly via the Grieg Group.

The Company's annual report and the website provide information on board members' background and expertise. An overview of board members' shareholdings in the Company appears in Note 17 to the Group Accounts in this Annual Report.

**Deviations from the Norwegian Code of Practice: None.**

## 9. THE WORK OF THE BOARD OF DIRECTORS

### DUTIES AND ANNUAL PLAN

The Norwegian Public Limited Liability Companies Act regulates the duties and workings of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedure covering the duties of the Board of Directors and the chief executive officer (CEO), the division of labor between the Board 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 Group and for overseeing its day-to-day management and business activities. The Company shall be managed by an effective Board of Directors (the Board) which is jointly responsible 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 to perform its duties. The Board shall also initiate such investigations requested by one or more board members.

To ensure all matters are given unbiased and satisfactory consideration, members of the Board and executive management cannot consider matters in which they have a special and prominent interest. The Board of Directors jointly assess each board member's impartiality with respect to matters under consideration.



## INSTRUCTIONS

The Board has drawn up a set of instructions for its members and executive 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 Board and the Group CEO have separate roles, and there is a clear division of responsibility between the two. The Group CEO is responsible for the Company's group management team. The Board underlines that special care must be exercised in matters relating to financial reporting and the remuneration of the group management team.

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

Board members and the group management team 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 in the Group Accounts in this Annual Report.

The Instructions for the Board and management were last revised by the Board on 20 September 2017.

## ANNUAL ASSESSMENT

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

## 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.

As at 31 December 2019, the Audit Committee consisted of:

Board's Audit Committee	Role	Considered independent
Karin Bing Orgland	Chair	Yes
Tore Holand	Member	Yes

## REMUNERATION COMMITTEE

The Remuneration Committee is governed by a separate set of instructions adopted by the Board of Directors. The members of the Remuneration Committee are appointed by and from among the members of the Board of Directors and shall be independent of the Company's executive management. As at 31 December 2019, the Remuneration Committee consisted of:

Board's Compensation Committee	Role	Considered independent
Per Grieg jr	Chair	No
Asbjørn Reinkind	Member	Yes
Sirine Fodstad	Member	No

The primary purpose of the Remuneration Committee is to assist and facilitate the Board's decision-making in matters related to the remuneration of the group management team, review recruitment policies, career planning and management development plans, and prepare matters relating to other material employment issues with respect to 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 group management team. 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 retains responsibility for implementing such recommendations. The composition of the committee is subject to assessment each year.

**Deviations from the Norwegian Code of Practice: None.**

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has a responsibility to ensure that the Group has proper risk management and such internal control as is required by statute. The Audit Committee has been given a particular responsibility to monitor critical business risks and address the quality and effectiveness of relevant risk-reducing measures. Management performs a risk assessment quarterly, which is reviewed by the Audit Committee in connection with quarterly reporting. The Audit Committee updates the Board after each meeting. Each year the external auditor carries out a review of the internal control which is an element of financial reporting. The auditor's review is submitted to the Audit Committee.

Internal control means activities carried out by the Group to organize its business activities and procedures in order to safeguard its resource and those of its customers, and to realize its goals through appropriate operations. The achievement of these goals also requires systematic strategy development 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 framework for internal control. The Group is decentralized, and considerable responsibility and authority are therefore delegated to the regional operating units. Day-to-day implementation and assessment are a line management responsibility. This means that corporate social responsibility is an integral component of all our operations, for all management teams, units, and departments. 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 Group has implemented the 2017 COSO Enterprise Risk Management (COSO ERM) scheme as the main framework for risk management, where risks and opportunities are positioned in the context of objectives and performance. The framework 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 non-conformity arising, and how serious the economic consequences would be of any such non-conformity. The establishment of controls in each region is aimed at reducing the likelihood of non-conformities with major economic consequences arising.

The Group categorizes its main risks as: strategic risk, operational risk, financial risk, compliance risk and climate risk. The Group's greatest risk relates to biological development during the production of smolt and sea farming. The Group therefore works continuously and systematically to develop processes that safeguard animal welfare and reduce disease and mortality, and ensure that "best practices" are implemented at all levels. Control routines have been prepared for employee working conditions, as well as escape prevention, animal welfare, pollution, water resources, and food safety.

The long-term effect of climate change on general economic conditions can also have a material impact on the Group. The Groups climate risk management is been mapped in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Amongst the financial risks the Group is exposed to, are: 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 any potentially 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. Deviations 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 the 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 harvested generations will be updated on a monthly basis. Each region's performance data is summarized in a report submitted to the Board.

Each quarter, the Group management holds meetings with the management of each region. The aim of the meeting is to follow up the strategies and goals that have been set.

**Deviations from the Norwegian Code of Practice: None.**

## 11. REMUNERATION OF THE BOARD OF DIRECTORS

---

Proposals concerning the remuneration of the Board are submitted by the Nomination Committee. Remuneration to Board members is not linked to the Company's results. No board member has any special duties in relation to the Company over and above those they have as a board member.

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.

**Deviations from the Norwegian Code of Practice: None.**

## 12. REMUNERATION OF THE GROUP MANAGEMENT TEAM

---

Group management consists of the Group CEO, the Chief Operating Officer (COO), the Chief Financial Officer (CFO), and the Chief Human Resource Officer (CHRO).

The objective of the guidelines for salary and other remuneration payable to senior employees within the Group is both to attract people with the required competence and 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 group management team 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 statement on the determination of salary to senior employees, and appears in the financial statements for the Group, Note 14.

The Company's Board approved the allocation of cash options based on the AGM's resolution on the share and cash options program. The last approval granted by the AGM dates from 13 June 2019. The Group CEO, CFO, COO, CHRO, and the four regional managers are included in the synthetic options program. The options agreements have been entered within the scope of the resolution adopted by the AGM. Minutes of this AGM can be accessed from the Company's web page.

The remuneration payable to the Group CEO is determined at a meeting of the Board of Directors. The salary payable to the other members of the management group is determined by the Group CEO. The Group CEO shall discuss the remuneration which he/she proposes with the Board's chair 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 AGM. The Board's statement on management remuneration is a separate item on the AGM's agenda. The AGM votes separately on guidelines to the Board and remuneration comprising the synthetic options program.

## SEVERANCE PAY

The Group CEO is entitled to 12 months' severance pay after termination of the employment relationship by the Company. The Group CEO is further entitled to full salary during sick leave of up to 12 months' duration.

A severance pay agreement has also been established for the CFO and COO providing for 12 months' severance pay after termination of the employment relationship by the Company.

**Deviations from the Norwegian Code of Practice: None.**

## 13. INFORMATION AND COMMUNICATION

---

### FINANCIAL INFORMATION

The guidelines for reporting financial and other information to the stock market are 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 the 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 Company's quarterly reports 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 realistic forecasts for its commercial and performance-related development.

The Company publishes all information on its own website and through stock exchange/press releases. Quarterly reports, annual reports and stock exchange/press releases are presented on an ongoing basis on the Company's website in accordance with the Company's financial calendar. The presentation of each quarter's results is available as a webcast.

The Company shall be open and active with respect to investor relations, and shall hold regular presentations in connection with the annual and interim results.



## 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 Board's chair, or other appointed persons in specific cases. The Board's chair shall ensure that the shareholders' views are communicated to the entire Board.

**Deviations from the Norwegian Code of Practice: None.**

## 14. TAKEOVERS

---

### CHANGE OF CONTROL AND TAKEOVERS

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

At its meeting of 13 October 2015, the Board adopted some core principles for how it will act in the event of any takeover bid. These core principles are in accordance with the Norwegian Code of Practice.

**Deviations from the Norwegian Code of Practice: None.**

## 15. AUDITOR

---

Through its Audit Committee, the Board seeks to collaborate fully and transparently with the Company's auditor. Each year, the Audit Committee obtains confirmation that the auditor meets the requirements of the Norwegian Auditing Act concerning the independence and objectivity of the auditor.

The Board of Directors ensures that the auditor's auditing plan is submitted to the Audit Committee once a year. In particular, the Audit Committee considers whether the auditor is performing a satisfactory control function.

Both the Company's 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 company 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 breakdown of the fee between auditing and other services.

**Deviations from the Norwegian Code of Practice: None.**

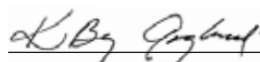
Bergen, 8 April 2020  
Grieg Seafood ASA



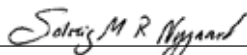
ASBJØRN REINKIND  
Vice Chair



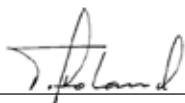
PER GRIEG JR.  
Chair



KARIN BING ORKLAND  
Board Member



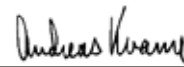
SOLVEIG M.R. NYGAARD  
Board Member



TØRE HOLAND  
Board Member



SIRINE FODSTAD  
Board Member



ANDREAS KVAME  
CEO







# Grieg Seafood Group Accounts



## GROUP ACCOUNTS

210	Income statement
211	Comprehensive income statement
212	Statement of financial position
214	Statement of changes in equity
216	Cash flow statement

## NOTES

218	NOTE 1	General information
220	NOTE 2	Accounting policies
231	NOTE 3	Financial risk management
238	NOTE 4	Critical accounting estimates and judgements
240	NOTE 5	Investment in associates
242	NOTE 6	Segment information
244	NOTE 7	Biological assets and other inventories
247	NOTE 8	Intangible assets
251	NOTE 9	Property, plant and equipment incl. Right-of-use assets
252	NOTE 10	Borrowings
256	NOTE 11	Leases
261	NOTE 12	Classifications of financial instruments
263	NOTE 13	Taxes
266	NOTE 14	Declaration of salary and other remuneration to group management
268	NOTE 15	Salaries and personnel expenses
270	NOTE 16	Cash-based remuneration
273	NOTE 17	Share capital and shareholder information
275	NOTE 18	Earnings per share and dividend per share
275	NOTE 19	Cash and cash equivalents
276	NOTE 20	Trade receivables
277	NOTE 21	Other current receivables
278	NOTE 22	Related parties
279	NOTE 23	Financial income and financial expenses
280	NOTE 24	Other operating expenses
281	NOTE 25	Other current liabilities
282	NOTE 26	New accounting policies
284	NOTE 27	Contingent liabilities
285	NOTE 28	Post-balance sheet events

## INCOME STATEMENT

GRIEG SEAFOOD GROUP NOK 1 000	NOTE	2019	2018
Sales revenues	6	8 273 592	7 500 316
Other income	6	26 519	25 853
Other gains and losses	6	3 612	26 157
Share of profit from associates	5	211	-2 328
Raw materials and consumables used	7	-4 181 971	-3 852 855
Salaries and personnel expenses	15/16	-610 803	-541 047
Other operating expenses	11/20/24	-2 013 002	-1 821 623
<b>EBITDA before fair value adjustments of biological assets</b>		<b>1 498 157</b>	<b>1 334 473</b>
Depreciation property, plant and equipment	9	-404 895	-230 262
Amortization licenses and other intangible assets	8	-5 688	-5 393
<b>EBIT before fair value adjustments of biological assets</b>		<b>1 087 574</b>	<b>1 098 818</b>
Fair value adjustment of biological assets	3/7	-220 714	256 097
<b>EBIT after fair value adjustments of biological assets</b>		<b>866 860</b>	<b>1 354 916</b>
Financial income	23	51 309	18 874
Financial expenses	23	-77 542	-96 865
<b>Net financial items</b>		<b>-26 234</b>	<b>-77 991</b>
<b>Profit before tax</b>		<b>840 626</b>	<b>1 276 925</b>
Income tax expense	13	-195 718	-279 805
<b>Net profit for the year</b>		<b>644 908</b>	<b>997 120</b>
<b>ALLOCATED TO</b>			
Controlling interests		619 510	972 506
Non-controlling interests		25 398	24 615
<b>PROFIT AVAILABLE TO SHAREHOLDERS IN PARENT COMPANY</b>			
Earnings per share (NOK)	18	5.61	8.81
Diluted earnings per share (NOK)	18	5.61	8.81



## COMPREHENSIVE INCOME STATEMENT

GRIEG SEAFOOD GROUP NOK 1 000	NOTE	2019	2018
<b>Net profit for the year</b>		<b>644 908</b>	<b>997 120</b>
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT/LOSS IN SUBSEQUENT PERIODS			
Currency effect on investment in subsidiaries		52 826	-5 889
Currency effect on loans to subsidiaries	3	29 819	-4 193
Cash flow hedges	3	-4 529	15 026
Tax effect		-5 564	-2 571
NET OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT/LOSS IN SUBSEQUENT PERIODS			
Change in fair value of equity instruments		-107	11
<b>Other comprehensive income for the period, net of tax</b>		<b>72 446</b>	<b>2 383</b>
<b>Total comprehensive income for the period</b>		<b>717 354</b>	<b>999 503</b>
ALLOCATED TO			
Controlling interests		689 916	968 766
Non-controlling interests		27 438	30 738

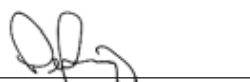
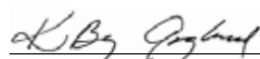
## STATEMENT OF FINANCIAL POSITION

GRIEG SEAFOOD GROUP NOK 1 000	NOTE	2019	2018
<b>ASSETS</b>			
Goodwill	8	109 526	109 013
Deferred tax assets	13	998	1 718
Licenses	8/10	1 133 630	1 121 662
Other intangible assets	8/10	16 205	25 175
Property, plant and equipment incl. Right-of-use assets	9/11	2 957 942	2 292 912
Investments in associates	5	81 071	37 122
Equity instruments		1 053	1 160
Other non-current receivables	5	2 077	167
<b>Total non-current assets</b>		<b>4 302 503</b>	<b>3 588 929</b>
Inventories	7/10	177 847	126 092
Biological assets	7/10	3 437 948	3 195 142
Trade receivables	3/10/20	459 897	925 232
Other current receivables	21	334 625	166 432
Derivatives and other financial instruments	3/12	7 368	2 743
Cash and cash equivalents	3/19	214 497	137 920
<b>Total current assets</b>		<b>4 632 181</b>	<b>4 553 561</b>
<b>Total assets</b>		<b>8 934 684</b>	<b>8 142 490</b>

GRIEG SEAFOOD GROUP NOK 1 000	NOTE	2019	2018
<b>EQUITY AND LIABILITIES</b>			
Share capital	17	446 648	446 648
Treasury shares	17	-4 855	-4 914
Other equity		154 559	84 152
Retained earnings		3 487 859	3 308 166
<b>Total controlling interests</b>		<b>4 084 211</b>	<b>3 834 053</b>
<b>Non-controlling interests</b>		<b>56 632</b>	<b>49 458</b>
<b>Total equity</b>		<b>4 140 843</b>	<b>3 883 511</b>
Deferred tax liabilities	13	874 664	877 639
Cash-settled share options	16	8 379	8 493
Borrowings	10	1 563 935	1 298 713
Other non-current borrowings	10	13 240	14 047
Lease liabilities	10/11	632 666	292 358
<b>Total non-current liabilities</b>		<b>3 092 883</b>	<b>2 491 251</b>
Overdraft facility	10	-	46 597
Current portion of borrowings	10	98 212	107 109
Current portion of lease liabilities	10/11	199 327	68 083
Factoring liabilities	3/10	86 122	573 377
Cash-settled share options	16	11 270	9 010
Trade payables	3	855 061	649 352
Tax payable	13	211 569	130 287
Public tax payable		50 570	29 346
Derivatives and other financial instruments	3/12	9 321	5 905
Other current liabilities	25	179 507	148 663
<b>Total current liabilities</b>		<b>1 700 958</b>	<b>1 767 729</b>
<b>Total liabilities</b>		<b>4 793 840</b>	<b>4 258 979</b>
<b>Total equity and liabilities</b>		<b>8 934 684</b>	<b>8 142 490</b>

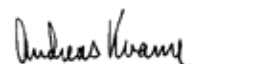
BERGEN, 8 APRIL 2020

GRIEG SEAFOOD ASA


ASBJØRN REINKIND  
Vice Chair

PER GRIEG JR.  
Chair

KARIN BING ORKLAND  
Board Member

SOLVEIG NYGAARD  
Board Member

TORE HOLAND  
Board Member

SIRINE FODSTAD  
Board Member

ANDREAS KVAME  
CEO

## STATEMENT OF CHANGES IN EQUITY

GRIEG SEAFOOD GROUP NOK 1 000	SHARE CAPITAL	TREASURY SHARES*	OTHER EQUITY**	RETAINED EQUITY	NON-CONTROLLING INTERESTS	TOTAL
Equity at 01.01.2018	446 648	-5 000	87 892	2 774 824	43 541	3 347 905
PROFIT FOR 2018	-	-	-	972 506	24 615	997 120
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	-24 821	-466 512
Transactions with owners [in their capacity as owners] 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
PROFIT FOR 2019	-	-	-	619 510	25 398	644 908
Other comprehensive income	-	-	70 406	-	2 040	72 446
Total comprehensive income 2019	-	-	70 406	619 510	27 438	717 354
Sale of treasury shares	-	59	-	1 946	-	2 005
Dividend paid	-	-	-	-441 764	-20 263	-462 027
Transactions with owners [in their capacity as owners] 2019	-	59	-	-439 818	-20 263	-460 022
Total change in equity 2019	-	59	70 406	179 692	7 175	257 332
Equity at 31.12.2019	446 648	-4 855	154 559	3 487 859	56 632	4 140 843

\* The recognized amount equals the nominal value of the parent company's holding of treasury shares

\*\* Other equity, reclassified through OCI

SPECIFICATION OF RETAINED EQUITY NOK 1 000	EFFECT OF SHARE-BASED REMUNERATION	PURCHASE/ SALES OF TREASURY SHARES *	ACCUMULATED INCOME LESS ACCUMULATED DIVIDEND	TOTAL
Book value at 01.01.2018	1 094	-13 036	2 786 766	2 774 824
Changes in 2018	-	2 528	530 814	533 342
Changes in 2019	-	1 946	177 746	179 692
Book value at 31.12.2019	1 094	-8 562	3 495 326	3 487 859

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

SPECIFICATION OF ACCUMULATED OTHER COMPREHENSIVE INCOME NOK 1 000	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 01.01.2018	492	64 373	29 592	-6 565	87 892
Changes in 2018	11	-3 271	-5 889	5 409	-3 740
Changes in 2019	-107	23 259	52 826	-5 572	70 406
Book value at 31.12.2019	396	84 361	76 529	-6 728	154 559

## CASH FLOW STATEMENT

GRIEG SEAFOOD GROUP NOK 1 000	NOTE	2019	2018
EBIT after fair value adjustment of biological assets		866 860	1 354 916
Depreciation and amortization	8/9	410 583	235 655
(Gain)/loss on sale of property, plant and equipment		-6 339	4 992
Share of profit from companies applying equity method of accounting	5	-211	2 328
Fair value adjustment of biological assets	7	220 714	-256 097
Change in inventories and biological assets excl. fair value		-497 707	-241 400
Change in trade and other receivables		297 143	-131 731
Change in trade payables		205 710	63 974
Change in other accruals		92 337	-78 542
Change in non-current, cash-settled share option liability	16	-114	-355
Taxes paid for the period	13	-132 982	-147 833
<b>Net cash flow from operating activities</b>		<b>1 455 994</b>	<b>805 906</b>
Proceeds from sale of property, plant and equipment	8/9	2 121	1 295
Payments on purchase of property, plant and equipment *	9	-367 828	-495 976
Payments on purchase of intangible assets	8	-1 635	-67 842
Investment in associates	5	-14 163	-30 000
Dividend from other investments		-	10
<b>Net cash flow from investing activities</b>		<b>-381 505</b>	<b>-592 513</b>
Draw-down/repayment of non-current revolver credit facility	10	369 319	-40 000
Repayment of non-current syndicate loan	10	-98 346	-985 000
Repayment other current loan and overdraft facility		-55 494	-
Draw-down non-current syndicate loan (refinancing)	10	-	1 180 284
Other changes from financing activities	10	-	11 809
Repayment lease liabilities	10/11	-205 025	-69 053
Change in factoring liability	10	-487 255	72 401
Other financial items		-5 971	6 951
Dividend incl. allocation to non-controlling interests		-462 027	-466 512
Interest received	23	14 100	13 935
Interest paid	23	-69 333	-71 449
<b>Net cash flow from financing activities</b>		<b>-1 000 031</b>	<b>-346 634</b>
<b>Net change in cash and cash equivalents</b>		<b>74 458</b>	<b>-133 241</b>
Cash and cash equivalents at 01.01.		137 920	271 715
Currency translation of cash and cash equivalents		2 119	-554
<b>Cash and cash equivalents at 31.12.</b>		<b>214 497</b>	<b>137 920</b>

\* Net amount of investments (excluding investments financed by leasing)





## 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 8 April 2020.

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 Ocean Quality AS attributable to Bremnes Fryseri AS are presented as non-controlling interests.

Grieg Seafood Group comprised the following entities at 31 December 2019:

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) International Trading Company is domiciled in China with office in Beijing. The remaining companies are domiciled in Norway.

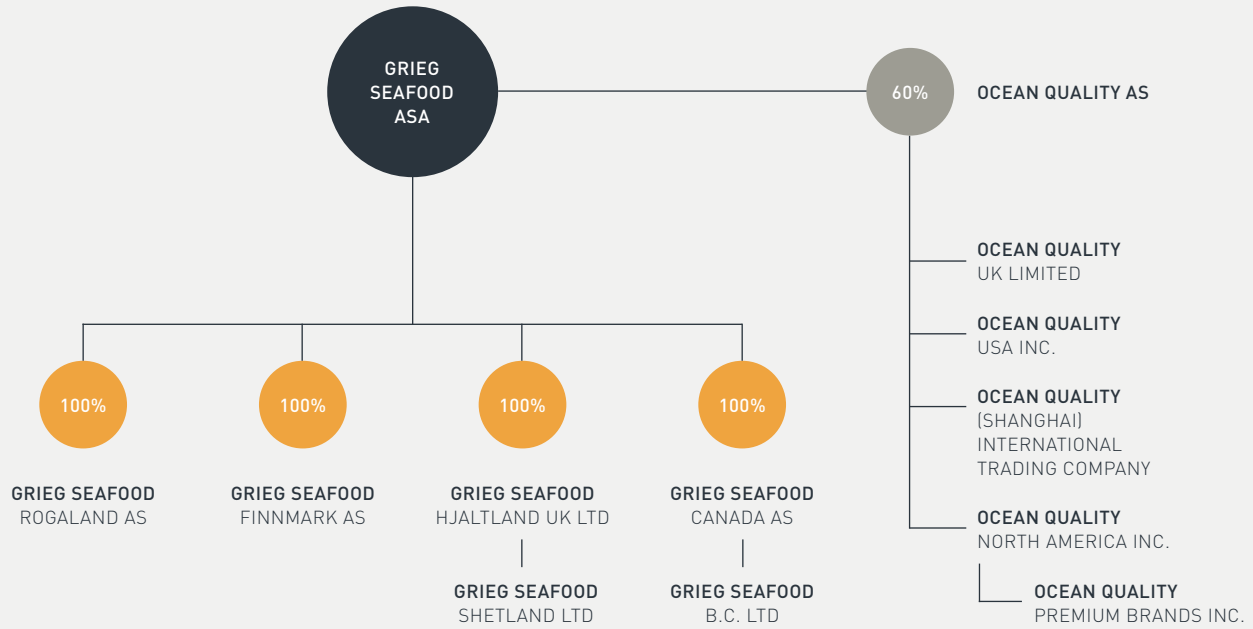
Grieg Seafood Hjaltdland UK Ltd. and Grieg Seafood Canada AS are holding companies, which wholly own the production companies Grieg Seafood Shetland Ltd. and Grieg Seafood BC Ltd., respectively. Grieg Seafood ASA has a 60% stake in Ocean Quality AS and the other subsidiaries are wholly owned.

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.

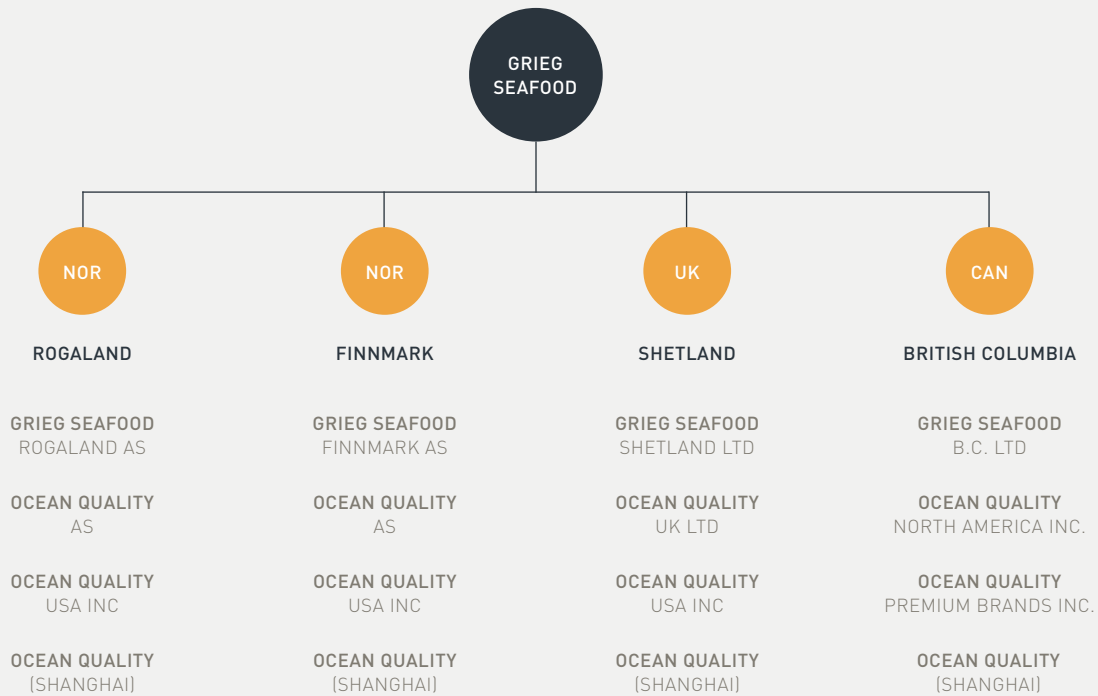
Ocean Quality AS wholly owns Ocean Quality UK Ltd, Ocean Quality USA Inc., Ocean Quality (Shanghai) and Ocean Quality North America Inc., while the latter wholly owns Ocean Quality Premium Brands, Inc.

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 income statement). 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 2019

- IFRS 16 Leases

Implementation of IFRS 16 Leases had a significant effect on the consolidated financial statement of the Group, where leased vessels and office buildings had the greatest impact. Please refer to Note 11 for the Group's lease arrangements and refer to Note 26 for further information about the implementation effects of IFRS 16 Leases.

### 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 acquisition 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 in the income statement.

Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Other contingent considerations shall be measured at fair value at each reporting date and changes in fair value shall be recognized in the income statement.

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 statement of financial position 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 (the income statement). 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 (the income statement).

### 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 income statement). The amount recognized in the statement of financial position includes any implicit goodwill identified at the date of purchase.

Shares of the income statement 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 income statement).

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 statement of financial position. 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 statement of financial position. 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 carrying value, and the difference is recognized in the income statement 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 (the income statement). 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 (the income statement).

#### Group companies

The income statements and statements of financial positions 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 statement of financial position 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:

- Buildings/real estate 10–50 years
- Plants, barges, onshore power supply 5–30 years

## NOTE 2 CONTINUED

- 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 value is written down to its recoverable amount if the carrying value 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 value.

### 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 value.

### GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is classified as an intangible asset. Goodwill on the purchase of a share in an associate is included in "investments in associates". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 carrying 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 meanstested, 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. 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 licence'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 new policy will be affected from 2022. 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 due to location.

#### OTHER INTANGIBLE ASSETS

Acquired customer portfolios and computer software licenses are recognized in the statement of financial position at cost and amortized over their estimated useful lives. Customer portfolios are recognized in the statement of financial position 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 value.

An impairment loss is recognized for the amount by which the asset's carrying value 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). Nonfinancial assets, other than goodwill, that have suffered an impairment are reviewed for indicators of possible reversal of the impairment at each reporting date.

## NOTE 2 CONTINUED

**FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The classification is performed in accordance with the substance of the contractual arrangement, and in line with the definitions of a financial asset, a financial liability and an equity instrument.

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 (the income statement) are initially recognized at fair value plus transaction costs.

**FINANCIAL ASSETS**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (the income statement).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (the income statement), transaction costs. The Group has financial assets classified as follows:

- Financial assets at amortized cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (the income statement)

**Financial assets measured at amortized cost**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial 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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss (the income statement) when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

**Equity instruments designated at fair value through OCI**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32. The classification is determined on an instrument-by-instrument basis.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Gains and losses on these financial assets are never recycled to profit or loss (the income statement). Dividends are recognized as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

**Financial assets at fair value through profit or loss (the income statement)**

Financial assets at fair value through profit or loss (the income statement) are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the income statement when the right of payment has been established. 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.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment on financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and

all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

See the "Trade receivable"-section in this Note for specific accounting principles on expected credit loss on trade receivables.

### FINANCIAL LIABILITIES

Financial liabilities are classified, at initial recognition, as amortized cost (loans and borrowings), or as financial liabilities at fair value through profit or loss (the income statement).

#### Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

#### Financial liabilities at fair value through profit or loss (the income statement)

Financial liabilities at fair value through profit or loss (the income statement) include financial derivative contracts. 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.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

### HEDGING

#### Hedge accounting

The Group applies hedge accounting according to IFRS 9 for non-current foreign currency forward contracts entered into in connection with contracts of future physical delivery of fish to customers. Changes in value of foreign currency forward contracts which meet the hedging criteria are recognized in other comprehensive income. Changes in the fair value of derivatives entered into to hedge operating revenues are recognized in revenues.

#### Non-hedge accounting

The Group do not utilize hedge accounting for its short-term foreign currency forward contracts. Such contracts are recognized at fair value through profit or loss (the income statement) and presented as financial income/financial expenses.

### NASDAQ FISH POOL SALE AND PURCHASE AGREEMENTS

With regard to financial contracts relating to sale and purchase agreements on Nasdaq Fish Pool, changes in unrealized gains and losses on the sale and purchase agreements are recognized net in the income statement as a value adjustment of biological assets, while the carrying value is reported as a derivative in the statement of financial position 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 realizable 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 the income statement by NOK -45.4 million in Q4 2018.

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. Group 1 biological assets is disclosed as "biological assets onshore" in Note 7, see the tables "Status of biological assets" and "abnormal mortality - write down". Roe, fry and smolt are kept onshore.

When the fish is large enough to be released to sea, they are classified in group 2) biomass in sea. The group 2 biological assets classification is further decomposed in Note 7 as "immature fish in sea, round weight < 4.76 kg" and "mature fish in sea, round weight > 4.76 kg" - see the tables "Status of biological assets" and "abnormal mortality - write down".

## NOTE 2 CONTINUED

- 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 license lease and 3) the time value of money. Please refer to the Note 4 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 marketplace 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. 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 (the income statement) 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 statement of financial position 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 the income statement. 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.

### EXPECTED CREDIT LOSS ON TRADE RECEIVABLES

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. 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.

#### **FACTORING AGREEMENTS**

The Group is engaged in factoring agreements that comprises financing of outstanding receivables for the Ocean Quality entities in Norway and in UK. See the section "Derecognition of financial assets" in this Note for accounting principle disclosure for derecognition of financial assets and Note 3 and 10 for further information on the Group's factoring agreements.

The majority of the receivables sold under the factoring agreements are derecognized as of 31 December 2019.

#### **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 statement of financial position.

#### **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.

##### **SHARE SAVINGS PROGRAM**

Grieg Seafood established a share savings program for its employees in 2018 and it was continued in 2019. 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.

## NOTE 2 CONTINUED

### 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 from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. For the Group, this is when

- the Group has delivered its products to, and performed its services for, the customer
- the customer has accepted the products and collectability of the related receivables, and
- the risks and rewards have been transferred to the customer.

The Group's revenue streams are primarily the sale of fresh and frozen salmon, and processed fish. The main sale each week is settled with the customer, and fixed delivery contracts are entered into with customers, specifying per-week volume. In addition, the Group also sells roe, smolt and ensilage, together historically making up about 1 % of the total sales. The Group furthermore

offers harvest services to other aquaculture companies in the case of surplus capacity (however these services constitute less than 1 % of total revenues). This is presented as other operating income in the income statement.

For the Group's revenue streams, each contract is considered as one performance obligation, as they are related to the delivery of fish. The sales price is determined upon contract settlement and is based on available market price (hereof Nasdaq prices including transport and margin, and the price is per kilogram). The price varies according to the quality of the fish and its size, and the fish is mainly sold Delivery Duty Paid (DDP) to customer. The payment is settled upon delivery, and all of the Group's performance obligations towards its customers is satisfied at point in time of delivery. That also applies to the fulfillment of physical delivery contracts.

Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating intragroup sales. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

### INTEREST INCOME

Interest income is recognized in the income statement based on the effective interest rate (EIR) method.

### 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

#### IDENTIFYING A LEASE

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### SEPARATING COMPONENTS IN THE LEASE CONTRACT

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

#### RECOGNITION OF LEASES AND EXEMPTIONS

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for short term leases (defined as 12 months or less) and lease agreements where the leased asset is of low value. For leases that meet these two exceptions as elaborated on above, the Group recognizes the lease



payments as other operating expenses in the income statement when they incur.

#### Lease liabilities

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments generally also include any exercise price of a purchase option/payments of penalties for terminating a lease, provided that the Group is reasonably certain to exercise such an option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in the income statement.

The Group presents its lease liabilities as separate line items in the statement of financial position.

#### Right-of-use assets

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized,
- Any lease payments made at or before the commencement date, less any incentives received, and
- Any initial direct costs incurred by the Group.

The Group presents its right-of-use asset included on the financial statement line item "Property, plant and equipment incl. Right-of-use assets".

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the

remaining useful life of the right-of-use asset. The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

#### ACCOUNTING POLICIES FOR THE COMPARABLE FIGURES-THE GROUP AS LESSEE

The Group has applied IFRS 16 using the modified retrospective approach, and as such the comparable information for 2018 has not been restated. The comparable figures for 2018 has been prepared according to IAS 17 Leases. Accounting policies for the comparable figures are as follows:

#### 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 statement of financial position 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.

Accounting treatment of finance leases according to IAS 17 is consistent with IFRS 16, with reference to accounting policies for IFRS 16 provided in the previous section of this Note.

#### 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 (an acquisition) are recognized at fair value even if it is not probable that the liability will become unconditional. 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 statement of financial position, 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 (see Note 10). 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.

### 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 30–40% 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 2019, the Group had interest-bearing liabilities, including lease liabilities and factoring, of NOK 2 590 million, see Note 10.

Funding mainly constitutes 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
2019								
Trade receivables	28 521	147 185	134 953	116 987	25 744	5 615	892	459 897
Trade payables	649 551	-48	18 096	88 795	92 279	-	6 389	855 061
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

## NOTE 3 CONTINUED

NET INTEREST-BEARING LIABILITIES								
CURRENCY IN NOK 1 000	NOK	USD	EUR	GBP	CAD	JPY	OTHER	TOTAL
2019								
Cash and cash equivalents*	384 665	21 300	-124 398	-92 791	20 897	4 205	618	214 497
Interest-bearing liabilities**	1 716 376	-474	568 114	270 260	36 007	-	-	2 590 283
<b>Net interest-bearing liabilities</b>	<b>1 331 711</b>	<b>-21 774</b>	<b>692 512</b>	<b>363 051</b>	<b>15 110</b>	<b>-4 205</b>	<b>-618</b>	<b>2 375 786</b>
2018								
Cash and cash equivalents*	81 372	10 418	1 320	16 683	29 013	-1 594	707	137 920
Interest-bearing liabilities**	1 871 412	106 755	316 193	88 903	-5 075	12 900	5 252	2 396 340
<b>Net interest-bearing liabilities</b>	<b>1 790 040</b>	<b>96 336</b>	<b>314 872</b>	<b>72 221</b>	<b>-34 088</b>	<b>14 494</b>	<b>4 544</b>	<b>2 258 419</b>

\* The Group has set up a group account scheme (cash pool agreement), in which Grieg Seafood ASA, the parent company, is the legal account holder. All subsidiaries can make overdrafts on individual bank accounts as long as the Group's total bank deposit is positive. All subsidiaries participating in the group account scheme are jointly and severally liable for the entire amount of the commitment under the scheme. Cash and cash equivalents include the currency exposure in the group account scheme. For 2018 comparable figures, the currency exposure in the group account scheme is included in interest-bearing liability, as it was a net liability. At 31 December 2019, the net amount of bank deposits in the group account scheme amounted to NOK 3 million (2018: NOK -47 million)

\*\* 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 2019 and 2018 are presented below.

CURRENCY EFFECTS ON LOANS TO SUBSIDIARIES NOK 1 000	2019	2018
Currency effect	29 819	-4 193
Tax effect (22 %)	-6 560	923
<b>Net effect recognized in equity through OCI</b>	<b>23 259</b>	<b>-3 271</b>

## 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).

10% APPRECIATION AGAINST NOK 1 000	USD	EUR	GBP	CAD
(Gain)/loss before tax in profit or loss on net interest-bearing liabilities	2 177	-69 251	-36 306	-1 511

**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 31.12.2019
CHF	16	NOK	149	9.1118	9.0877	07.01.2020	0
CAD	631	USD	475	0.7528	0.7696	09.01.2020	-90
EUR	113	GBP	96	0.8531	0.8508	05.05.2020	-1
EUR	7 784	NOK	77 191	9.9169	9.8638	02.01.2020-04.01.2021	348
GBP	445	NOK	5 184	11.6492	11.5936	06.01.2020-17.01.2020	18
JPY	83 400	NOK	6 773	0.0812	0.0809	06.01.2020-10.01.2020	23
USD	2 419	NOK	21 633	8.9446	8.7803	02.01.2020-07.02.2020	387
USD	9 995	CAD	13 173	1.3177	1.2994	03.01.2020-14.02.2020	1 204
<b>Total</b>							<b>1 891</b>

\*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 31.12.2019
EUR	1 260	NOK	12 574	9.9760	9.8638	02.01.2020-06.03.2020	160
GBP	2 211	EUR	2 588	1.1704	1.1754	17.01.2020-26.10.2020	-17
JPY	369 000	NOK	27 961	0.0758	0.0809	06.01.2020-08.01.2021	-2 144
NOK	92 522	EUR	9 010	10.2695	9.8638	06.01.2020-04.01.2021	2 627
USD	525	NOK	4 767	9.0747	8.7803	02.01.2020-10.01.2020	160
<b>Total</b>							<b>786</b>

\*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 31.12.2018
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
<b>Total</b>							<b>-2 162</b>

\*Maturity specified as an interval for multiple contracts

## NOTE 3 CONTINUED

## 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
<b>Total</b>							<b>-3 743</b>

\*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 21 million in 2019 and NOK 20 million in 2018 due to the floating rate of interest on loans and deposits. The sensitivity analysis is based on average net interest-bearing liabilities during 2019 and 2018, irrespective of concluded interest rate swap agreements.

SENSITIVITY NOK 1 000	CHANGE IN INTEREST RATE POINTS	2019	2018
Effect on profit before income tax	-/+ 1%	-/+ 20 688	-/+ 20 025

## 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 NOK 1 000 31.12.2019	MARKET VALUE NOK 1 000 31.12.2018
Fixed rate paid - floating rate received	400 000	1.69	Nibor 3 months	27.03.2019	-	-394
Fixed rate paid - floating rate received	260 000	1.28	Nibor 3 months	20.10.2021	2 641	1 252
Fixed rate paid - floating rate received	200 000	1.64	Nibor 3 months	05.07.2022	1 016	-
Fixed rate paid - floating rate received	200 000	1.61	Nibor 3 months	28.08.2023	1 820	-
<b>Total</b>					<b>5 477</b>	<b>858</b>

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



**(iii) Price risk**

Financial salmon price contracts allow the buyer and seller to agree prices and volumes for future delivery. As at 31 December 2019, 19% of the estimated harvest volumes in 2020 in Norway and 8% of the estimated harvest volumes in the UK are hedged under fixed price contracts. The total share of fixed price contracts in 2019 was 22% and 24% for Norway and the UK, respectively. 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 2019, the Group had financial salmon contracts for 2019 totalling NOK -10 million, of which all were sales contracts, and physical delivery contracts recognized as liability, totalling NOK -2 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.

FAIR VALUE OF FINANCIAL DERIVATIVES NOK 1 000	2019		2018	
	ASSETS	CURRENT LIABILITIES	ASSETS	CURRENT LIABILITIES
Forward currency contracts at fair value through profit or loss	1 891	-	-	-2 162
Forward currency hedging contracts at fair value through comprehensive income	-	786	-	-3 743
Interest rate swap agreements	5 477	-	858	-
Financial salmon contract - purchase contracts	-	-	-	-
Financial salmon contract - sales contracts	-	-10 107	1 885	-
<b>Total financial instruments at fair value</b>	<b>7 368</b>	<b>-9 321</b>	<b>2 743</b>	<b>-5 905</b>

**II) CREDIT RISK**

Credit risk is managed at Group level. Credit risk arises from transactions involving derivatives and deposits in banks and financial institutions, transactions with customers, including trade receivables, and fixed contracts as well as loans to associates. 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. For further information about loss allowance, please refer to Note 20.

MAXIMUM CREDIT RISK EXPOSURE NOK 1 000	NOTE	2019	2018
Trade receivables	20	278 391	262 015
Other receivables	21	60 000	22 100
Cash and cash equivalents	19	214 497	137 920
<b>Total</b>		<b>552 888</b>	<b>422 036</b>

## NOTE 3 CONTINUED

## 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. The agreement includes a non-current credit facility of NOK 1 300 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. At 31 December 2019, the Group had a good level of free liquidity and unutilized credit facilities, with available cash and credit facilities of NOK 955 million.

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

31.12.2019 NOK 1 000	< 3 M	3 M - 1 Y	Y 2	Y 3	Y 4	Y 5	Y 6	Y 7	Y 8	Y 9	Y 10	> 10 YRS	TOTAL
Non-current loan instalments	49 106	49 106	98 212	98 212	748 215	-	-	-	-	-	-	-	1 042 850
Loan interest - floating	5 068	14 941	18 129	16 096	2 563	-	-	-	-	-	-	-	56 797
Non-current credit facility	-	-	-	-	629 319	-	-	-	-	-	-	-	629 319
Interest non-current credit facility	4 304	13 412	17 844	17 844	2 999	-	-	-	-	-	-	-	56 402
Lease liabilities (prior IAS 17 finance leases)	19 080	54 495	69 040	62 852	56 068	46 423	37 296	35 257	32 688	24 067	14 009	878	452 152
Interest on lease liabilities (prior IAS 17 finance leases)	3 670	9 985	11 229	9 009	7 046	5 471	4 188	3 029	2 029	960	237	3	56 855
Lease liabilities (prior IAS 17 operational leases)	34 595	91 157	90 347	72 193	34 918	22 192	5 394	5 423	5 608	2 594	1 097	14 323	379 841
Interest on lease liabilities (prior IAS 17 operational leases)	2 651	6 527	6 087	3 790	2 229	1 407	1 036	857	672	530	464	14 377	40 626
Trade payables	855 061	-	-	-	-	-	-	-	-	-	-	-	855 061
Factoring liabilities	86 122	-	-	-	-	-	-	-	-	-	-	-	86 122
<b>Total liabilities</b>	<b>1 059 658</b>	<b>239 622</b>	<b>310 887</b>	<b>279 995</b>	<b>1 483 355</b>	<b>75 493</b>	<b>47 913</b>	<b>44 566</b>	<b>40 997</b>	<b>28 151</b>	<b>15 807</b>	<b>29 581</b>	<b>3 656 026</b>

KEY FOR TABLE M = Months Y = Year YRS = Years

31.12.2018 NOK 1 000	< 3 M	3 M - 1 Y	Y 2	Y 3	Y 4	Y 5	Y 6	Y 7	Y 8	Y 9	Y 10	> 10 YRS	TOTAL
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
<b>Total liabilities</b>	<b>1 299 712</b>	<b>134 119</b>	<b>184 706</b>	<b>175 052</b>	<b>164 995</b>	<b>1 056 761</b>	<b>30 518</b>	<b>26 451</b>	<b>23 574</b>	<b>21 110</b>	<b>11 566</b>	<b>7 269</b>	<b>3 135 832</b>

**KEY FOR TABLE** M = Months Y = Year YRS = Years

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 sea is measured at estimated fair value. Consequently, the value of biological inventories is likely to vary more than the value of inventories based on cost. The estimated fair value varies for a number of reasons, including volatility in the price of Atlantic salmon, factors relating to production, changes in harvesting schedules, and changes in the composition of inventories. Grieg Seafood considers three components to be key parameters for valuation; price, estimated harvest biomass volume and the applied monthly discount rate. The monthly discount rate is applied to expected future cash flows, to account for risk, time value of money and the cost of contributory assets. 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.

SENSITIVITY ANALYSIS OF BIOMASS - EFFECT ON PRE-TAX PROFIT NOK 1 000	2019	2018
Change in discount rate +1%	-127 246	-139 099
Change in discount rate -1%	138 808	155 255
Changes in sales price +1 NOK/kg	59 411	57 516
Changes in sales price -1 NOK/kg	-59 411	-57 516
Changes in biomass volume +1% kg	35 207	33 009
Changes in biomass volume -1% kg	-35 207	-33 009

Note that changes in sales price or harvest volume have a linear effect on the fair value of biological assets. Therefore any change in price or harvest volume as a multiple of the numbers in the above table, will have the similar multiple effect on the fair value of biological assets.

## NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management is required to make estimates and assumptions concerning the future, which affect which accounting policies are to be used and reported amounts for assets, liabilities and contingent liabilities in the balance sheet, as well as income and expenses for the accounting year 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 has no other contractual restrictions relating to the 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 risks penalties, sanctions or even license revocation if the Group fails to comply with license requirements or related regulations. Also, local government may change the way licenses are renewed. In June 2018, B.C government announced a new approach to salmon farm tenures

in BC, Canada. The new regulation will be effective from June 2022, where the licenses must be approved by both Fisheries and Oceans Canada (DFO) and the local First Nations in the area where the company has its licenses. The DFO wants 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. As per today Grieg Seafood BC does not have any licenses in areas where this is an issue. The government in Canada also has a high focus on sustainable utilization of ocean resources, and is following up that the farming industry is complying with the requirements. The agreements with First Nations are set to varying durations of 5 to 25 years, but there are continuous meetings where the parties review how the collaboration has worked and agree to extend the duration of the agreement beyond 25 years or longer. This is part of the agreements. Even though the agreements cannot be said to be everlasting, the Group has nevertheless classified the licenses as indefinite lives, as finding the right depreciation profiles is very difficult. Given that it is desirable for both First Nations and the Group to have a close and good working relationship and that they want the Group to operate in the area, the Group's best estimate is that the licenses will still be classified as indefinite lives. This will be continuously assessed. If the situation changes and the Group agrees not to use the option to extend the duration of the agreement, the estimate of the remaining depreciation period must be re-evaluated. 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 different premise, 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 Nasdaq 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 2019. 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 that acts as 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 2019, no investments were classified on a separate line after EBIT.

In 2019, the Group, through Grieg Seafood Finnmark AS, has invested NOK 1.2 million in Nordnorsk Smolt AS to acquire 50% of the company's shares. The remaining shareholdings are held by Norway Royal Salmon ASA (50%). The expansion of the smolt facility of Nordnorsk Smolt AS has been financed by loan from the shareholders during the development and expansion period. The loan has been converted to equity at the end of 2019, to strengthen the balance. Planned production is approximately 800 tonnes of smolt per year. At 31 December 2019, Grieg Seafood Finnmark has provided a long-term loan to Nordnorsk Smolt AS, amounting to 1.9 million, which is included in other non-current receivables.

In 2018, the Group, through Grieg Seafood Rogaland AS, 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 2018. The production started at the beginning of 2019. The investment in Tytlandsvik Aqua AS and Nordnorsk Smolt AS are classified on a separate line in the balance sheet, and the share of profit is included in EBIT. Total recognized share of profit/loss from associates in 2019 was NOK 0.2 million and the total book value was NOK 81 million at 31 December 2019.

ASSOCIATES CLASSIFIED AS OPERATIONS	EQUITY INTEREST AT 31.12.2019	BOOK VALUE AT 01.01.2019 NOK 1 000	PROFIT/LOSS 2019 NOK 1 000	CHANGES IN THE PERIOD, INCLUD. REPAID CAPITAL NOK 1 000	BOOK VALUE AT 31.12.2019 NOK 1 000
Nordnorsk Smolt AS	50.00%	-	-1 304	43 737	42 433
Tytlandsvik Aqua AS	33.33%	37 122	1 516	-	38 638
<b>Total associates classified as operations</b>		<b>37 122</b>	<b>211</b>	<b>43 737</b>	<b>81 071</b>

The share issue and shareholder agreement for Nordnorsk Smolt were signed on 30 June 2019. Value added relating to the investment has been allocated to hatcheries under construction, based on provisional accounting figures from Nordnorsk Smolt AS at the acquisition time.

AT 31.12.2019	TIME OF INVESTMENT	EQUITY INTEREST	FAIR VALUE ADJUSTMENT HATCHERY NOK 1 000	DEPRECIATION OF VALUE ADDED NOK 1 000	BOOK VALUE OF VALUD ADDED NOK 1 000
Nordnorsk Smolt AS	01.07.2019	50.00%	17 022	851	16 171
Tytlandsvik Aqua AS	01.06.2017	33.33%	14 600	294	14 307
<b>Total ownership</b>			<b>31 623</b>	<b>1 145</b>	<b>30 478</b>

Value added of Tytlandsvik Aqua is amortized from the time the facility was commissioned. The value added allocated to Nordnorsk Smolt is amortized from the date of acquisition. Tytlandsvik Aqua AS and Nordnorsk Smolt have the same financial year as the Group. The following table displays provisional financial information at 31 December 2019 (100%).



AT 31.12.2019 NOK 1 000	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL EQUITY	OPERATING INCOME	PRE-TAX PROFIT/LOSS
Nordnorsk Smolt AS	113 495	60 973	52 523	32 925	-6 783
Tytlandsvik Aqua AS	322 747	249 746	73 001	101 107	6 711

ASSOCIATES CLASSIFIED AS OPERATIONS	EQUITY INTEREST AT 31.12.2018	BOOK VALUE AT 01.01.2018 NOK 1 000	PROFIT/LOSS 2018 NOK 1 000	CHANGES IN THE PERIOD, REPAID CAPITAL NOK 1 000	BOOK VALUE AT 31.12.2018 NOK 1 000
Tytlandsvik Aqua AS	33.33%	9 450	-2 328	30 000	37 122
<b>Total associates classified as operations</b>		<b>9 450</b>	<b>-2 328</b>	<b>30 000</b>	<b>37 122</b>

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 2018.

AT 31.12.2018	TIME OF INVESTMENT	EQUITY INTEREST	FAIR VALUE ADJUSTMENT HATCHERY NOK 1 000
Tytlandsvik Aqua AS	01.06.2017	16.67%	
Completed share issue through the year	2018	16.66%	
<b>Total ownership</b>		<b>33.33%</b>	<b>14 600</b>

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 at 31 December 2018 (100 %).

AT 31.12.2018 NOK 1 000	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL EQUITY	OPERATING INCOME	PRE-TAX PROFIT/LOSS
Tytlandsvik Aqua AS	260 973	189 251	71 722	210	-4 128

## 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's revenues mainly comprise 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 2019, sale of whole fish (fresh and frozen) constituted 92% (2018: 93%) of the Group's total sales revenues, while processed fish constituted 7% (2018: 7%).

GEOGRAPHICAL MARKET NOK 1 000	UK	NORWAY	BC	ELIM.	SALES REVENUES 2019		SALES REVENUES 2018	
EU	156 325	4 224 795	-	-	4 381 121	53%	3 792 747	51%
UK	510 853	462 414	-	-	973 267	12%	1 301 892	17%
USA	131 814	6 893	645 282	-	783 988	9%	792 002	11%
Canada	1 679	182 338	251 319	-	435 336	5%	252 606	3%
Russia	-	-	-	-	-	-	-	-
Asia	13 910	1 242 241	66 403	-	1 322 554	16%	1 048 755	14%
Other markets	492	376 834	-	-	377 326	5%	312 313	4%
<b>Total</b>	<b>815 073</b>	<b>6 495 515</b>	<b>963 004</b>	<b>-</b>	<b>8 273 592</b>	<b>100%</b>	<b>7 500 316</b>	<b>100%</b>

SALES REVENUES DISTRIBUTED BY PRODUCTS NOK 1 000	NORWAY		BC		UK		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Fresh whole fish	6 014 749	5 287 188	790 465	910 697	802 201	767 753	7 607 415	6 965 638
Frozen whole fish	650	21 253	-	-	-	4 777	650	26 030
Fresh processed fish	337 366	279 321	172 169	164 411	6 220	24 478	515 755	468 210
Frozen processed fish	38 587	11 421	38	-	1 337	2 530	39 963	13 951
Other products	104 162	25 957	332	164	5 315	366	109 809	26 487
<b>Total</b>	<b>6 495 515</b>	<b>5 625 140</b>	<b>963 004</b>	<b>1 075 272</b>	<b>815 073</b>	<b>799 904</b>	<b>8 273 592</b>	<b>7 500 316</b>

Information reported to Group management from the reporting segments.

GEOGRAPHICAL SEGMENTS NOK 1 000	NORWAY ROGALAND		NORWAY FINNMARK		CANADA BC		UK SHETLAND		OTHERS/ ELIMINATIONS *		GRIEG SEAFOOD GROUP	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales revenues	1 538 871	959 604	1 815 257	1 671 334	861 361	1 075 272	731 583	799 904	3 326 519	2 994 204	8 273 592	7 500 316
Other income **	53 234	24 005	-	-	3 488	15 878	12 779	10 065	-42 983	-24 095	26 519	25 853
Other gain/losses **	185	464	6 401	-1 615	-756	-2 719	134	295	-2 352	29 732	3 612	26 157
Share of profit from associates	1 516	-2 328	-1 304	-	-	-	-	-	-	-	211	-2 328
Operating costs before depreciation and amortisation	-935 367	-714 119	-1 104 887	-984 074	-718 193	-752 703	-708 873	-730 113	-3 338 457	-3 034 517	-6 805 777	-6 215 526
EBITDA before fair value adjustment of biological assets	658 440	267 626	715 467	685 645	145 900	335 728	35 623	80 151	-57 272	-34 677	1 498 157	1 334 473
Depreciation, amortization and reversals	-90 210	-47 989	-135 310	-90 728	-72 585	-44 864	-102 857	-46 400	-9 621	-5 673	-410 583	-235 655
EBIT before fair value adjustment of biological assets	568 229	219 637	580 157	594 917	73 315	290 864	-67 235	33 752	-66 893	-40 350	1 087 574	1 098 818
Harvesting volume (tonnes GWT)	25 217	16 293	32 362	29 774	14 120	16 632	11 273	11 924			82 973	74 623
EBIT/kg (NOK)	22.53	13.48	17.93	19.98	5.19	17.49	-5.96	2.83			13.11	14.72
Assets	1 965 193	1 799 591	2 703 202	2 454 923	1 558 627	1 293 051	1 608 545	1 141 181	1 099 116	1 453 744	8 934 683	8 142 490
Total assets	1 965 193	1 799 591	2 703 202	2 454 923	1 558 627	1 293 051	1 608 545	1 141 181	1 099 116	1 453 744	8 934 683	8 142 490
Liabilities	598 593	661 483	1 101 732	851 729	729 498	520 559	1 470 327	956 532	893 689	1 268 676	4 793 839	4 258 979
Total liabilities	598 593	661 483	1 101 732	851 729	729 498	520 559	1 470 327	956 532	893 689	1 268 676	4 793 839	4 258 979

**\* 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 2 581 million, while other operational expenses including cost of goods sold amounts to appr. NOK 2 274 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 foreign currency, as well as sale of fixed assets and other equipment.

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

GROUP EBIT NOK 1 000	2019	2018
EBIT before fair value adjustment of biological assets	1 087 574	1 098 818
Fair value adjustment of biological assets (Note 7)	-220 714	256 097
EBIT after fair value adjustment of biological assets	866 860	1 354 916
Net financial items (Note 23)	-26 234	-77 991
Profit before tax	840 626	1 276 925
Estimated taxes	-195 718	-279 805
Profit for the year	644 908	997 120

## NOTE 7 BIOLOGICAL ASSETS AND OTHER INVENTORIES

	TONNES		NOK 1 000	
	2019	2018	2019	2018
<b>Biological assets at 01.01.</b>	<b>56 399</b>	<b>54 677</b>	<b>3 195 142</b>	<b>2 698 352</b>
Currency translation differences	N/A	N/A	57 178	-11 446
Increase due to production	109 993	90 683	3 717 490	3 154 824
Decrease due to abnormal mortality/loss	-4 559	-5 061	-191 694	-207 716
Decrease due to sales	-94 218	-83 900	-3 137 022	-2 728 092
Fair value adjustment at 01.01.	N/A	N/A	-971 309	-682 089
Fair value adjustment at 31.12.	N/A	N/A	768 163	971 309
<b>Book value of biological assets at 31.12.</b>	<b>67 615</b>	<b>56 399</b>	<b>3 437 948</b>	<b>3 195 142</b>

### RECOGNIZED FAIR VALUE ADJUSTMENT

Change in fair value adjustment of biological assets (1)			-203 146	289 220
Currency adjustment of fair value adjustment of biological assets			-3 998	8 363
Change in physical delivery contracts relating to fair value adjustment of biological assets (2) (Note 25)			-1 577	-458
Change in fair value of financial derivatives from salmon (Fish Pool contracts) (3)			-11 993	-41 028
<b>Total recognition of fair value adjustment of biological assets</b>			<b>-220 714</b>	<b>256 097</b>

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 calculated on a discounted cash flow based present value model, which does not rely on historical cost. 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 Nasdaq 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 31.12.2019	BC	SHETLAND	NORWAY
Weighted price per kg GWT	CAD 9.57	GBP 5.74	NOK 60.83
Source	Nasdaq Fish Pool	Nasdaq Fish Pool	Nasdaq Fish Pool

Forward prices from Nasdaq 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
2019					
Biological assets onshore *	23 746	893	189 019	-	189 019
Immature fish in sea, round weight < 4.76 kg	34 374	66 518	2 472 663	766 717	3 239 380
Mature fish in sea, round weight > 4.76 kg	40	202	8 103	1 446	9 549
<b>Total</b>	<b>58 160</b>	<b>67 613</b>	<b>2 669 785</b>	<b>768 163</b>	<b>3 437 948</b>
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
<b>Total</b>	<b>57 428</b>	<b>56 399</b>	<b>2 223 833</b>	<b>971 309</b>	<b>3 195 142</b>

\* Smolt production

#### 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 2019, were harmful algal bloom, yellow mouth, environmental issues in BC, gill disease and furunculosis in Shetland, and treatment losses in Rogaland.

ABNORMAL MORTALITY - WRITE-DOWN	NUMBER OF FISH 1 000	BIOLOGICAL ASSETS TONNES	AVERAGE SIZE KG	ACCRUED COST OF PRODUCTION NOK 1 000
2019				
Biological assets onshore *	1 000	-	0.01	3 982
Immature fish in sea, round weight < 4.76 kg	1 449	3 226	2.23	139 072
Mature fish in sea, round weight > 4.76 kg	266	1 332	5.01	48 640
<b>Total</b>	<b>2 715</b>	<b>4 559</b>	<b>0.45</b>	<b>191 694</b>
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
<b>Total</b>	<b>2 415</b>	<b>5 061</b>	<b>2.10</b>	<b>206 638</b>

\* The mortality is related to roe

## NOTE 7 CONTINUED

OTHER INVENTORIES NOK 1 000	2019	2018
Raw materials (feed) at cost price	92 135	63 453
Roe	19 760	10 090
Other (goods in transit, frozen fish, supplementary products)	65 947	52 549
<b>Total inventories</b>	<b>177 841</b>	<b>126 092</b>
Impairment of inventories recognized at year-end	-	205

COST OF RAW MATERIALS AND CONSUMABLES USED NOK 1 000	2019	2018
Inventories at 01.01. (inverted number)	-126 092	-92 262
Raw materials and consumables used	-4 233 720	-3 886 685
Inventories at 31.12.	177 841	126 092
<b>Total</b>	<b>-4 181 971</b>	<b>-3 852 855</b>

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

2019 NOK 1 000	GOODWILL	FISH FARMING LICENSES – INDEFINITE LIVES	FISH FARMING LICENSES – FINITE LIVES	OTHER INTANGIBLE ASSETS*	TOTAL
<b>Book value at 01.01.</b>	109 013	1 099 744	21 917	25 175	1 255 850
Currency translation differences	512	12 392	996	-	13 899
Additions	-	-	-	1 636	1 635
Disposals	-	-	-	-6 337	-6 337
Amortization	-	-	-1 418	-4 269	-5 687
<b>Book value at 31.12.</b>	<b>109 526</b>	<b>1 112 136</b>	<b>21 495</b>	<b>16 205</b>	<b>1 259 360</b>
<b>ACCUMULATED VALUES</b>					
Acquisition cost	199 128	1 112 149	52 903	46 183	1 410 363
Accumulated amortization	-	-13	-31 408	-29 978	-61 400
Accumulated impairments	-89 602	-	-	-	-89 602
<b>Book value at 31.12.</b>	<b>109 526</b>	<b>1 112 136</b>	<b>21 495</b>	<b>16 205</b>	<b>1 259 360</b>

\* Other intangible assets mainly comprise software.

2018 NOK 1 000	GOODWILL	FISH FARMING LICENSES – INDEFINITE LIVES	FISH FARMING LICENSES – FINITE LIVES	OTHER INTANGIBLE ASSETS*	TOTAL
<b>Book value at 01.01.</b>	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
<b>Book value at 31.12.</b>	<b>109 013</b>	<b>1 099 744</b>	<b>21 917</b>	<b>25 175</b>	<b>1 255 850</b>
<b>ACCUMULATED VALUES</b>					
Acquisition cost	198 615	1 099 757	51 907	50 885	1 401 166
Accumulated amortization	-	-13	-29 990	-25 709	-55 713
Accumulated impairments	-89 602	-	-	-	-89 602
<b>Book value at 31.12.</b>	<b>109 013</b>	<b>1 099 744</b>	<b>21 917</b>	<b>25 175</b>	<b>1 255 850</b>

\* Other intangible assets mainly comprise software.

## NOTE 8 CONTINUED

## 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 the the Department of Fisheries and Oceans Canada (DFO), who has regulated the industry since 2009. From 2022, a company need to obtain support from local First Nations in the area where the company has its licenses, together with the DFO. 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. See Note 4 for further information.

UK*	CAPACITY PER LOCATION
FARM/AREA	TONNES
Bight of Foraness	2 100
Boatsroom Voe	0
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	2 215
Hamar Sound	738
Hamnavoe, Lunness	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
<b>Total</b>	<b>51 362</b>

NORWAY	TOTAL NUMBER	CAPACITY
LICENSE CATEGORY		TONNES
Seawater licences	41	37 706
R&D permit	1	780
Broodstock	3	2 340
Smolt	2	2 815
Harvesting cage	2	1 106
Education**	2	1 560
Smolt	1	2 500 000 pcs.

CANADA*	CAPACITY PER LOCATION
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
<b>Total</b>	<b>58 000</b>

\* The total capacity of UK and BC is merely a theoretical capacity, as all locations cannot be utilized simultaneously.

\*\*Finmark and Rogaland are renting education licenses from the Finnmark and Rogaland counties respectively.

**IMPAIRMENT TESTING OF GOODWILL AND LICENSES**

No impairments were recognized for goodwill or licenses in 2019 or 2018. 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.

CASH-GENERATING UNIT NOK 1 000	LOCATION	BOOK VALUE OF RELATED GOODWILL	BOOK VALUE OF LICENSES	TOTAL
British Columbia (BC)	Canada	10 283	163 975	174 258
Finnmark	Norway	-	356 814	356 814
Shetland	UK	78 780	477 867	556 647
Rogaland	Norway	20 463	134 974	155 437
<b>Total value</b>		<b>109 526</b>	<b>1 133 630</b>	<b>1 243 156</b>

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	100%	18 %	48%	-2%
EBITDA margin 1)	17% - 23%	41% - 42%	14% -19%	35% - 37%
EBITDA margin in terminal period	26%	41%	22%	35%
Harvest growth – tonnes 2)	99%	20%	56%	7%
Required rate of return 3)	7%	7%	7%	7%
Growth rate 4)	1%	1%	1%	1%

As stated above, the budget period/explicit period is three years. Impairment tests are initially based on the Group's rolling four-year projections, with another two years added on in less detail, which are also used in connection with the Group's liquidity planning. Consequently, it is important to apply conservative assumptions. The estimated increase future price level is calculated using Nasdaq Fish Pool projections for future prices, taking into account quality reductions and shipping.

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

1. Budgeted EBITDA margin. The margin remains stable for the Norwegian regions, and is assumed to increase for our overseas regions during the budget period. Increase in harvest volume is assumed in all regions towards 2025.
2. The growth rate in the harvested volume in the budget period (nominal growth rate) is measured against the 2020 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 2022, the annual reinvestment is assumed to be equal to annual depreciation

---

**NOTE 8 CONTINUED****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 2022. The increased harvest volume assumes an increase in utilization of existing production capacity and licenses, reflecting the Group's post-smolt strategy and operational improvement. Over the past few years the group has expanded its smolt capacity for more and larger smolt, and further expansions are underway. A higher number and larger average weight of smolt will contribute to both higher growth and 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. Rogaland, Finnmark and BC have received new locations in recent years, helping better utilize their licenses and increasing production volumes. 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. 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 2022, 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 would result in a need to recognize impairments for the Shetland CGU of NOK 89 million, while a NOK 3 reduction in EBIT/kg would require a recognized impairment for the Shetland CGU of NOK 308 million. The other CGUs are not sensitive to equivalent changes in the same assumptions.

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT INCL. RIGHT-OF-USE-ASSETS

2019 NOK 1 000	BUILDINGS/ PROPERTY	PROD. PLANTS AND BARGES	NETS, CAGES AND MOORINGS	OTHER EQUIPMENT	TOTAL
<b>Book value at 01.01.</b>	<b>477 168</b>	<b>1 042 385</b>	<b>534 869</b>	<b>238 491</b>	<b>2 292 912</b>
Initial application effect of IFRS 16	65 248	-	-	253 806	319 054
Currency translation differences	9 648	17 056	15 106	9 480	51 290
Reclassification asset under construction *	106 968	-112 679	-	5 711	-
Reclassification of non-current assets	-373	-	-	-	-373
Additions **	42 522	233 585	149 348	279 255	704 710
Disposals	-365	-1 438	-1 619	-1 335	-4 756
Depreciation	-37 646	-109 857	-111 485	-145 906	-404 895
<b>Book value at 31.12.</b>	<b>663 171</b>	<b>1 069 051</b>	<b>586 218</b>	<b>639 502</b>	<b>2 957 942</b>
<b>ACCUMULATED VALUES</b>					
Acquisition cost	946 472	2 085 633	1 409 435	985 007	5 426 547
Accumulated depreciation	-283 301	-976 690	-823 217	-345 672	-2 428 881
Accumulated impairments	-	-39 891	-	168	-39 723
<b>Book value at 31.12.</b>	<b>663 171</b>	<b>1 069 051</b>	<b>586 218</b>	<b>639 502</b>	<b>2 957 942</b>
<b>RIGHT-OF-USE ASSETS</b>					
<b>Book value at 31.12 of right-of-use assets</b> <b>[see separate specification in Note 11]</b>	<b>70 016</b>	<b>282 764</b>	<b>95 503</b>	<b>417 224</b>	<b>865 507</b>
<b>Of which book value of non-depreciable property</b>	<b>41 167</b>				

\* Reclassification assets under construction relates to hatchery in Adamselv. The asset under construction has been recognised as "Prod. plants and barges" until commissioning of the completed facility. Acquisition cost of the constructed asset not related to "prod.plant and barges" has been reclassified to "Buildings/property" and "other equipment".

\*\* Investments in 2019 related to expansion of smolt plant in BC, new locations, operations center in Rogaland, digitalization, new equipment such as aeration systems, algal monitoring and general maintenance.

See Note 11 for specification of the Group's right-of-use assets and further information on its leases.

2018 NOK 1 000	BUILDINGS/ PROPERTY	PROD. PLANTS AND BARGES	NETS, CAGES AND MOORINGS	OTHER EQUIPMENT	TOTAL
<b>Book value at 01.01.</b>	<b>459 618</b>	<b>767 920</b>	<b>459 139</b>	<b>185 126</b>	<b>1 871 804</b>
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
<b>Book value at 31.12.</b>	<b>477 168</b>	<b>1 042 385</b>	<b>534 869</b>	<b>238 491</b>	<b>2 292 912</b>
<b>ACCUMULATED VALUES</b>					
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
<b>Book value at 31.12.</b>	<b>477 168</b>	<b>1 042 385</b>	<b>534 869</b>	<b>238 491</b>	<b>2 292 912</b>
<b>Book value of finance leases included above**</b>	<b>-</b>	<b>193 463</b>	<b>105 648</b>	<b>113 201</b>	<b>412 312</b>
<b>Depreciation of finance leases included above**</b>	<b>-</b>	<b>-14 821</b>	<b>-15 504</b>	<b>-8 558</b>	<b>-38 882</b>
<b>Of which book value of non-depreciable property</b>	<b>40 015</b>				

\* 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. Expansion of the hatchery in Finnmark is at year end treated as an asset under construction recognized in "prod.plant and barges".

\*\*As of 1 January 2019 the Group apply IFRS 16 on its leases. See Note 11 and 26 for further information on the transition from IAS 17 to IFRS 16 for the Group's leases classified as finance leases according to IAS 17.

## NOTE 10 BORROWINGS

The company has a syndicated loan provided 50/50 by DNB and Nordea. The financing agreement includes (among other things) two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 300 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 2019, the NIBD/EBITDA for the Group excluding Ocean Quality was 1.4 and the equity ratio was 51%. Consequently, the Group fully complied with all covenants at the year-end.

The Group applied IFRS 16 leases as from 1 January 2019, and consequently recognized all its leases, with certain exceptions, in its statement of financial position. The initial application effect of IFRS 16 as of 1 January 2019 relates to the recognition of leases classified as operating leases under IAS 17, which were the rental costs were expensed as incurred. According to the financing agreement, Net interest-bearing debt (NIBD) in the covenant calculation should not include effects of IFRS 16. For more information about the new standard, please refer to Note 11 and 26.

Ocean Quality in Norway and the UK each have a factoring agreement that comprises financing of outstanding receivables. The agreement for Ocean Quality UK entails that any significant risk and control of trade receivables remain with Ocean Quality UK. Prepayments/financing from factoring are included in net interest-bearing liabilities. Factoring is recognized as financing in the balance sheet. Ocean Quality AS has had similar terms in their agreement. However, in Q3 2019, Ocean Quality AS entered into a new factoring agreement, in which the factoring company purchases all credit-insured trade receivables from Ocean Quality AS, and the risk of trade receivables is transferred to the factoring company. Trade receivables bought by the factoring company from Ocean Quality AS is hence deducted from the total amount of trade receivables.

NON-CURRENT LIABILITIES AND FINANCE LEASE OBLIGATIONS (INTEREST-BEARING) NOK 1 000	2019	2018
Non-current syndicated loan	944 638	1 048 816
Non-current credit facility	629 319	260 000
Non-current lease liabilities (prior IAS 17 finance leases)	378 577	292 358
Non-current lease liabilities (prior IAS 17 operational leases)	254 090	-
<b>Total</b>	<b>2 206 624</b>	<b>1 601 174</b>
<b>NON-CURRENT LIABILITIES (NON-INTEREST BEARING)</b>		
Subordinate loan	13 240	14 047
<b>Total</b>	<b>13 240</b>	<b>14 047</b>
Amortization effect of loans	-10 022	-10 102
<b>Total non-current liabilities</b>	<b>2 211 945</b>	<b>1 605 119</b>

CURRENT LIABILITIES (INTEREST-BEARING) NOK 1 000	2019	2018
Current portion of borrowings	98 212	98 212
Current portion lease liabilities (prior IAS 17 finance leases)	73 575	68 083
Current portion lease liabilities (prior IAS 17 operational leases)	125 752	-
Overdraft facility	-	46 597
Factoring liabilities	86 122	573 377
Export loan	-	8 897
<b>Total current liabilities (interest-bearing)</b>	<b>383 660</b>	<b>795 165</b>

NET INTEREST-BEARING LIABILITIES NOK 1 000	2019	2018
Total non-current interest-bearing liabilities	2 206 624	1 601 174
Total current interest-bearing liabilities	383 660	795 165
<b>Gross interest-bearing liabilities</b>	<b>2 590 283</b>	<b>2 396 340</b>
Cash and cash equivalents	214 497	137 920
Loans to associates	-	22 100
<b>Net interest-bearing liabilities</b>	<b>2 375 786</b>	<b>2 236 320</b>
Factoring liabilities	-86 122	-573 377
Quote of Bremnes' share of cash OQ AS (40%)	28 849	26 595
Lease liabilities (prior IAS 17 operational leases)	-379 841	-
<b>Net interest-bearing liabilities according to covenants</b>	<b>1 938 672</b>	<b>1 689 537</b>

At the end of 2019, the Group had a good level of free liquidity. Please refer to Note 3 for further information.

PAYMENT PROFILE NON-CURRENT LIABILITIES NOK 1 000	2020	2021	2022	2023	2024	LATER	TOTAL
Non-current syndicated loan	98 212	98 212	98 212	748 215	-	-	1 042 850
Non-current credit facility	-	-	-	629 319	-	-	629 319
Subordinate loan	-	-	-	-	-	13 240	13 240
Lease liabilities (prior IAS 17 finance leases)	73 575	69 040	62 852	56 068	46 423	144 195	452 152
Lease liabilities (prior IAS 17 operational leases)	125 752	90 347	72 193	34 918	22 192	34 440	379 841
<b>Total</b>	<b>297 539</b>	<b>257 598</b>	<b>233 256</b>	<b>1 468 520</b>	<b>68 615</b>	<b>191 874</b>	<b>2 517 402</b>

NOK 1 000	2019	2018
Liabilities secured by mortgages/charges on assets	2 590 283	2 396 340

ASSETS PLEDGED AS SECURITY NOK 1 000	2019	2018
Licences	1 133 630	1 121 662
Property, plant and equipment	2 583 781	2 292 912
Trade receivables	459 897	925 232
Inventories and biological assets excluded fair value of biological assets	2 847 632	3 321 234
<b>Total assets pledged as security</b>	<b>7 024 939</b>	<b>7 661 040</b>

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



## NOTE 10 CONTINUED

DESCRIPTION OF LIABILITIES	CURRENCY	FIXED OR FLOATING INTEREST RATE	EFFECTIVE INTEREST RATE	FINAL MATURITY (MTH/YEAR)	2019		2018	
					CURRENT PORTION NOK 1 000	NON-CURRENT PORTION NOK 1 000	CURRENT PORTION NOK 1 000	NON-CURRENT PORTION NOK 1 000
<b>GRIEG SEAFOOD ASA</b>								
Non-current syndicated loan	NOK	Floating	Price grid	02/2023	98 212	934 616	98 212	1 038 713
Syndicated loan- credit facility	NOK	Floating	Price grid	02/2023	-	629 319	-	260 000
<b>OCEAN QUALITY</b>								
Export loans	GBP		5.5%		-	-	8 897	-
Factoring liabilities	Multiple	Floating			86 122	-	573 377	-
<b>GRIEG SEAFOOD GROUP</b>								
Lease liability (prior IAS 17 finance leases)	Multiple	Floating			73 575	378 577	68 083	292 358
Lease liability (prior IAS 17 operational leases)	Multiple	Floating			125 752	254 090	-	-
Subordinate loan					-	13 240	-	14 047
<b>Total</b>					<b>383 660</b>	<b>2 209 841</b>	<b>748 569</b>	<b>1 605 119</b>

BOOK VALUE OF GROUP LOANS BY CURRENCY NOK 1 000	31.12.2019						
	NOK	GBP	EUR	USD	CAD	OTHER	
Non-current syndicated loan	1 032 827	514 978	-	517 850	-	-	-
Syndicated loan- credit facility	629 319	580 000	-	49 319	-	-	-
Factoring	86 122	-	85 650	946	-474	-	-
Lease liability (prior IAS 17 finance leases)	452 152	446 699	-	-	-	5 453	-
Lease liability (prior IAS 17 operational leases)	379 841	164 670	184 618	-	-	30 554	-
Subordinate loan	13 240	-	13 240	-	-	-	-
<b>Total</b>	<b>2 593 501</b>	<b>1 706 346</b>	<b>283 508</b>	<b>568 114</b>	<b>-474</b>	<b>36 007</b>	<b>-</b>

	2019	2018
Average interest rate on syndicate loan and credit facility	2.57%	2.20%
Average interest rate on EUR term loan	1.10%	1.21%

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 NOK 1 000	BOOK VALUE		FAIR VALUE	
	2019	2018	2019	2018
Borrowings (non-current and credit facility)	1 563 935	1 298 713	1 563 935	1 298 713
<b>Total</b>	<b>1 563 935</b>	<b>1 298 713</b>	<b>1 563 935</b>	<b>1 298 713</b>

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

CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES NOK 1 000	LIABILITIES ARISING FROM FINANCING ACTIVITIES		
	LEASE LIABILITY	BORROWINGS	TOTAL
<b>At 31.31.2017</b>	<b>260 252</b>	<b>1 810 202</b>	<b>2 070 453</b>
Non-cash movement in factoring liabilities	-	72 401	72 401
Repayment finance lease liabilities	-69 053	-	-69 053
Repayment non-current syndicated loan (former agreement)	-	-1 285 000	-1 285 000
Draw-down non-current syndicated NOK term loan incl. credit facility	-	900 000	900 000
Draw-down non-current syndicated EUR term loan	-	580 146	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	169 216	-	169 216
Foreign currency adjustments	27	14 773	14 800
<b>At 31.12.2018</b>	<b>360 441</b>	<b>2 049 944</b>	<b>2 410 387</b>
Recognized lease liabilities on adoption of IFRS 16 (see Note 11 and 26)	319 054	-	319 054
<b>At 01.01.2019</b>	<b>679 495</b>	<b>2 049 944</b>	<b>2 729 441</b>
Non-cash movement in factoring liabilities	-	-487 255	-487 255
Draw-down non-current syndicated NOK term loan incl. credit facility	-	369 319	369 319
Repayment non-current syndicated term loan (NOK and EUR)	-	-98 346	-98 346
Repayment overdraft facility	-	-46 597	-46 597
Repayment export loan	-	-8 897	-8 897
Draw-down lease liability (prior IAS 17 finance leases)	181 376	-	181 376
Repayment lease liability (prior IAS 17 finance leases)	-90 136	-	-90 136
Draw-down lease liability (prior IAS 17 operational leases)	165 807	-	165 807
Repayment lease liability (prior IAS 17 operational leases)	-114 888	-	-114 888
Foreign currency adjustments	10 339	-6 640	3 699
<b>At 31.12.2019</b>	<b>831 993</b>	<b>1 771 529</b>	<b>2 603 523</b>

## NOTE 11 LEASES

### THE GROUP AS A LESSEE

The Group has several lease arrangements. Prior to IFRS 16, the Group had both financial leases according to IAS 17 recognized on the statement of financial position, in addition to operating leases recognized in the "other operating expenses" as the lease cost incurred. As of 1 January 2019, the Group applied IFRS 16 using the modified retrospective approach. Please refer to Note 26 for further information on the impact of the initial application of IFRS 16.

#### Leases previously classified as finance leases under IAS 17

Prior to 1 January 2019, the Group classified finance leases according to IAS 17 as property, plant & equipment. The carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16. The leases relate to 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.

#### Leases previously classified as operating leases under IAS 17

The Group leases offices, docks, berths, vessels, 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, whereof some of the contracts have extension options. On transition to IFRS 16 at 1 January 2019, the Group recognized right-of-use assets (ROU assets) corresponding to the present value of lease liabilities at a total amount of NOK 319 million on leases previously classified as operating leases under IAS 17. Equity effect of the transitioning was NOK 0. The right-of-use asset is classified as property, plant and equipment.

The incremental borrowing rates applied to the lease liabilities at the date of initial recognition are in the interval of 3.1% - 4.1% for buildings and properties and 2.8% - 4.1% for other assets. Please refer to note 26 for information on the weighted average

incremental borrowing rate applied when recognizing the lease liability for leases previously classified as operating leases under IAS 17, at initial application of IFRS 16 at 1 January 2019.

### CURRENCY

The leases are recognized in the respective Group companies in local currencies, and translated to the Groups presentation currency at the balance sheet date.

### PRACTICAL EXPEDIENTS APPLIED

The Group leases smaller office equipment, such as coffee machines with contract terms of 1-3 years. The Group has elected to apply the practical expedient of low-value assets for some of these leases. Leases that have a present value as new lower than USD 5 000, are considered low value leases. The Group has also applied the practical expedient for short-term leases. Short term is defined as a lease term of 12 month or less at the commencement date. For low-value leases and short-term leases, the Group does not recognize lease liabilities or right-of-use assets. The leases are instead expensed when they incur.

### EXTENSION OPTIONS

Some of the Group's agreements have extension options which may be exercised during the last period of the lease term. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right. The Group's potential future lease payments not included in the lease liabilities related to extension options is NOK 235 million at 31 December 2019.

### VARIABLE LEASE PAYMENTS

In addition to the lease liabilities, the Group is committed to pay variable payments for some of the leases. The variable lease payments are expensed as incurred, and not considered material for the Group.

SPECIFICATION OF FIXED ASSETS AND RIGHT-OF-USE ASSETS AT 1 JANUARY 2019 NOK 1 000	CLOSING BALANCE 31.12.2018	IMPLEMENTATION EFFECT IFRS 16**	OPENING BALANCE 01.01.2019
Property, plant and equipment incl. Right-of-use-assets	2 292 912	319 054	2 611 966
Lease liability	360 442	319 054	679 496

The "Implementation effect IFRS 16" refers to the initial application effect of IFRS 16, recognizing the lease liability and corresponding right-of-use assets of leases previously classified as operating leases under IAS 17, per 1 January 2019. Please refer to Note 26 for further information on the initial application of IFRS 16.

Prior to 1 January 2019, the Group included its leases classified as finance leased assets under IAS 17 as property plant and equipment. Following the initial application of IFRS 16, the Group recognizes all its right-of-use assets on the same financial statement line item as property, plant and equipment. See Note 9 for further information. Comparable figures are not restated, as the modified retrospective approach is applied when implementing IFRS 16.

IMPLEMENTATION EFFECT ON STATEMENT OF FINANCIAL POSITION NOK 1 000	CLOSING BALANCE 31.12.2018	IFRS 16 EFFECTS ON OPENING BALANCE	ADJUSTED OPENING BALANCE AS OF 01.01.2019	IFRS 16 CHANGES YTD 2019
Non-current assets	3 588 929	319 054	3 907 983	55 107
Current assets	4 553 561	-	4 553 561	-
<b>Total assets</b>	<b>8 142 490</b>	<b>319 054</b>	<b>8 461 544</b>	<b>55 107</b>
<b>Equity</b>	<b>3 883 511</b>	<b>-</b>	<b>3 883 511</b>	<b>-5 680</b>
Non-current liabilities	2 491 251	236 580	2 727 831	17 510
Current liabilities	1 767 729	82 474	1 850 203	43 277
<b>Total liabilities</b>	<b>4 258 979</b>	<b>319 054</b>	<b>4 578 033</b>	<b>60 787</b>
<b>Total equity and liabilities</b>	<b>8 142 490</b>	<b>319 054</b>	<b>8 461 544</b>	<b>55 107</b>

EFFECT ON INCOME STATEMENT NOK 1 000	YTD 2019 BEFORE IFRS 16 EFFECT *	IFRS 16 EFFECTS YTD 2019	YTD 2019
Total operating income	8 303 723	-	8 303 723
Share of profit from associates	211	-	211
Raw materials and consumables used incl. change in inventories	-4 181 971	-	-4 181 971
Salaries and personnel expenses	-610 803	-	-610 803
Other operating expenses	-2 139 536	126 533	-2 013 003
<b>EBITDA before fair value adjustment of biological assets</b>	<b>1 371 624</b>	<b>126 533</b>	<b>1 498 157</b>
Depreciation and amortization	-289 917	-120 666	-410 583
<b>EBIT before fair value adjustment of biological assets</b>	<b>1 081 707</b>	<b>5 868</b>	<b>1 087 574</b>
Fair value adjustment of biological assets	-220 714	-	-220 714
<b>EBIT after fair value adjustment of biological assets</b>	<b>860 993</b>	<b>5 868</b>	<b>866 860</b>
Net financial items	-14 790	-11 443	-26 233
<b>Profit before tax</b>	<b>846 203</b>	<b>-5 576</b>	<b>840 626</b>

\*Figures are presented as if IAS 17 still applies (incl. IAS 17 finance leases recognized on the statement of financial position).

## NOTE 11 CONTINUED

## SPECIFICATION OF RIGHT-OF-USE ASSETS

The Group's right-of-use assets are included in the financial statement line item "Property, plant and equipment incl. Right-of-use-assets".

2019 NOK 1 000	BUILDINGS/ PROPERTY	PROD. PLANTS AND BARGES	NETS, CAGES AND MOORINGS	OTHER EQUIPMENT	TOTAL
Book value at 01.01.2019*	-	193 463	105 648	113 201	412 312
Initial application effect of IFRS 16**	65 248	-	-	253 806	319 054
Currency translation differences	1 750	1 254	710	4 213	7 927
Additions	13 190	130 330	18 145	175 216	336 881
Disposals	-	-24 827	-12 142	-10 059	-47 028
Depreciation	-10 172	-17 456	-16 858	-119 153	-163 640
<b>Book value at 31.12.2019</b>	<b>70 016</b>	<b>282 764</b>	<b>95 503</b>	<b>417 224</b>	<b>865 507</b>

\*For leases that as of 31 December 2018 were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16.

\*\*The initial application effect of IFRS 16 relates to the recognition of leases classified as operational leases under IAS 17.

See Note 26 for further information on the application of IFRS 16 for the Group.

## LEASE LIABILITY

## SUMMARY OF THE LEASE LIABILITIES NOK 1 000

At initial application 01.01.2019	<b>679 496</b>
New leases recognized during the year	347 183
Cash payments for the principal portion of the lease liability	-205 025
Currency exchange differences	10 339
<b>Total lease liabilities at 31.12.2019</b>	<b>831 993</b>

MATURITY ANALYSIS - LEASE LIABILITIES NOK 1 000	2019		TOTAL LEASE LIABILITY
	FORMER IAS 17 FINANCIAL LEASE	FORMER IAS 17 OPERATIONAL LEASE	
Less than one year	87 230	134 931	222 160
One to two years	80 269	96 434	176 702
Two to three years	71 861	75 983	147 844
Three to four years	63 113	37 146	100 260
Four to five years	51 894	23 599	75 493
More than five years	154 641	52 374	207 015
<b>Total undiscounted lease liabilities at 31.12.2019</b>	<b>509 008</b>	<b>420 467</b>	<b>929 475</b>
<b>Lease liabilities included in the statement of financial position at 31.12.2019</b>	<b>452 152</b>	<b>379 841</b>	<b>831 994</b>
Current portion			199 327
Non-current portion			632 666

AMOUNTS RECOGNIZED IN PROFIT OR LOSS NOK 1 000	2019
Interest on lease liabilities	25 729
Depreciation right-of-use assets	163 640
Expenses relating to short-term leases	52 559
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	8
<b>Total</b>	<b>241 963</b>

AMOUNTS RECOGNIZED IN THE STATEMENT OF CASH FLOW NOK 1 000	2019
Total cash outflow for leases	230 753

#### IAS 17 LEASES DISCLOSURES - COMPARABLE FIGURES

The 2018 figures is prepared according to IAS 17. Please refer to the section above for characteristics of these leases as of 31 December 2018.

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

OPERATIONAL LEASES	2018	
OVERVIEW OF FUTURE MINIMUM OPERATING LEASES NOK 1 000	FUTURE MINIMUM LEASE AMOUNT	PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS (5% DISCOUNT RATE)
Less than one year	177 079	168 647
One to two years	107 162	97 199
Two to three years	69 488	60 026
Three to four years	46 933	38 612
Four to five years	39 087	30 626
More than five years	79 140	53 630
<b>Total lease liabilities at 31.12.2018</b>	<b>518 888</b>	<b>448 739</b>

NOK 1 000	2018
Lease payments charged in the year	195 785

## NOTE 11 CONTINUED

**FINANCE LEASE COMMITMENTS – GROUP COMPANY AS LESSEE**

The Group has signed finance leases for barges, pen 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.

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

FINANCE LEASES		2018	
OVERVIEW OF FUTURE MINIMUM FINANCE LEASES NOK 1 000	FUTURE MINIMUM LEASE AMOUNT	FUTURE FINANCIAL EXPENSES RELATED TO FINANCE LEASES	PRESENT VALUE OF FINANCE LEASES
Less than one year	77 825	9 742	68 083
One to two years	62 356	7 898	54 458
Two to three years	54 551	6 284	48 268
Three to four years	46 276	4 881	41 395
Four to five years	39 258	3 702	35 556
More than five years	120 486	7 805	112 682
<b>Total lease liabilities at 31.12.2018</b>	<b>400 753</b>	<b>40 311</b>	<b>360 441</b>

LEASED ASSETS RECOGNIZED AS FINANCE LEASES NOK 1 000	2018
Carrying value of leased assets (equipment, vessels)	412 312
Carrying value of lease commitment	360 441



## NOTE 12 CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS AT 31.12.2019 NOK 1 000	FVPL <sup>1)</sup>	AMORTIZED COST	FVOCI <sup>2)</sup>	TOTAL
<b>FINANCIAL ASSETS</b>				
Equity instruments	-	-	1 053	1 053
Trade receivables	-	459 897	-	459 897
Other receivables	-	60 000	-	60 000
Derivatives <sup>3)</sup>	7 368	-	-	7 368
Cash and cash equivalents	-	214 497	-	214 497
<b>Total financial assets</b>	<b>7 368</b>	<b>734 394</b>	<b>1 053</b>	<b>742 815</b>
<b>FINANCIAL LIABILITIES</b>				
Borrowings	-	1 675 386	-	1 675 386
Lease liability (prior IAS 17 finance leases)	-	452 152	-	452 152
Lease liability (prior IAS 17 operational leases)	-	379 841	-	379 841
Factoring liabilities	-	86 122	-	86 122
Cash-settled options	19 649	-	-	19 649
Derivatives <sup>3)</sup>	10 107	-	-786	9 321
Trade payables	-	855 061	-	855 061
<b>Total financial liabilities</b>	<b>29 756</b>	<b>3 448 562</b>	<b>-786</b>	<b>3 477 532</b>

FINANCIAL INSTRUMENTS AT 31.12.2018 NOK 1 000	FVPL <sup>1)</sup>	AMORTIZED COST	FVOCI <sup>2)</sup>	TOTAL
<b>FINANCIAL ASSETS</b>				
Equity instruments	-	-	1 160	1 160
Trade receivables	-	952 232	-	952 232
Other receivables	-	22 100	-	22 100
Derivatives <sup>3)</sup>	2 743	-	-	2 743
Cash and cash equivalents	-	137 920	-	137 920
<b>Total financial assets</b>	<b>2 743</b>	<b>1 112 252</b>	<b>1 160</b>	<b>1 116 155</b>
<b>FINANCIAL LIABILITIES</b>				
Borrowings	-	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 <sup>4)</sup>	-	8 897	-	8 897
Cash-settled options	17 503	-	-	17 503
Derivatives <sup>3)</sup>	2 162	-	3 743	5 905
Trade payables	-	649 352	-	649 352
<b>Total financial liabilities</b>	<b>19 665</b>	<b>3 049 637</b>	<b>3 743</b>	<b>3 073 045</b>

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 borrowings" in the balance sheet.

## NOTE 12 CONTINUED

**CREDITWORTHINESS OF FINANCIAL ASSETS**

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

TRADE RECEIVABLES NOK 1 000	2019	2018
COUNTERPARTIES WITH NO EXTERNAL CREDIT RATING		
Group 1	46 665	1 204
Group 2	354 736	838 932
Group 3	58 495	85 096
<b>Total trade receivables</b>	<b>459 897</b>	<b>925 232</b>

BANK DEPOSITS NOK 1 000	2019	2018
AAA	-	-
AA	214 497	137 920
A	-	-
<b>Total bank deposits</b>	<b>214 497</b>	<b>137 920</b>

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

BREAKDOWN OF TAX EXPENSE NOK 1 000	2019	2018
Tax payable Norway	209 797	126 441
Tax payable abroad	4 235	4 810
Changes in assessment of taxes for prior years	9 806	-4 065
Change in deferred tax Norway	-15 035	85 450
Change in deferred tax abroad	-13 085	67 170
<b>Taxes</b>	<b>195 718</b>	<b>279 805</b>
<b>TAX RECONCILIATION</b>		
Profit before tax	840 626	1 276 925
Taxes calculated at nominal tax rate	187 744	301 823
Withholding tax	1 016	1 012
Change in deferred tax liabilities because of tax rate change	1 994	-25 053
Tax losses carried forward not recognized	-	-148
Other permanent differences	4 964	2 171
<b>Taxes</b>	<b>195 718</b>	<b>279 805</b>
<b>CHANGE IN BOOK VALUE OF DEFERRED TAX</b>		
Balance sheet value at 01.01.	877 639	721 689
Currency conversion	15 295	-3 637
Effect of equity transaction and group contribution	-955	5 765
Tax effect of loans to subsidiaries (Note 3)	6 560	923
Other effects	4 245	279
Change in deferred tax recognized in income in period	-28 120	152 620
<b>Deferred tax liability at balance sheet date</b>	<b>874 664</b>	<b>877 639</b>
<b>Weighted average tax rate</b>	<b>23.28%</b>	<b>21.91%</b>

The nominal tax rate in Norway is 22%. The nominal tax rate for 2019 in BC, 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, BC, Canada, and UK can be offset.

## NOTE 13 CONTINUED

DEFERRED TAX NOK 1 000	LICENSES	NON- CURRENT ASSETS	BIOLOGICAL ASSETS	RECEIVABLES /PENSIONS	INVENTORIES	DEFERRED CAPITAL GAIN	CURRENT LIABILITIES	TOTAL
2018								
Opening balance 01.01.	167 245	53 719	487 427	31 790	3 921	348	0	744 450
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
<b>At 31.12.</b>	<b>164 935</b>	<b>63 142</b>	<b>637 028</b>	<b>29 063</b>	<b>9 007</b>	<b>271</b>	<b>0</b>	<b>903 446</b>
2019								
Recognized in income in the period	-105	31 379	-51 772	-558	187	-55	-	-20 923
Currency translation differences	2 405	1 674	10 992	-	351	-	-	15 422
Other effects	-1 218	-360	-417	7 556	-3 193	-	-	2 369
<b>At 31.12.</b>	<b>166 017</b>	<b>95 836</b>	<b>595 831</b>	<b>36 061</b>	<b>6 352</b>	<b>217</b>	<b>0</b>	<b>900 313</b>

DEFERRED TAX ASSET NOK 1 000	LOSS CARRY FORWARDS	NON- CURRENT ASSETS	PENSIONS	RECEIVABLES /PENSIONS	LEASE OBLIGATIONS	TAX CREDITS	OTHER LIABILITIES	TOTAL
2018								
Opening balance 01.01.	-20 796	-0	0	-2 125	-0	-1 374	-2 041	-26 336
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
<b>At 31.12.</b>	<b>-18 669</b>	<b>-0</b>	<b>-</b>	<b>-1 424</b>	<b>-1 811</b>	<b>-714</b>	<b>-4 909</b>	<b>-27 526</b>
2019								
Recognized in income in the period	-19 869	-	-	5 898	1 396	-650	6 028	-7 197
Currency translation differences	149	-	0	105	-120	-55	-205	-126
Other effects	4 748	-	-	-	5 382	-	-1 943	8 187
Effect of business combinations	15	-	-	-	-	-	-	15
<b>At 31.12.</b>	<b>-33 626</b>	<b>-0</b>	<b>-</b>	<b>4 578</b>	<b>4 848</b>	<b>-1 419</b>	<b>-1 028</b>	<b>-26 648</b>

NOK 1 000	2019	2018
<b>Net deferred tax</b>	<b>873 666</b>	<b>875 920</b>
Deferred tax classified as non-current assets	998	1 719
Deferred tax classified as non-current liabilities	874 664	877 639
Tax payable classified as current liabilities	211 569	130 287

NET CHANGE IN DEFERRED TAX RECOGNIZED IN INCOME NOK 1 000	2019	2018
Change in deferred tax in Norway	-15 035	85 450
Change in deferred tax abroad	-13 085	67 170
<b>Change in book value of deferred tax</b>	<b>-28 120</b>	<b>152 620</b>
Change in the period for positions with net deferred tax	-20 923	160 085
Change in the period for positions with net deferred tax asset	-7 197	-7 465
<b>Change in book value of deferred tax</b>	<b>-28 120</b>	<b>152 620</b>

#### 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	2019	2018
Norway	-	-478
UK	-33 626	-18 191
BC, Canada	-	-
<b>Total</b>	<b>-33 626</b>	<b>-18 669</b>

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 GROUP MANAGEMENT

### 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 to 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 incentivizes 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 the monthly 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 program 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 1 610 205 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.

##### 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, 8 April 2020  
The Board of Grieg Seafood ASA



## NOTE 15 SALARIES AND PERSONNEL EXPENSES

SALARIES AND PERSONNEL EXPENSES NOK 1 000	2019	2018
Salaries	469 263	412 680
Social security costs	33 691	32 545
Share options granted to directors and key employees, incl. social security costs (Note 16)	16 387	15 173
Pension costs	25 028	20 402
Other personnel costs	66 434	60 247
<b>Total</b>	<b>610 803</b>	<b>541 047</b>
Average number of employees	837	769

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 established a share savings program for its employees in 2018 and this has continued in 2019.

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 2019, the equity effect of the share savings program was NOK 2.0 million (2018: NOK 2.6 million), of which loan to employees constitutes NOK 1.6 million (2018: NOK 2.1 million). The total shares sold to employees was 14 737 in 2019.

REMUNERATION PAID TO GROUP MANAGEMENT IN 2019 NOK 1 000	SALARY	BONUS	RETAINED, NOT YET PAID	OPTIONS EXERCISED DURING THE YEAR	OTHER REMUNERATION	TOTAL
Andreas Kvame (CEO)	3 009	347	601	2 592	101	6 650
Atle Harald Sandtorv (CFO)	1 954	184	383	1 652	101	4 276
Knut Utheim (COO)	2 091	133	345	1 787	101	4 458
Kathleen O. Mathisen (CHRO)	1 637	280	265	1 645	103	3 930
<b>Total remuneration paid to group management</b>	<b>8 691</b>	<b>945</b>	<b>1 594</b>	<b>7 677</b>	<b>406</b>	<b>19 314</b>

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

REMUNERATION PAID TO BOARD MEMBERS IN 2019 NOK 1 000	TOTAL
Per Grieg jr. 1)	456
Asbjørn Reinkind 1)	319
Wenche Kjelås (until 13.06.2019) 2)	140
Karin Bing Orkland 2)	311
Solveig M.R. Nygaard	257
Tore Holand 2)	285
Sirine Fodstad (from 13.06.2019) 3)	154
<b>Total remuneration including social security costs</b>	<b>1 923</b>

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 19 968 is included in the remuneration paid to Per Grieg jr. and Asbjørn Reinkind.

2) Payment for work performed on the Audit Committee is included in the remuneration paid to Wenche Kjelås, Karin Bing Orkland and Tore Holand, amounting to NOK 25 673, 54 198 and 28 525, respectively.

3) Payment for work performed on the Remuneration Committee of NOK 11 410 is included in the remuneration paid to Sirine Fodstad.

The amounts include social security costs.

REMUNERATION PAID TO GROUP MANAGEMENT IN 2018 NOK 1 000	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
<b>Total remuneration paid to group management</b>	<b>7 647</b>	<b>1 508</b>	<b>1 058</b>	<b>7 184</b>	<b>376</b>	<b>17 772</b>

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

REMUNERATION PAID TO BOARD MEMBERS IN 2018 NOK 1 000	TOTAL
Per Grieg jr. 1)	434
Wenche Kjelås 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
<b>Total remuneration including social security costs</b>	<b>1 646</b>

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 Kjelås 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.

## 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 2019, 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 2018 and 2019.

OVERVIEW 2019 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2018	EXERCISED OPTIONS	EXPIRED OPTIONS	OUTSTANDING OPTIONS AT 31.12.2019	OF WHICH CASH-SETTLED
Andreas Kvame (CEO)	Cash settlement	600 000	29 530	170 470	400 000	400 000
Atle Harald Sandtorv (CFO)	Cash settlement	276 044	18 826	57 218	200 000	200 000
Knut Utheim (COO)	Cash settlement	300 000	20 364	79 636	200 000	200 000
Kathleen O. Mathisen (CHRO)	Cash settlement	200 000	67 288	-	132 712	132 712
Others	Cash settlement	999 999	157 238	165 269	677 492	677 492
<b>Total</b>		<b>2 376 044</b>	<b>293 246</b>	<b>472 593</b>	<b>1 610 205</b>	<b>1 610 205</b>

OVERVIEW 2018 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2017	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
<b>Total</b>		<b>2 951 547</b>	<b>488 412</b>	<b>87 091</b>	<b>2 376 044</b>	<b>2 376 044</b>

ALLOCATION: YEAR - MONTH	EXPIRY DATE: YEAR - MONTH	STRIKE PRICE NOK PER SHARE AT 31.12.2019	STRIKE PRICE NOK PER SHARE AT 31.12.2018	OPTIONS	
				2019	2018
2015-06	2019-06	-	31.60	-	576 044
2017-11	2020-05	94.29	88.78	710 205	900 000
2017-11	2021-05	94.29	88.78	900 000	900 000
<b>Total</b>				<b>1 610 205</b>	<b>2 376 044</b>

	2019	2018
Cash-based options available for settlement	1 610 205	1 476 044
Weighted average exercise price on outstanding options (NOK per option)	83.00	66.49

		NOK/OPTION			AMOUNTS IN NOK 1 000				
2019	OPTION CATEGORY	LISTED PRICE ON ALLOCATION	CALCULATED VALUE PER OPTION ON ALLOCATION	CALCULATED TOTAL VALUE ON ALLOCATION *	TOTAL VALUE OF ALL OPTIONS AT 01.01.2019	CHANGE IN PROVISION CB-OB *	EXERCISED OPTION 2019	ACC. COST RECOGNIZED IN EQUITY AT 31.12.2019	RECOGNIZED LIABILITY CASH SETTLEMENT AT 31.12.2019
Former employees with expired options Equity option								6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	2 575	-2 575	2 592	-	-
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	1 634	-1 634	1 652	-	-
Knut Utheim (COO)	Cash	25.50	3.97	793	1 773	-1 773	1 787	-	-
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	-	-	1 645	-	-
Andreas Kvame (CEO)	Cash	83.00	2.26	906	1 709	2 298	-	-	4 007
Atle Harald Sandtorv (CFO)	Cash	83.00	2.79	557	1 057	1 448	-	-	2 505
Knut Utheim (COO)	Cash	83.00	2.79	557	1 130	1 558	-	-	2 688
Kathleen O. Mathisen (CHRO)	Cash	83.00	2.38	475	898	994	-	-	1 891
Other options allocated in 2015	Cash	25.50	3.60	2 876	3 027	-3 027	3 267	-	-
Other options allocated in 2017	Cash	83.00	2.35	1 880	3 699	4 858	2 995	-	8 557
<b>Total</b>				<b>10 543</b>	<b>17 503</b>	<b>2 145</b>	<b>13 939</b>	<b>6 887</b>	<b>19 649</b>

\*) Amounts exclude social security costs

		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
<b>Total</b>				<b>11 212</b>	<b>15 594</b>	<b>1 909</b>	<b>12 939</b>	<b>6 887</b>	<b>17 503</b>

\*) Amounts exclude social security costs

## NOTE 16 CONTINUED

ACCRUED COSTS RELATED TO CASH OPTIONS NOK 1 000	2019	2018	CLASSIFICATION IN FINANCIAL STATEMENTS
Change in provisions	2 145	1 909	Other provisions for liabilities
Exercised options during the year	13 939	12 939	Salaries and personnel expense / cash
<b>Total costs excl. social security costs</b>	<b>16 085</b>	<b>14 848</b>	
Social security costs	303	325	Public taxes payable
<b>Total costs incl. social security costs</b>	<b>16 387</b>	<b>15 173</b>	Salaries and personnel expense

Cost relating to cash-based remuneration in 2019 totalled NOK 16 387 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 2019, outstanding options with the right to cash settlement were stated at NOK 19 649 thousand, of which NOK 8 379 thousand were classified as non-current liabilities. Issued options are cancelled on termination of employment.

ESTIMATES USED TO CALCULATE ALLOCATION OF OPTIONS	31.12.2019	31.12.2018
Anticipated volatility (%)	37.90%	41.49%
Risk-free rate of interest (%)	1.39%	1.07%
Estimated qualification period (years)	0.98	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 2019, 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. Another 14 737 shares were sold to employees in November 2019 at a sales price of NOK 136.05 per share, providing a gain of NOK 121.65 per share. After the transactions the company has 1 213 687 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 2018	4.00	86	21 576
Sale of treasury shares to employees 2019	4.00	59	14 737
<b>Total at 31.12.2019</b>		<b>441 793</b>	<b>110 448 313</b>

THE LARGEST SHAREHOLDERS IN GRIEG SEAFOOD ASA	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Grieg Aqua AS	56 018 799	50.17%	56 018 799	50.17%
OM Holding AS	6 169 379	5.53%	6 039 379	5.41%
Folketrygdfondet	5 100 130	4.57%	3 760 350	3.37%
Ystholmen Felles AS	2 928 197	2.62%	2 928 197	2.62%
State Street Bank and Trust Comp	2 166 080	1.94%	2 055 051	1.84%
Clearstream Banking S.A.	1 745 002	1.56%	866 255	0.78%
Verdipapirfondet Pareto Investment	1 701 000	1.52%	1 926 457	1.73%
Verdipapirfondet Alfred Berg Gamba	1 500 796	1.34%	1 700 796	1.52%
Handelsbanken Nordiska Smabolag	1 332 190	1.19%	1 057 190	0.95%
Grieg Seafood ASA	1 213 687	1.09%	1 228 424	1.10%
State Street Bank and Trust Comp	1 057 400	0.95%	149 622	0.13%
Swedbank Robur Smabolagsfond	940 000	0.84%	-	-
JPMorgan Chase Bank, N.A., London	915 596	0.82%	828 120	0.74%
DPam Invest B	888 362	0.80%	-	-
Pictet & Cie (Europe) S.A.	878 324	0.79%	-	-
UBS Switzerland AG	780 949	0.70%	566 035	0.51%
Arctic Funds PLC	706 424	0.63%	234 349	0.21%
Citibank, N.A.	619 195	0.55%	-	-
State Street Bank and Trust Comp	597 876	0.54%	404 867	0.36%
Verdipapirfondet Alfred Berg Norge	562 479	0.50%	380 000	0.34%
<b>Total –20 largest shareholders</b>	<b>87 821 865</b>	<b>78.65%</b>	<b>80 143 891</b>	<b>71.77%</b>
Other shareholders	23 840 135	21.35%	31 518 109	28.23%
<b>Total shares</b>	<b>111 662 000</b>	<b>100.00%</b>	<b>111 662 000</b>	<b>100.00%</b>

## NOTE 17 CONTINUED

SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
<b>BOARD OF DIRECTORS</b>				
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) (Board member to 13 June 2019)	7 000	0.01%	7 000	0.01%
Karin Bing Orkland	-	-	-	-
Solveig Nygaard	-	-	-	-
Tore Holand	-	-	-	-
Sirine Fodstad (Board member from 13 June 2019)	-	-	-	-
<b>GROUP MANAGEMENT</b>				
Andreas Kvame (CEO)	39 165	0.04%	39 165	0.04%
Atle Harald Sandtorv (CFO)	24 208	0.02%	24 208	0.02%
Knut Utheim (COO)	23 507	0.02%	23 507	0.02%
Kathleen O. Mathisen (CHRO)	3 456	0.00%	3 456	0.00%
<b>* THE SHARES OWNED BY THE FOLLOWING COMPANIES ARE CONTROLLED BY PER GRIEG JR. AND FAMILY</b>				
Grieg Aqua AS	56 018 799	50.17%	56 018 799	50.17%
Nye Ystholmen AS	2 928 197	2.62%	2 928 197	2.62%
Per Grieg jr. privately	15 000	0.01%	15 000	0.01%
<b>Total shares</b>	<b>58 961 996</b>	<b>52.80%</b>	<b>58 961 996</b>	<b>52.80%</b>



## NOTE 18 EARNINGS PER SHARE AND DIVIDEND PER SHARE

CALCULATION OF EARNINGS PER SHARE	2019	2018
Profit for the year (majority share) (NOK 1 000)	619 510	972 506
Number of shares at 01.01	111 662 000	111 662 000
Effect of treasury shares (Note 17)	-1 250 000	-1 250 000
Sale of treasury shares to employees (21.11.2018)	21 576	21 576
Sale of treasury shares to employees (21.11.2019)	14 737	-
<b>Number of outstanding shares at 31.12</b>	<b>110 448 313</b>	<b>110 433 576</b>
Adjustment for effect of share options	14 855	19 152
<b>Weighted average number of outstanding shares at 31.12</b>	<b>110 433 458</b>	<b>110 414 424</b>
<b>Diluted average number of outstanding shares at 31.12</b>	<b>110 433 458</b>	<b>110 414 424</b>
<b>Earnings per share (NOK)</b>	<b>5.61</b>	<b>8.81</b>
<b>Diluted earnings per share (NOK)</b>	<b>5.61</b>	<b>8.81</b>
<b>Proposed dividend per share (NOK)</b>	<b>0.00</b>	<b>2.00</b>
Proposed dividend 2018, paid out in 2019		2.00
Dividend paid out according to proxy approved at the AGM 13.06.2019		2.00

## NOTE 19 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS NOK 1 000	2019	2018
Restricted deposits relating to employee tax deductions	14 515	12 388
Other cash and bank deposits	199 981	125 532
<b>Total</b>	<b>214 497</b>	<b>137 920</b>

The Group's currency and interest rate exposure is described in Note 3.

## NOTE 20 TRADE RECEIVABLES

TRADE RECEIVABLES NOK 1 000	2019	2018
Gross amount of trade receivables	1 233 786	937 163
Trade receivables deducted*	-764 034	-
Loss allowance	-9 856	-11 931
<b>Trade receivables at 31.12.</b>	<b>459 897</b>	<b>925 232</b>

\* Trade receivables bought by the factoring company

RECOGNIZED LOSSES NOK 1 000	2019	2018
Change in loss allowance	-2 076	564
Confirmed losses in the year	2 725	1 547
Amounts received for previously written off trade receivables	-1 698	-7 246
<b>Total recognized losses on receivables</b>	<b>-1 049</b>	<b>-5 135</b>

Losses on receivables are classified as other operating expenses in the income statements.

In the Group's 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. Some credit risk (10%) also remains for the factored trade receivables, thus the aging analysis given below is based on the total receivables rather than total receivables less the factored receivables. For more information about credit risk, refer to Note 3.

NOK 1 000		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
<b>AGING PROFILE OF TRADE RECEIVABLES (TR) 31.12.2019</b>										
Regular/ normal risk countries	TR Credit insured	921 822	89 656	613 675	285 868	12 606	2 835	5 412	1 426	921 822
	TR Unsecured	211 395	149 887	177 279	19 780	2 906	2 603	8 513	314	211 395
High risk countries	TR Credit insured	68 741	7 250	46 130	19 973	1 037	1 085	519	-	68 741
	TR Unsecured	31 827	31 598	19 186	9 921	919	1 016	783	-	31 827
<b>Total</b>		<b>1 233 786</b>	<b>278 391</b>	<b>856 270</b>	<b>335 542</b>	<b>17 468</b>	<b>7 539</b>	<b>15 226</b>	<b>1 740</b>	<b>1 233 786</b>
<b>LOSS ALLOWANCE 31.12.2019</b>										
Regular/ normal risk countries	TR Credit insured	-	89 656	90	230	85	30	368	2 213	3 016
	TR Unsecured	-	149 887	580	152	31	877	3 274	610	5 523
High risk countries	TR Credit insured	-	7 250	20	45	5	57	23	-	150
	TR Unsecured	-	31 598	87	135	50	460	435	-	1 166
<b>Total</b>		<b>-</b>	<b>278 391</b>	<b>777</b>	<b>562</b>	<b>170</b>	<b>1 424</b>	<b>4 100</b>	<b>2 823</b>	<b>9 856</b>

NOK 1 000		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
AGING PROFILE OF TRADE RECEIVABLES (TR) 31.12.2018										
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
<b>Total</b>		<b>937 163</b>	<b>262 015</b>	<b>573 330</b>	<b>330 707</b>	<b>16 303</b>	<b>2 132</b>	<b>12 026</b>	<b>2 664</b>	<b>937 163</b>

## LOSS ALLOWANCE 31.12.2018

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
<b>Total</b>		<b>-</b>	<b>262 015</b>	<b>1 885</b>	<b>2 988</b>	<b>945</b>	<b>887</b>	<b>2 562</b>	<b>2 664</b>	<b>11 931</b>

## NOTE 21 OTHER CURRENT RECEIVABLES

OTHER CURRENT RECEIVABLES NOK 1 000	2019	2018
Vat receivable	120 847	87 666
Prepaid expenses	77 421	46 432
Loan extended to Nordnorsk Smolt AS	-	22 100
Current loans extended to non-controlling interests	60 000	-
Other current receivables	76 357	10 234
<b>Total</b>	<b>334 625</b>	<b>166 432</b>

## NOTE 22 RELATED PARTIES

2019 NOK 1 000	OPERATING INCOME	OPERATING EXPENSES	NON-CURRENT BALANCES	CURRENT BALANCES
Total related parties as shareholders	40 340	277 257	-	-35 584
Total related parties as associates	-	72 535	1 910	60 000
<b>Total</b>	<b>40 340</b>	<b>349 791</b>	<b>1 910</b>	<b>24 416</b>

2018 NOK 1 000	OPERATING INCOME	OPERATING EXPENSES	NON-CURRENT BALANCES	CURRENT BALANCES
Total related parties as shareholders	38 110	259 786	-	4 113
Total related parties as associates	-	338	-	-
<b>Total</b>	<b>38 110</b>	<b>260 125</b>	<b>-</b>	<b>4 113</b>

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 and 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

FINANCIAL ITEMS NOK 1 000	2019	2018
<b>FINANCIAL INCOME</b>		
Other interest income *	18 719	18 864
Dividend	-	10
Net currency gains	32 590	-
<b>Total</b>	<b>51 309</b>	<b>18 874</b>
<b>FINANCIAL EXPENSE</b>		
Interest expense on external borrowings and leases **	59 153	48 773
Amortized establishment cost	2 750	5 304
Other interest expenses ***	9 911	11 873
Net change in fair value of derivatives	2 690	5 490
Net currency losses	-	23 199
Other financial expenses	3 038	2 226
<b>Total</b>	<b>77 542</b>	<b>96 865</b>

Net financial items decreased by NOK 52 million compared to last year, mainly driven by currency gains on loans and receivables.

\* The Group sells fish on behalf of non-controlling interests. 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. In addition, IFRS 16 was implemented from 1 January 2019. The effect on interest expenses in 2019 amounted to NOK 11 million.

\*\*\* Interest expenses relating to the factoring agreement at Ocean Quality are included in other interest expenses.

## NOTE 24 OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES NOK 1 000	2019	2018
Transportation costs	612 272	521 659
Maintenance costs	289 029	265 461
Electricity and fuel	125 139	101 499
Lease expenses 1)	52 567	97 764
Outsourced services 2)	103 412	51 774
Insurance	61 931	54 092
IT expenses	54 369	37 124
Marketing costs	10 415	8 996
Other operating expenses 3)	110 184	104 735
Other production-related costs 1, 4)	593 684	578 520
<b>Total other operating expenses</b>	<b>2 013 002</b>	<b>1 821 623</b>

1) IFRS 16 was implemented 1 January 2019, reducing recognized lease expenses by NOK 89 million and other production-related costs by NOK 38 million (YTD 2019 IFRS 16 compared with IAS 17). See Note 11 for further information.

2) Outsourced services include auditor's fees. See more detailed information below.

3) Includes equipment, telephony/postage, office supplies, fees, travel costs etc.

4) Production-related costs comprise harvesting costs including expenses for well-boat services, packaging material, diving services, vaccination, de-lousing, oxygen, and analyses etc.

BREAKDOWN OF AUDITOR'S FEES NOK 1 000	2019	2018
<b>AUDITOR'S FEES</b>		
Group auditor	3 414	2 504
Other auditors	628	542
<b>OTHER CERTIFICATION SERVICES</b>		
Group auditor	574	323
Other auditors	-	-
<b>TAX ADVICE</b>		
Group auditor	578	350
Other auditors	460	195
<b>OTHER SERVICES</b>		
Group auditor	179	121
Other auditors	157	119
<b>Total Group auditor</b>	<b>4 745</b>	<b>3 298</b>
<b>Total other auditors</b>	<b>1 245</b>	<b>857</b>
<b>Total auditor's fees</b>	<b>5 990</b>	<b>4 154</b>

## NOTE 25 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES NOK 1 000	2019	2018
Accrued expenses *	169 895	139 803
Other current liabilities **	9 612	8 859
<b>Other current liabilities</b>	<b>179 507</b>	<b>148 663</b>

\* Accrued expenses relate to other operating expenses, including accrued purchases, transportation costs, bonuses/discounts for buyers, accrued salaries, and insurance.

\*\* At year-end 2019, the Group had physical delivery contracts recognized as liability, totalling NOK 2 million.



## NOTE 26 NEW ACCOUNTING STANDARDS

### CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE OF NEW STANDARDS

#### A) NEW AND AMENDED STANDARDS, AND INTERPRETATIONS - ADOPTED IN 2019

##### IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

##### The Group as a lessee

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Effective 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated.

##### Determining whether a contract is or contains a lease

For contracts entered into before 1 January 2019, on the transition to IFRS 16, the Group elected to not reassess whether a contract is, or contains a lease, as a practical expedient. As such, the Group rely on the assessment made applying IAS 17 and IFRIC 4, on whether the contract is, or contains, a lease.

##### Leases previously classified as operating leases under IAS 17

At the date of initial application of IFRS 16, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. Further, the Group recognized right-of-use assets at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

At the initial application date of IFRS 16, there were no onerous lease contracts that would have required an adjustment to the right-of-use asset at 1 January 2019.

The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Use of a single discount rate to a portfolio of leases with similar characteristics
- Applied hindsight when determining the lease term for contracts containing options.

##### Leases previously classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16.

##### IFRS 16 IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

On transition to IFRS 16, the Group recognized NOK 319 million in right-of-use assets and NOK 319 million as lease liabilities. The initial application of IFRS 16 did not impact the opening balance of retained earnings. The impact on the date of initial application is further presented below:

RECONCILIATION OF LEASE COMMITMENTS TO LEASE LIABILITIES NOK 1 000		01.01.2019
Operating lease commitments 31 December 2018		518 888
- Estimation adjustment of the operating lease commitment		54 955
+ Extension options reasonably certain to be exercised		-
- Termination options reasonably certain to be exercised		-
- Non-lease component of vessel charter hire		46 071
- Practical expedient related to short term leases		56 995
- Practical expedient related to low value leases		61
- Discounting using the incremental borrowing rate		41 751
<b>Lease liabilities recognized at initial application</b>		<b>319 054</b>
The weighted average incremental borrowing rate applied:		3.04%
<b>Right-of-use assets recognized at initial application</b>		<b>319 054</b>

Refer to note 11 for a summary of the implementation effect on the opening balance at 1 January 2019 (hereof information on the current- and non-current classification of the lease liability at initial application of IFRS 16), in addition to a 2019 full year comparison of the consolidated income statement, comparing IFRS 16 with the superseded IAS 17.

## AMENDED STANDARDS AND INTERPRETATIONS

### IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to consider uncertain tax treatment within the scope of IAS 12 Income Taxes. Uncertainty over income tax treatments arises when it is unclear how the applicable tax regulations should be understood for a specific transaction or event, and when it is uncertain whether taxation authorities will approve an entity's tax treatment. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately or together
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (how to reflect uncertainty in these positions)
- How an entity considers changes in facts and circumstances

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The interpretation has not had material effect on the Group as per 31 December 2019, however, could affect the Group in the future.

Other amended standards and new interpretations, other than IFRIC 23, has not had material effect on the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

## B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS - NOT YET ADOPTED

Standards, amendments and interpretations that are issued up to the date of issuance of the consolidated financial statement, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statement are issued.

### Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform

The amendments provide companies with temporary reliefs to certain requirements related to hedge accounting in the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

For the hedging relationships where the reliefs are applied, companies are required to disclose additional qualitative and quantitative information. However, the amendments also provide an exemption from the disclosure requirements in IAS 8.28 related to the adjustment amounts in the current and prior period.

The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. The Group does not intend to early adopt the amendments.

### Amendments to IAS 1 on classification of liabilities as current or non-current

IASB has on the 23 January 2020 issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendment clarifies

- The interpretation of the right to defer settlement of a liability
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The new guidance will be effective for annual periods starting on or after 1 January 2022.

### OTHER STANDARDS, AMENDMENTS AND INTERPRETATIONS

No other new standards, amendments and interpretations, not yet adopted at 31 December 2019, is expected to have material impact on the consolidated financial statement of the Group.

---

## NOTE 27 CONTINGENT LIABILITIES

---

In February 2019, the European Commission launched an investigation to explore potential anti-competitive behavior in the Norwegian salmon industry. Grieg Seafood is one of the companies under investigation. Based on the EU investigation, US competition authorities launched their own investigation into the matter in November 2019. By the end of the year, four class-action lawsuits had been filed by minor customers in the USA and two in Canada.

Grieg Seafood is not aware of any anti-competitive behavior within the Group, not in Norway, the EU, the USA, or in Canada. We are fully collaborating with European and American authorities in this matter and will follow up the lawsuits in the USA and Canada accordingly. Approximately NOK 20 million was spent on lawyer fees related to the EU commission investigation during the year.

There is no new information regarding the EU investigation, and Grieg Seafood considers it to be probable that the investigation will be in its favor, which also is supported by legal advice. Furthermore, the amount of the contingent liability related to a negative outcome of this matter cannot be reasonable estimated, due to the lack of information. Consequently, no provision has been recognized in relation to both the EU and the US investigation, nor to any of the civil lawsuits.

## NOTE 28 POST-BALANCE SHEET EVENTS

In January 2018, Ocean Quality AS was suspected of exporting salmon with PD (Pancreas Disease) to China. The case was dismissed in January 2020. Norwegian Authorities concluded that Ocean Quality had not done anything wrong.

14 January 2020, Grieg Seafood notified the Norwegian Food Safety Authority (FSA) of the possibility of an ISA (Infectious Salmon Anemia) outbreak on fish at the Laholmen site in Nordkapp. The suspicion was confirmed by the FSA 23 January. The fish was of harvest size and has now been completely harvested according to procedures and requirements set by the FSA.

In February 2020, Norway's Ministry of Trade, Industry and Fisheries presented the updated "traffic lights", allowing a net national production increase of salmon and trout of approximately 23 000 tonnes per year. The sites of Grieg Seafood Rogaland have been amended from yellow to green light.

On 7 February 2020, Grieg Seafood announced that it had signed Sales and Purchase Agreements (SPA) for the acquisition of Grieg Newfoundland AS in Newfoundland, Canada. The project currently comprises licenses for 11 sea sites across four areas in Placentia Bay, Newfoundland. Three licenses are approved, three are expected to be approved in 2020 and the rest are in different stages of application. The project also includes a high-end Recirculating Aquaculture System (RAS) facility currently under construction. The first harvest will be in 2022/23, and the region is expected to contribute 15 000 tonnes harvest in 2025. The project has a long-term annual harvest potential of 30 000 - 45 000 tonnes Atlantic salmon. For more information, see the notification to the Oslo Stock Exchange on [www.griegseafood.com](http://www.griegseafood.com).

On 25 March 2020, the Extraordinary General Meeting approved the Sales and Purchase Agreements for the acquisition of Grieg Newfoundland AS. The Group has accordingly renegotiated the syndicate loan agreement and hence the financing of the acquisition is secured. The parties have agreed to prolong the long stop date for the transaction until 14 April 2020.

After the balance sheet date and until the date of the release of the Annual report, the world has been severely affected by the coronavirus pandemic, and the salmon market makes no exemption. Although the demand for salmon currently remains, there has been a shift from demand from hotels, restaurants and catering to demand from the retail sector. Airfreight is making the distribution more challenging for the sales teams, however transport on trucks remains relatively good. The production

is currently running as normal. Grieg Seafood is constantly monitoring the situation and fully complies with the authorities' recommendations in all locations. The employees' wellbeing is highly prioritized. As food producers, critical employees in the salmon farming industry are recognized as essential workers in Norway, Canada and the UK. The governments want production to continue and have signaled that they are willing to facilitate that where necessary. For further details, please refer to the Outlook section in the Board of Director's report and in the profit & innovation section in part 2 of the Annual report.

Since 31 December 2019, the NOK has been depreciating significantly against the Group's other transaction currencies. The most significant change has been NOK against USD, with a 20% depreciation as of 31 December 2019 until 31 March 2020. The NOK has furthermore been depreciating 17% against the EUR during the same period. As such, a depreciation of the NOK will have a positive effect on the Group's sales revenues, as approximately 50% of the sales revenues are denominated in EUR. The Group also carries out purchases denominated in EUR and USD, which will be negatively impacted by a depreciation of the NOK. This will significantly increase the feed cost for all our production companies. Otherwise, the Group companies mainly have cost denominated in local currencies, except Grieg Seafood UK, which has deliveries from Norway, and can hence be positively affected by a depreciation of the NOK.

In order to reduce some of the currency fluctuation risk, the Group has a portion of the syndicate term loan denominated in EUR, which was carried out in 2018 as a part of the Group's hedging strategy.

The production companies carry out sales to the sales company (Ocean Quality) in their local currencies. Ocean Quality hedges transactions against currency fluctuations related to CAD/USD, EUR/NOK, GBP/EUR and USD/NOK, and other currencies if necessary.

Hence, the depreciation of the NOK will most likely have a positive effect on the Group's EBIT.

Please refer to Note 3 and the board of directors' report for further information about currency risk.

No other significant events have been recorded after the balance sheet date.

# Grieg Seafood ASA Accounts



## ASA ACCOUNTS

<b>289</b>	Income statement
<b>290</b>	Statement of financial position
<b>292</b>	Statement of changes in equity
<b>293</b>	Cash flow statement

## NOTES

<b>294</b>	NOTE 1	Accounting policies
<b>296</b>	NOTE 2	Operating income
<b>296</b>	NOTE 3	Salaries, personnel and other operating expenses
<b>299</b>	NOTE 4	Cash-based remuneration
<b>302</b>	NOTE 5	Financial income and expenses
<b>303</b>	NOTE 6	Other current receivables/other liabilities
<b>303</b>	NOTE 7	Bank deposits
<b>304</b>	NOTE 8	Financial instruments
<b>304</b>	NOTE 9	Investments in subsidiaries
<b>305</b>	NOTE 10	Investments in shares
<b>305</b>	NOTE 11	Intangible assets
<b>306</b>	NOTE 12	Property, plant and equipment
<b>307</b>	NOTE 13	Share capital and shareholder information
<b>308</b>	NOTE 14	Taxes
<b>309</b>	NOTE 15	Guarantees
<b>310</b>	NOTE 16	Related parties
<b>311</b>	NOTE 17	Net interest-bearing liabilities and pledges
<b>312</b>	NOTE 18	Post-balance sheet events







## INCOME STATEMENT

GRIEG SEAFOOD ASA NOK 1 000	NOTE	2019	2018
Other operating income	2/16	79 264	72 136
<b>Total operating income</b>		<b>79 264</b>	<b>72 136</b>
Salaries and personnel expenses	3/4	-61 186	-56 652
Depreciation and amortization	11/12	-5 840	-5 528
Other operating expenses	3/16	-99 620	-71 661
<b>Total operating expenses</b>		<b>-166 646</b>	<b>-133 841</b>
<b>Operating loss</b>		<b>-87 382</b>	<b>-61 704</b>
Financial income	5/16	982 858	673 851
Financial expenses	5/16	-42 171	-78 431
<b>Net financial items</b>		<b>940 687</b>	<b>595 420</b>
<b>Profit before tax</b>		<b>853 305</b>	<b>533 716</b>
Income tax expense	14	-186 345	-118 343
<b>Net profit for the year</b>		<b>666 960</b>	<b>415 373</b>
<b>APPROPRIATION OF PROFIT FOR THE YEAR</b>			
Proposed dividend		-	220 867
Additional dividend paid-out, not accrued previous year		220 897	220 867
Transferred to other equity		446 064	-26 361
<b>Total appropriations</b>		<b>666 960</b>	<b>415 373</b>

## STATEMENT OF FINANCIAL POSITION

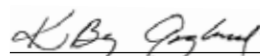
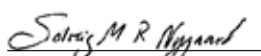
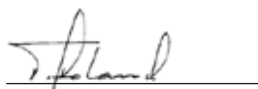
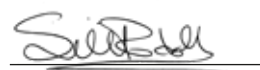
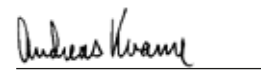
GRIEG SEAFOOD ASA NOK 1 000	NOTE	31.12.2019	31.12.2018
<b>ASSETS</b>			
Software	11	15 238	18 739
Property, plant and equipment	12/17	3 379	4 488
Investments in subsidiaries	9/17	1 385 840	1 385 840
Loan to Group companies	16/17	648 991	619 171
Other non-current receivables		167	167
Investment in shares	10	677	676
<b>Total non-current assets</b>		<b>2 054 291</b>	<b>2 029 082</b>
Trade receivables from Group companies	16/17	21 217	466
Other receivables from Group companies	16/17	1 806 443	1 112 619
Other current receivables	6/17	17 961	34 840
Bank deposits	7	6 395	5 790
<b>Total current assets</b>		<b>1 852 016</b>	<b>1 153 715</b>
<b>Total assets</b>		<b>3 906 306</b>	<b>3 182 797</b>

GRIEG SEAFOOD ASA NOK 1 000	NOTE	31.12.2019	31.12.2018
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	446 648	446 648
Treasury shares	13	-4 855	-4 914
Other paid-in equity		39 627	13 877
Other retained earnings		1 279 034	856 775
<b>Total equity</b>		<b>1 760 455</b>	<b>1 312 386</b>
Deferred tax	14	23 083	18 147
Cash-settled share options	4	8 379	8 493
<b>Total provisions</b>		<b>31 461</b>	<b>26 641</b>
Non-current loan	17	1 563 935	1 298 713
<b>Total non-current liabilities</b>		<b>1 563 935</b>	<b>1 298 713</b>
Current portion of non-current loan	17	98 212	98 212
Overdraft facility	17	-	46 597
Cash-settled share options	4	11 270	9 010
Proposed dividend		-	220 867
Trade payables		11 415	5 715
Trade payables to Group companies	16	1 625	16 068
Current liabilities to Group companies	16/17	216 868	11 476
Tax payable	14	180 394	115 816
Public tax payable		2 808	2 568
Other current liabilities	6/8	27 865	18 728
<b>Total current liabilities</b>		<b>550 455</b>	<b>545 057</b>
<b>Total liabilities</b>		<b>2 145 851</b>	<b>1 870 411</b>
<b>Total equity and liabilities</b>		<b>3 906 306</b>	<b>3 182 797</b>

BERGEN, 8 APRIL 2020

GRIEG SEAFOOD ASA


ASBJØRN REINKIND  
Vice Chair

PER GRIEG JR.  
Chair

KARIN BING ORKLAND  
Board Member

SOLVEIG NYGAARD  
Board Member

TORE HOLAND  
Board Member

SIRINE FODSTAD  
Board Member

ANDREAS KVAME  
CEO

## STATEMENT OF CHANGES IN EQUITY

GRIEG SEAFOOD ASA NOK 1 000	SHARE CAPITAL	TREASURY SHARES	OTHER PAID-IN EQUITY	OTHER EQUITY	TOTAL EQUITY
Equity at 01.01.2018	446 648	-5 000	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	446 648	-4 914	13 877	856 775	1 312 386
PROFIT FOR THE YEAR 2019	-	-	-	666 960	666 960
Reclassification of equity	-	-	25 597	-25 597	-
Sale of treasury shares to employees	-	59	153	1 793	2 005
Dividend paid-out 2019, not accrued 2018	-	-	-	-220 897	-220 897
Equity at 31.12.2019	446 648	-4 855	39 627	1 279 034	1 760 455

## CASH FLOW STATEMENT

GRIEG SEAFOOD ASA NOK 1 000	NOTE	2019	2018
Profit before tax		853 305	533 716
Recognized, not paid Group contribution		-862 390	-610 981
Taxes paid	14	-115 816	-122 802
Depreciation and amortization	11/12	5 840	5 528
Change in trade receivables		-20 752	41 140
Change in trade payables		-8 742	-21 085
Change in other accruals		6 450	-9 830
Items classified as investing or financing activities		19 157	17 141
Currency translation differences		-36 919	20 247
<b>Net cash flow from operating activities</b>		<b>-159 867</b>	<b>-146 925</b>
Dividend income	5	14 737	20 189
Purchase of property, plant and equipment	12	-534	-576
Purchase of intangible assets	11	-695	-4 505
Payments/proceeds, loans to/from Group companies		-297 964	-47 904
Payment of shares in Group companies		-	-158 860
Group contribution from subsidiaries		610 982	534 522
Payments/proceeds, loans to/from associates		22 940	-9 840
<b>Net cash flow from investing activities</b>		<b>349 465</b>	<b>333 026</b>
Change in overdraft facility		-46 597	46 597
Change in non-current interest-bearing liabilities	17	-98 346	-49 173
Change in loans to/from Group companies		60 939	-4 528
Change in non-current liabilities		370 667	148 356
Interest paid		-33 893	-37 330
Dividends paid		-441 764	-441 691
<b>Net cash flow from financing activities</b>		<b>-188 993</b>	<b>-337 770</b>
<b>Net change in cash and cash equivalents</b>		<b>604</b>	<b>-151 670</b>
<b>Cash and cash equivalents at 01.01.</b>		<b>5 790</b>	<b>157 460</b>
<b>Cash and cash equivalents at 31.12.</b>		<b>6 395</b>	<b>5 790</b>

## 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 cost can be measured reliably. Otherwise, the cost is expensed as it arises. 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.

#### **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.

##### **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

OPERATING INCOME NOK 1 000	2019	2018
Administrative services – Group companies (Note 16)	79 394	71 516
Other operating income	-130	620
<b>Total operating income</b>	<b>79 264</b>	<b>72 136</b>

## NOTE 3 SALARIES, PERSONNEL AND OTHER OPERATING EXPENSES

SALARIES AND PERSONNEL EXPENSES NOK 1 000	2019	2018
Wages and salaries	30 013	29 020
Social security costs	5 912	5 667
Share options for directors and key personnel (Note 4)	16 387	15 173
Pension costs – defined contribution scheme	1 424	1 282
Other personnel costs	7 450	5 510
<b>Total</b>	<b>61 186</b>	<b>56 652</b>
Average number of employees	25	24

The Company has a pension scheme covering all employees at 31 December 2019. The pension scheme is funded and managed through an insurance company.

Grieg Seafood established a share savings program for its employees and has been continued in 2019. See the consolidated financial statements Note 15 for further information.

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.

REMUNERATION PAID TO GROUP MANAGEMENT IN 2019 NOK 1 000	SALARY	BONUS	RETAINED, NOT YET PAID	OPTIONS EXERCISED DURING THE YEAR	OTHER BENEFITS	TOTAL
Andreas Kvame (CEO)	3 009	347	601	2 592	101	6 650
Atle Harald Sandtorv (CFO)	1 954	184	383	1 652	101	4 276
Knut Utheim (COO)	2 091	133	345	1 787	101	4 458
Kathleen O. Mathisen (CHRO)	1 637	280	265	1 645	103	3 930
<b>Total remuneration incl. social security costs</b>	<b>8 691</b>	<b>945</b>	<b>1 594</b>	<b>7 677</b>	<b>406</b>	<b>19 314</b>

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

REMUNERATION PAID TO BOARD MEMBERS IN 2019 NOK 1 000	TOTAL
Per Grieg jr. 1)	456
Asbjørn Reinkind 1)	319
Wenche Kjølås (until 13.06.2019) 2)	140
Karin Bing Orgland 2)	311
Solveig M.R. Nygaard	257
Tore Holand 2)	285
Sirine Fodstad (from 13.06.2019) 3)	154
<b>Total remuneration including social security costs</b>	<b>1 923</b>

1) Payment for work performed on the Remuneration Committee of NOK 19 968 is included in the remuneration paid to Per Grieg jr. and Asbjørn Reinkind.

2) Payment for work performed on the Audit Committee is included in the remuneration paid to Wenche Kjølås, Karin Bing Orgland and Tore Holand, amounting to NOK 25 673, 54 198 and 28 525, respectively.

3) Payment for work performed on the Remuneration Committee of NOK 11 410 is included in the remuneration paid to Sirine Fodstad.

The amounts include social security costs.

REMUNERATION PAID TO GROUP MANAGEMENT IN 2018 NOK 1 000	SALARY	BONUS	RETAINED, 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	3 993
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
<b>Total remuneration incl. social security costs</b>	<b>7 647</b>	<b>1 508</b>	<b>1 058</b>	<b>7 184</b>	<b>376</b>	<b>17 772</b>

Recognized expenses arising from synthetic options not declared throughout the year are not included in the above statement.

REMUNERATION PAID TO BOARD MEMBERS IN 2018 NOK 1 000	TOTAL
Per Grieg jr. 1)	434
Wenche Kjølås 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
<b>Total remuneration including social security costs</b>	<b>1 646</b>

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 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.

BREAKDOWN OF AUDITOR'S FEES NOK 1 000	2019	2018
Statutory audit	994	808
Other certification services	514	291
Tax advisory fee	302	144
Other services	173	56
<b>Total</b>	<b>1 983</b>	<b>1 299</b>

In February 2019, the European Commission launched an investigation to explore potential anti-competitive behavior in the Norwegian salmon industry. Grieg Seafood is one of the companies under investigation. Based on the EU investigation, US competition authorities launched their own investigation into the matter in November 2019. By the end of the year, four action-class lawsuits had been filed in the USA, and two in Canada.

Grieg Seafood is not aware of any anti-competitive behavior within the Group, not in Norway, the EU, the USA, or in Canada. We are fully collaborating with European and American authorities in this matter and will follow up the lawsuits in the USA and Canada accordingly. Approximately NOK 20 million was spent on lawyer fees related to the EU commission investigation during the year.

There is no new information regarding the EU investigation, and Grieg Seafood considers it to be probable that the investigation will be in its favor, which also is supported by legal advice. Furthermore, the amount of the contingent liability related to a negative outcome of this matter cannot be reasonable estimated, due to the lack of information. Consequently, no provision has been recognized in relation to both the EU and the US investigation, nor to any of the civil lawsuits.

## 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 2019, 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 2018 and 2019.

OVERVIEW 2019 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2018	EXERCISED OPTIONS	EXPIRED OPTIONS	OUTSTANDING OPTIONS AT 31.12.2019	OF WHICH CASH-SETTLED
Andreas Kvame (CEO)	Cash settlement	600 000	29 530	170 470	400 000	400 000
Atle Harald Sandtorv (CFO)	Cash settlement	276 044	18 826	57 218	200 000	200 000
Knut Utheim (COO)	Cash settlement	300 000	20 364	79 636	200 000	200 000
Kathleen O. Mathisen (CHRO)	Cash settlement	200 000	67 288	-	132 712	132 712
Others	Cash settlement	999 999	157 238	165 269	677 492	677 492
<b>Total</b>		<b>2 376 044</b>	<b>293 246</b>	<b>472 593</b>	<b>1 610 205</b>	<b>1 610 205</b>

OVERVIEW 2018 (TOTAL OPTIONS)	OPTION CATEGORY	OUTSTANDING OPTIONS AT 31.12.2017	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
<b>Total</b>		<b>2 951 547</b>	<b>488 412</b>	<b>87 091</b>	<b>2 376 044</b>	<b>2 376 044</b>

ALLOCATION: YEAR - MONTH	EXPIRY DATE: YEAR - MONTH	STRIKE PRICE NOK PER SHARE AT 31.12.2019	STRIKE PRICE NOK PER SHARE AT 31.12.2018	OPTIONS	
				2019	2018
2015-06	2019-06	-	31.60	-	576 044
2017-11	2020-05	94.29	88.78	710 205	900 000
2017-11	2021-05	94.29	88.78	900 000	900 000
<b>Total</b>				<b>1 610 205</b>	<b>2 376 044</b>

	2019	2018
Cash-based options available for settlement	1 610 205	1 476 044
Weighted average exercise price on outstanding options (NOK per option)	83.00	66.49

## NOTE 4 CONTINUED

2019	NOK/OPTION				AMOUNTS IN NOK 1 000			ACC. COST RECOGNIZED IN EQUITY AT 31.12.2019	RECOGNIZED LIABILITY CASH SETTLEMENT AT 31.12.2019
	OPTION CATEGORY	LISTED PRICE ON ALLOCATION	CALCULATED VALUE PER OPTION ON ALLOCATION	CALCULATED TOTAL VALUE ON ALLOCATION *	TOTAL VALUE OF ALL OPTIONS AT 01.01.2019	CHANGE IN PROVISION CB-OB *	EXERCISED OPTION 2019		
Former employees with expired options	Equity option							6 887	
Andreas Kvame (CEO)	Cash	25.50	3.36	1 342	2 575	-2 575	2 592	-	-
Atle Harald Sandtorv (CFO)	Cash	25.50	3.97	793	1 634	-1 634	1 652	-	-
Knut Utheim (COO)	Cash	25.50	3.97	793	1 773	-1 773	1 787	-	-
Kathleen O. Mathisen (CHRO)	Cash	79.00	3.63	363	-	-	1 645	-	-
Andreas Kvame (CEO)	Cash	83.00	2.26	906	1 709	2 298	-	-	4 007
Atle Harald Sandtorv (CFO)	Cash	83.00	2.79	557	1 057	1 448	-	-	2 505
Knut Utheim (COO)	Cash	83.00	2.79	557	1 130	1 558	-	-	2 688
Kathleen O. Mathisen (CHRO)	Cash	83.00	2.38	475	898	994	-	-	1 891
Other options allocated in 2015	Cash	25.50	3.60	2 876	3 027	-3 027	3 267	-	-
Other options allocated in 2017	Cash	83.00	2.35	1 880	3 699	4 858	2 995	-	8 557
<b>Total</b>				<b>10 543</b>	<b>17 503</b>	<b>2 145</b>	<b>13 939</b>	<b>6 887</b>	<b>19 649</b>

\*Amounts exclude social security costs

2018	NOK/OPTION				AMOUNTS IN NOK 1 000			ACC. COST RECOGNIZED IN EQUITY AT 31.12.2018	RECOGNIZED LIABILITY CASH SETTLEMENT AT 31.12.2018
	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		
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
<b>Total</b>				<b>11 212</b>	<b>15 594</b>	<b>1 909</b>	<b>12 939</b>	<b>6 887</b>	<b>17 503</b>

\*Amounts exclude social security costs

ACCRUED COST RELATED TO CASH OPTIONS NOK 1 000	2019	2018	CLASSIFICATION IN FINANCIAL STATEMENTS
Change in provisions	2 145	1 909	Other provisions for liabilities
Exercised options during the year	13 939	12 939	Salaries and personnel expense / cash
<b>Total cost excl. social security costs</b>	<b>16 085</b>	<b>14 848</b>	
Social security costs	303	325	Public taxes payable
<b>Total cost incl. social security costs</b>	<b>16 387</b>	<b>15 173</b>	Salaries and personnel expense

Cost relating to cash-based remuneration in 2019 totalled NOK 16 387 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 2019, outstanding options with the right to cash settlement were stated at NOK 19 649 thousand, of which NOK 8 379 thousand were classified as non-current liabilities. Issued options are cancelled on termination of employment.

ESTIMATES USED TO CALCULATE ALLOCATION OF OPTIONS	31.12.2019	31.12.2018
Anticipated volatility (%)	37.90%	41.49%
Risk-free rate of interest (%)	1.39%	1.07%
Estimated qualification period (years)	0.98	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

FINANCIAL ITEMS NOK 1 000	2019	2018
<b>FINANCIAL INCOME</b>		
Interest income from Group companies	34 484	31 640
Other interest income	615	840
Group contributions from subsidiaries	862 390	610 982
Dividend	14 737	20 189
Unrealized value changes, derivatives (Note 8)	4 704	9 723
Unrealized currency change, non-current EUR term loan	7 100	-
Unrealized currency change, non-current loans from Group companies	29 819	-
Net realized currency gains	1	478
Net unrealized currency gains	29 008	-
<b>Total</b>	<b>982 858</b>	<b>673 851</b>
<b>FINANCIAL EXPENSE</b>		
Loan interest expenses	35 494	34 808
Interest expenses to Group companies	535	-
Other interest expenses	860	3 322
Realized value changes, derivatives (Note 8)	125	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	2 381	1 334
Net realized currency losses	2 776	-
Net unrealized currency losses	-	13 776
<b>Total</b>	<b>42 171</b>	<b>78 431</b>
<b>Net financial items</b>	<b>940 687</b>	<b>595 420</b>



## NOTE 6 OTHER CURRENT RECEIVABLES/ OTHER CURRENT LIABILITIES

OTHER CURRENT RECEIVABLES NOK 1 000	2019	2018
Prepaid expenses	8 925	8 028
VAT	3 061	2 492
Loan to Nordnorsk Smolt AS *	-	22 940
Unrealized gain on interest rate swap contracts (Note 8)	5 477	858
Other current receivables	497	523
<b>Total other current receivables</b>	<b>17 961</b>	<b>34 840</b>

\*In 2018, GSF 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. The loan was transferred from GSF ASA to GSF Finnmark in 2019.

OTHER CURRENT LIABILITIES NOK 1 000	2019	2018
Accrued interest	4 984	2 584
Other accrued expenses	20 090	13 552
Unrealized loss on foreign currency contracts (Note 8)	-	85
Other current liabilities	2 791	2 507
<b>Total other current liabilities</b>	<b>27 865</b>	<b>18 728</b>

## NOTE 7 BANK DEPOSITS

BANK DEPOSITS NOK 1 000	2019	2018
Restricted deposits relating to employees' tax deductions	1 591	1 495
Other bank deposits	4 804	4 295
<b>Total</b>	<b>6 395</b>	<b>5 790</b>

The company has an overdraft facility of NOK 100 million. Available credit on the overdraft facility was NOK 100 million at year-end 2019 (2018: NOK 53 million).

## NOTE 8 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS NOK 1 000	2019		2018	
	ASSETS	CURRENT LIABILITIES	ASSETS	CURRENT LIABILITIES
Interest rate swap contracts (three contracts of NOK 260 million, NOK 200 million and NOK 200 million maturing in 2021, 2022 and 2023, respectively)*	5 477	-	858	-
Foreign currency contract EUR/NOK (one contract comprising 52 transactions maturing December 2018)	-	-	-	-85
<b>Total financial instruments</b>	<b>5 477</b>	<b>-</b>	<b>858</b>	<b>-85</b>

\*Booked as other current receivables, see Note 6. Amounts exclude accrued interest totalling NOK 399.9 thousand (2018: NOK -392.2 thousand)

CHANGES IN FINANCIAL INSTRUMENTS RECOGNIZED AS FINANCIAL ITEMS NOK 1 000	2019	2018
Unrealized gain/loss on interest rate swaps	4 619	4 929
Unrealized gain/loss on foreign currency contracts	85	4 795
<b>Net unrealized gain/(loss) on financial instruments</b>	<b>4 704</b>	<b>9 723</b>

The Company 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 Company's overall risk management program focuses on the volatility of the financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses financial derivatives to reduce certain risks. The Board has established written principles for the management of foreign exchange risk, interest rate risk and use of the Company's financial instruments.

## NOTE 9 INVESTMENTS IN SUBSIDIARIES

SUBSIDIARY	REGISTERED OFFICE COUNTRY	REGISTERED OFFICE LOCATION	OWNERSHIP/ VOTING SHARE	EQUITY AT 31.12.2019 NOK 1 000	PROFIT/ LOSS 2019 NOK 1 000	BOOK VALUE NOK 1 000
Grieg Seafood Rogaland AS	Norway	Bergen	100%	733 125	411 356	223 497
Grieg Seafood Canada AS	Norway	Bergen	100%	227 353	-42	297 112
Grieg Seafood Finnmark AS	Norway	Bergen	100%	956 045	416 021	400 481
Grieg Seafood Shetland Ltd	UK	Shetland	100%	89 774	-79 180	458 750
Ocean Quality AS	Norway	Bergen	60%	111 336	56 969	6 000
<b>Total</b>				<b>2 117 633</b>	<b>805 125</b>	<b>1 385 840</b>

Equity and profit/loss are taken from provisional financial statements, which have been prepared in accordance with local accounting standards.

## NOTE 10 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	483
Norsk Villaksforvaltning	Norway	Førde	15.15%	5	50	50
The Seafood Innovation Cluster AS	Norway	Bergen	25.00%	25	41	41
<b>Book value of shares at 31.12</b>						<b>677</b>

## NOTE 11 INTANGIBLE ASSETS

2019 NOK 1 000	SOFTWARE
Book value at 01.01	18 739
Additions	695
Amortization	-4 196
<b>Book value at 31.12</b>	<b>15 238</b>
ACCUMULATED VALUES	
Acquisition cost	46 492
Accumulated amortization	-31 254
<b>Book value at 31.12</b>	<b>15 238</b>
Economic life/amortization schedule	3–10 years

2018 NOK 1 000	SOFTWARE
Book value at 01.01	18 196
Additions	4 505
Amortization	-3 962
<b>Book value at 31.12</b>	<b>18 739</b>
ACCUMULATED VALUES	
Acquisition cost	45 797
Accumulated amortization	-27 058
<b>Book value at 31.12</b>	<b>18 739</b>
Economic life/amortization schedule	3–10 years

## NOTE 12 PROPERTY, PLANT AND EQUIPMENT

2019 NOK 1 000		PLANT, EQUIPMENT AND OTHER FIXTURES ETC.
Book value at 01.01		4 488
Additions		534
Depreciation		-1 643
<b>Book value at 31.12</b>		<b>3 379</b>
ACCUMULATED VALUES		
Acquisition cost		17 665
Accumulated depreciation		-14 286
<b>Book value at 31.12</b>		<b>3 379</b>
<b>Economic life/depreciation schedule</b>		<b>3-5 years</b>

2018 NOK 1 000		PLANT, EQUIPMENT AND OTHER FIXTURES ETC.
Book value at 01.01		5 478
Additions		576
Depreciation		-1 566
<b>Book value at 31.12</b>		<b>4 488</b>
ACCUMULATED VALUES		
Acquisition cost		17 131
Accumulated depreciation		-12 643
<b>Book value at 31.12</b>		<b>4 488</b>
<b>Economic life/depreciation schedule</b>		<b>3-5 years</b>

The company has operating lease agreements, which are not recognized in the balance sheet:

2019		
ASSETS	DURATION	OPERATING LEASE EXPENSE
Buildings	Until 2028	2 598
Other equipment	3-5 years	494
<b>Total lease amount charged</b>		<b>3 092</b>

## NOTE 13 SHARE CAPITAL AND SHAREHOLDER INFORMATION

As at 31 December 2019, 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. Another 14 737 shares were sold to employees in November 2019 at a sales price of NOK 136.05 per share, providing a gain of NOK 121.65 per share. After the transactions the company has 1 213 687 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 2018	4.00	86	21 576
Sale of treasury shares to employees 2019	4.00	59	14 737
<b>Total at 31.12.2019</b>		<b>441 793</b>	<b>110 448 313</b>

THE 20 LARGEST SHAREHOLDERS IN GRIEG SEAFOOD ASA	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Grieg Aqua AS	56 018 799	50.17%	56 018 799	50.17%
OM Holding AS	6 169 379	5.53%	6 039 379	5.41%
Folketrygdfondet	5 100 130	4.57%	3 760 350	3.37%
Ystholmen Felles AS	2 928 197	2.62%	2 928 197	2.62%
State Street Bank and Trust Comp	2 166 080	1.94%	2 055 051	1.84%
Clearstream Banking S.A.	1 745 002	1.56%	866 255	0.78%
Verdipapirfondet Pareto Investment	1 701 000	1.52%	1 926 457	1.73%
Verdipapirfondet Alfred Berg Gamba	1 500 796	1.34%	1 700 796	1.52%
Handelsbanken Nordiska Smabolag	1 332 190	1.19%	1 057 190	0.95%
Grieg Seafood ASA	1 213 687	1.09%	1 228 424	1.10%
State Street Bank and Trust Comp	1 057 400	0.95%	149 622	0.13%
Swedbank Robur Smabolagsfond	940 000	0.84%	-	-
JPMorgan Chase Bank, N.A., London	915 596	0.82%	828 120	0.74%
DPam Invest B	888 362	0.80%	-	-
Pictet & Cie (Europe) S.A.	878 324	0.79%	-	-
UBS Switzerland AG	780 949	0.70%	566 035	0.51%
Arctic Funds PLC	706 424	0.63%	234 349	0.21%
Citibank, N.A.	619 195	0.55%	-	-
State Street Bank and Trust Comp	597 876	0.54%	404 867	0.36%
Verdipapirfondet Alfred Berg Norge	562 479	0.50%	380 000	0.34%
<b>Total –20 largest shareholders</b>	<b>87 821 865</b>	<b>78.65%</b>	<b>80 143 891</b>	<b>71.77%</b>
Other shareholders	23 840 135	21.35%	31 518 109	28.23%
<b>Total shares</b>	<b>111 662 000</b>	<b>100.00%</b>	<b>111 662 000</b>	<b>100.00%</b>

## NOTE 13 CONTINUED

SHARES CONTROLLED BY BOARD MEMBERS AND GROUP MANAGEMENT	NO. OF SHARES	SHAREHOLDING	NO. OF SHARES	SHAREHOLDING
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
<b>BOARD OF DIRECTORS</b>				
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) (Board member to 13 June 2019)	7 000	0.01%	7 000	0.01%
Karin Bing Ormland	-	-	-	-
Solveig Nygaard	-	-	-	-
Tore Holand	-	-	-	-
Sirine Fodstad (Board member from 13 June 2019)	-	-	-	-
<b>GROUP MANAGEMENT</b>				
Andreas Kvame (CEO)	39 165	0.04%	39 165	0.04%
Atle Harald Sandtorv (CFO)	24 208	0.02%	24 208	0.02%
Knut Utheim (COO)	23 507	0.02%	23 507	0.02%
Kathleen O. Mathisen (CHRO)	3 456	0.00%	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%	56 018 799	50.17%
Nye Ystholmen AS	2 928 197	2.62%	2 928 197	2.62%
Per Grieg jr. privately	15 000	0.01%	15 000	0.01%
<b>Total shares</b>	<b>58 961 996</b>	<b>52.80%</b>	<b>58 961 996</b>	<b>52.80%</b>

## NOTE 14 TAXES

BASIS FOR TAX PAYABLE NOK 1 000	2019	2018
Profit before tax	853 305	533 716
Dividends recognized in profit or loss	-14 737	-20 189
3% dividend tax	442	606
Net other permanent differences	2 665	-410
Change in financial derivatives	-5 104	-9 723
Change in temporary differences	-17 328	-451
Change in temporary differences from 2018	-16 054	-
Group contribution received/provided	-862 390	-610 982
<b>Taxable loss</b>	<b>-59 200</b>	<b>-107 432</b>
Group contribution received	862 390	610 982
<b>Basis for tax expense for the year</b>	<b>803 190</b>	<b>503 550</b>
<b>22% (23%) tax payable</b>	<b>176 702</b>	<b>115 816</b>
Underprovision for tax previous year	3 692	-
<b>22% (23%) tax payable</b>	<b>180 394</b>	<b>115 816</b>

BREAKDOWN OF DEFERRED TAX BASIS NOK 1 000	CHANGE	2019	2018
<b>TEMPORARY DIFFERENCES</b>			
Non-current assets	-810	4 751	5 561
Profit and loss account	-199	794	993
Cash-based options	-2 448	-22 419	-19 971
Non-current debt/amortized cost	-80	10 022	10 102
Revaluation account non-current liabilities	20 865	105 895	85 030
<b>Net temporary differences</b>	<b>17 328</b>	<b>99 044</b>	<b>81 715</b>
Financial instruments	5 104	5 877	773
<b>Basis for deferred tax in balance sheet</b>	<b>22 432</b>	<b>104 921</b>	<b>82 488</b>
<b>22% deferred tax</b>		<b>23 083</b>	<b>18 972</b>
Change in deferred tax assets due to change in tax rate 22% (23%)		-	-825
<b>Deferred tax assets/deferred tax liabilities in the balance sheet</b>		<b>23 083</b>	<b>18 147</b>
<b>BREAKDOWN OF TAX CHARGE</b>			
Tax payable		180 394	115 816
Change in deferred tax, previous rate 22% (23%)		4 935	2 340
Change in deferred tax due to change of tax rate		-	-825
Tax effect of foreign tax not credited Norwegian tax		1 016	1 012
<b>Tax expense in income statement</b>		<b>186 345</b>	<b>118 343</b>
<b>RECONCILIATION OF TAX EXPENSE</b>			
Profit before tax		853 305	533 716
Estimated tax 22% (23%)		-187 727	-122 755
Tax expense in income statement		186 345	118 343
<b>Difference</b>		<b>-1 382</b>	<b>-4 411</b>
<b>THE DIFFERENCE CONSISTS OF THE FOLLOWING:</b>			
22% of permanent differences		-2 558	-4 598
Tax effect of foreign tax not credited Norwegian tax		1 016	1 012
Change in tax/deferred tax due to change of tax rate		161	-825
<b>Total reconciled difference</b>		<b>-1 382</b>	<b>-4 411</b>

## NOTE 15 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 16 RELATED PARTIES

2019 NOK 1 000	OPERATING INCOME	OPERATING EXPENSES	FINANCIAL INCOME	FINANCIAL EXPENSES	NON- CURRENT RECEIVABLES	TRADE RECEIVABLES	CURRENT RECEIVABLES	TRADE PAYABLES	OTHER CURRENT LIABILITIES
<b>Total related parties</b>									
- Group companies	79 394	-	941 516	-535	648 991	21 217	1 806 443	-1 625	-216 868
<b>Total related parties</b>									
- Shareholders	40	-10 060	-	-	-	-	-	-505	-
<b>Total</b>	<b>79 434</b>	<b>-10 060</b>	<b>941 516</b>	<b>-535</b>	<b>648 991</b>	<b>21 217</b>	<b>1 806 443</b>	<b>-2 130</b>	<b>-216 868</b>

2018 NOK 1 000	OPERATING INCOME	OPERATING EXPENSES	FINANCIAL INCOME	FINANCIAL EXPENSES	NON- CURRENT RECEIVABLES	TRADE RECEIVABLES	CURRENT RECEIVABLES	TRADE PAYABLES	OTHER CURRENT LIABILITIES
<b>Total related parties</b>									
- Group companies	71 516	-14 510	663 952	-5 336	619 171	466	1 112 619	-16 068	-11 476
<b>Total related parties</b>									
- Shareholders	126	-8 792	-	-	-	-	-	-	-
<b>Total</b>	<b>71 643</b>	<b>-23 301</b>	<b>663 952</b>	<b>-5 336</b>	<b>619 171</b>	<b>466</b>	<b>1 112 619</b>	<b>-16 068</b>	<b>-11 476</b>

The company carries out transactions with companies controlled by Grieg Maturitas II AS, who is the parent company of Grieg Aqua AS, majority owner of Grieg Seafood ASA.

The parent company, Grieg Maturitas II AS, is headquartered in C. Sundts gate 17/19, Bergen, Norway, where one can obtain consolidated financial statements, in which the Company is included.

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.

In June 2019, Grieg Seafood ASA acquired 50% of the shares in Nordnorsk Smolt AS. The shares, together with all indebtedness, were immediately sold to Grieg Seafood Finnmark AS at a total amount of NOK 37.7 million. Grieg Seafood Finnmark AS is a wholly-owned subsidiary of Grieg Seafood ASA. The transaction between Grieg Seafood ASA and Grieg Seafood Finnmark AS was executed in accordance with the Norwegian Public Limited Liability Companies Act (Aksjeloven) §3-9. For further information about the investment, please see the consolidated financial statements Note 5.

Grieg Seafood ASA has had transactions with related parties through the acquisition of shares in Grieg Newfoundland in 2020. Please refer to Note 18 and the consolidated financial statements Note 28 for further information.

## NOTE 17 NET INTEREST-BEARING LIABILITIES AND PLEDGES

The company has a syndicated loan provided 50/50 by DNB and Nordea. The financing agreement includes (among other things) two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 300 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 2019, the NIBD/EBITDA for the Group excluding Ocean Quality was 1.4 and the equity ratio was 51%. Consequently, the Group fully complied with all covenants at the year-end.

NON-CURRENT LIABILITIES (INTEREST-BEARING) NOK 1 000	2019	2018
Non-current syndicated loan	944 638	1 048 816
Non-current revolving credit facility *	629 319	260 000
Amortized cost	-10 022	-10 102
<b>Total</b>	<b>1 563 935</b>	<b>1 298 713</b>

CURRENT LIABILITIES (INTEREST-BEARING) NOK 1 000	2019	2018
Current overdraft facility *	-	46 597
Current portion of non-current borrowing	98 212	98 212
Current liquidity loan from subsidiaries	60 000	-
<b>Total</b>	<b>158 212</b>	<b>144 808</b>

NET INTEREST-BEARING LIABILITIES NOK 1 000	2019	2018
Gross interest-bearing liabilities	1 722 146	1 443 522
Unrestricted bank deposits	4 803	4 295
Loans to subsidiaries	1 375 657	1 108 432
Loans to other companies	-	22 100
<b>Net interest-bearing liabilities</b>	<b>341 686</b>	<b>308 695</b>

\* At the end of 2019, the Company had a total revolving credit facility and overdraft facility of NOK 1 400 million, of which NOK 769 million was available for utilization at the reporting date.

MATURITY PROFILE - NON-CURRENT LIABILITIES NOK 1 000	2020	2021	2022	2023	2024	LATER	TOTAL
Non-current loan	98 212	98 212	98 212	748 215	-	-	1 042 850
Non-current credit facility	-	-	-	629 319	-	-	629 319
<b>Total</b>	<b>98 212</b>	<b>98 212</b>	<b>98 212</b>	<b>1 377 534</b>	<b>-</b>	<b>-</b>	<b>1 672 169</b>

## NOTE 17 CONTINUED

LIABILITIES SECURED BY MORTGAGE NOK 1 000	2019	2018
Liabilities to credit institutions	1 662 146	1 443 522
<b>Total liabilities</b>	<b>1 662 146</b>	<b>1 443 522</b>

## BOOK VALUE OF ASSETS PLEDGED AS SECURITY

Shares in subsidiaries	1 385 840	1 385 840
Property, plant and equipment	3 379	4 488
Trade receivables	21 217	466
Loans to subsidiaries*	1 375 657	1 108 432
<b>Total assets pledged as security</b>	<b>2 786 093</b>	<b>2 499 226</b>

\* The subsidiaries and the parent company have a joint and several liability against the credit institutions. See the consolidated financial statements Note 10 for further information about liabilities secured by mortgage.

TYPE OF LIABILITY NOK 1 000	CURRENCY	INTEREST RATE	MATURITY	2019		2018	
				CURRENT PART	NON-CURRENT PART	CURRENT PART	NON-CURRENT PART
Syndicated non-current loan	NOK	Floating	02/2023	50 000	475 000	50 000	514 898
Syndicated non-current loan	EUR	Floating	02/2023	48 212	469 638	48 212	523 816
Syndicated loan revolving credit	NOK	Floating	02/2023	-	580 000	-	260 000
Syndicated loan revolving credit	EUR	Floating	02/2023	-	49 319	-	-
Overdraft facility	Multiple	Floating		-	-	46 597	-
<b>Total</b>				<b>98 212</b>	<b>1 573 957</b>	<b>144 808</b>	<b>1 298 713</b>

CURRENCY EXPOSURE ON LOANS TO CREDIT INSTITUTIONS NOK 1 000	31.12.2019	NOK	GBP	EUR	USD	OTHER
Syndicated non-current loan (NOK)	525 000	525 000	-	-	-	-
Syndicated non-current loan (EUR)	517 850	-	-	517 850	-	-
Syndicated loan revolving credit (non-current) (NOK)	580 000	580 000	-	-	-	-
Syndicated loan revolving credit (non-current) (EUR)	49 319	-	-	49 319	-	-
<b>Total</b>	<b>1 672 169</b>	<b>1 105 000</b>	<b>-</b>	<b>567 169</b>	<b>-</b>	<b>-</b>

	2019	2018
Average interest rate (NOK)	2.57 %	2.20%
Average interest rate (EUR)	1.10 %	1.21%

## NOTE 18 POST-BALANCE SHEET EVENTS

On 7 February 2020, Grieg Seafood entered into Sales and Purchase agreements with Grieg Kapital AS, Kvasshøgdi AS, Knut Skeidsvoll and Canada Inc. for the purchase of the shares in Grieg Newfoundland AS. Grieg Kapital AS is wholly-owned by Grieg Maturitas II AS and Kvasshøgdi AS is wholly-owned by Per Grieg jr. Any material agreement between related parties should be approved by the General Meeting, according to the Norwegian Public Limited Liability Companies Act (Aksjeloven). The agreement was approved by Extraordinary General Meeting on 25 March 2020. Please refer to the consolidated financial statements Note 28 for further information.

There has been no significant events after the reporting date that will materially affect the financial statement.



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 Statement of financial position as at 31 December 2019, 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 balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2019, 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 2019, 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 have 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 2019 audit. Consequently, our areas of focus are the same as previous year.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen

T: 02316, org. no.: 987 009 713 VAT, www.pwc.no

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



## Independent Auditor's Report - Grieg Seafood ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

<p><i>Measuring of the amount of biological assets</i></p>	<p>The Group's biomass system shows the number of fish, average weight and biomass per site. We 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.</p> <p>We reviewed the Group's processes for controlling the number of fish stocked. To assure accuracy of the number of fish registered in the biomass system, we tested a selection of smolt stocked, by tracing the number of fish stocked back to underlying documentation. Underlying documentation are e.g. vaccination documentation for internally produced smolt and invoices for purchase of external smolt.</p> <p>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.</p> <p>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.</p> <p>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.</p>
--	---

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. As a result, there is some uncertainty related to the number of fish and biomass in the sea. Therefore, we 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.



## Independent Auditor's Report - Grieg Seafood ASA

*Valuation of biological assets at fair value*

The Group measures biological assets at fair value using the requirements in IAS 41. As per 31.12.2019, the book value of biological assets is MNOK 3 438, of which MNOK 2 670 is historical cost and MNOK 768 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.

See note 2 and 7 for information about valuation of biological assets at fair value.

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 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.

(3)



## Independent Auditor's Report - Grieg Seafood ASA

### *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 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 judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 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.

(4)





## Independent Auditor's Report - Grieg Seafood ASA

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with 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, 8. April 2020

**PricewaterhouseCoopers AS**

Jon Haugervåg  
State Authorised Public Accountant



To the Board of Directors of Grieg Seafood ASA

### **Independent statement regarding Grieg Seafood ASA's sustainability reporting**

We have been engaged by Grieg Seafood ASA (Grieg Seafood) to examine whether the Group's sustainability reporting is conducted in accordance with the Global Reporting Initiative (GRI) Standards Core Option, and to examine whether the sustainability KPIs is calculated, estimated and reported in accordance with the definitions and explanations provided in relation to each key performance indicator

- Grieg Seafood's GRI Index for 2019 is an overview of which principles, aspects and indicators from the GRI guidelines that Grieg Seafood use to measure and report on sustainability; together with a reference to where the material sustainability information is reported within the integrated annual report for 2019 (Annual Report 2019). We have examined whether Grieg Seafood has developed a GRI Index for 2019 and whether mandatory disclosures are presented in accordance with the Standards published by The Global Reporting Initiative ([www.globalreporting.org/standards](http://www.globalreporting.org/standards)) (criteria).
- Key performance indicators for sustainability are reported in "Our Scoreboard" on pages 18-19 in the Annual Report 2019. This table contains sustainability indicators that Grieg Seafood measures and controls. Grieg Seafood has defined the key performance indicators in the referenced pages in the Scoreboard, where they also explain how they are measured (criteria). We have examined the basis for the KPIs reported in "Our Scoreboard" and examined whether these are calculated, estimated and reported in accordance with the criteria.

### **Tasks and responsibilities of management**

Management is responsible for Grieg Seafood's Sustainability Reporting for 2019 and that the GRI Index for 2019 is developed in accordance with the Standards published by the GRI. Management is also responsible for key performance indicators for sustainability and that these are calculated, estimated and reported in accordance with the definitions given in the referenced pages in "Our Scoreboard". Their responsibility includes to implement such internal control as management determines is necessary to enable development and reporting of the GRI Index and to enable correct calculation, estimation and reporting of the sustainability KPIs in the Annual Report 2019.

### **Our independence and quality control**

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory requirements.

### **The Auditors responsibilities**

Our responsibility is to express an opinion on Grieg Seafoods sustainability reporting based on our controls. We have performed our work in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that Grieg Seafood's GRI Index 2019 and key performance indicators for sustainability are developed in accordance with GRI Standards Core

*PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen*

*T: 02316, org. no.: 987 009 713 VAT, [www.pwc.no](http://www.pwc.no)*

*State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*



Option and the criteria for reporting and measurement that are given in relation to “Our Scoreboard” containing key performance indicators. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the GRI Index 2019 and sustainability KPIs. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the GRI Index 2019 and sustainability KPIs.

Our controls include meetings and interviews with representatives from Grieg Seafood that are responsible for the key areas covered by the sustainability reporting, evaluating internal controls and procedures for reporting key performance indicators for sustainability, collecting and reviewing relevant information that supports the calculation and estimation of key performance indicators, evaluating the completeness of the key performance indicators and controlling whether the calculation and estimation of the key performance indicators are accurate.

We believe that the evidence we have obtained is sufficient and appropriate to provide basis for our conclusion.

**Conclusion**

In our opinion the GRI Index 2019 is, in all material respects, developed and presented in accordance with the requirements of the Global Reporting Initiative Standards Core Option.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the calculation, estimation and reporting of the sustainability key performance indicators presented in “Our Scoreboard” in the Annual Report for 2019 are not prepared, in all material respects, in accordance with the definitions and explanations provided in relation to each key performance indicator presented in “Our Scoreboard”.

Bergen, 8 April 2020  
**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read "Jon Haugervåg", is written over a faint, light blue circular stamp or watermark.

Jon Haugervåg  
State authorized public accountant



PART 04

# APPENDIX

TCFD REPORT	322-329
GRI INDEX	330-343

## APPENDIX

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

Mapping of climate-related risk and opportunities in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The Task Force on Climate-Related Financial Disclosures (TCFD) was established by the Financial Stability Board to improve companies' disclosure of climate-related financial information. The TCFD's recommendations are summarized in a framework for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. The recommended disclosure includes critical questions relating to how climate risks are addressed by companies' boards and managements, and how climate-related risk management, strategy revisions, and targets are structured. In preparing this report, we have disclosed our climate-related risks and opportunities, including our corresponding climate-related risk management, and we have adhered to the TCFD's seven Principles for Effective Disclosures.

We have worked systematically to reduce our environmental impact for many years, and we consider ourselves well positioned to manage stricter climate requirements. However, due to the increasing pace of change in climate-related expectations, there is a need for a more systematic and strategic approach to climate-related risk and opportunity management, and a better understanding of the possible financial impacts of climate change in different emission pathways and time horizons. We see this as a requirement to ensure our position as a future-proofed, sustainable, and circular company.

## OUR CLIMATE-RELATED RISKS AND OPPORTUNITIES

<p><b>ACUTE PHYSICAL RISKS</b></p>	<p><b>Extreme weather events:</b> More frequent extreme weather events, such as storms, waves, and ice, have several potential impacts on our fish production sites in the ocean:</p> <ul style="list-style-type: none"> <li>• Damage to production facilities and infrastructure.</li> <li>• Increase in accidents for employees.</li> <li>• Increase in downtime due to harsh weather.</li> <li>• Higher risk of fish escapes due to facility impairment.</li> </ul> <p>Relevant studies done by the Norwegian Environmental Agency (2017, M406 report) shows an increase in extreme weather events with storms and increased precipitation of snow and ice. We already experience extreme weather situations, amongst others in Finnmark, where severe wind, snow and ice can occur at the same time. The risk of extreme weather will increase, and future weather events will become more extreme. An example is that a massive amount of ice on our pens, which are already heavy, cause lack of the floating capacity and the pens may start to sink. Extreme wind and waves may cause challenges for our employees to enter our sites to care for the fish. We might have situations where the fish manage to escape due to damages on the constructions. Overall, these risks might result in decreased harvest due to loss of fish, or lost opportunity to farm in the most exposed areas.</p> <p><b>Availability and cost of raw materials from suppliers:</b> Extreme weather in locations where our suppliers source feed raw materials may impact the price and availability of fish feed. For example, higher temperatures may impact supply of fish meal and fish oil in Peru, potentially increasing the cost of these raw materials globally, hence increasing the cost of our salmon fish feed. Droughts and floods may impact land-based inputs (soy, wheat, etc.) for fish feed. Corresponding cost increases will be passed on to Grieg Seafood.</p>
<p><b>CHRONIC PHYSICAL RISKS</b></p>	<p><b>Increased water temperature:</b> Higher average temperatures in sea water can cause damage to salmon health. Temperature increase can lead to elevated risk of algae bloom, which leads to lower oxygen levels, which can cause higher levels of fish disease and mortality.</p>
<p><b>REGULATORY RISKS</b></p>	<p><b>Carbon tax:</b> Grieg Seafood is increasingly transporting products by air freight, particularly to new markets. Any carbon taxes may have a significant financial impact and make our products less competitive. In 2017, the Norwegian government approved the Norwegian Climate Act, which aims to reduce overall emissions by 40% in 2030 and 80-95% in 2050 (base year 2010). In January 2020, the Norwegian government increased their ambitions to reducing overall emissions by 50% by 2030. In order to reach these emission reductions, the government has established a series of taxation on fuels, including a consumption tax and a CO2 tax. This will increase our cost of consumption of fossil fuels in Norway, impacting our operating cost. We use diesel for feeding processes, lighting and other energy related activities. Even though we are testing out new technologies to reduce our overall carbon footprint from these sources, such as switching diesel engines used on sites with battery packs, electricity from grid or hybrid solutions, our largest direct source of emissions is still coming from the use of fuels for our boats, vehicles and on-site energy production from generators. Hence, if we do not substitute our fossil fuel consumption with renewable energy technologies, we will be taxed in the future.</p> <p>Increasing cost of carbon may change market dynamics in favor of local, land-based production or closed-containment technologies, leaving us with an obsolete business model and mode of production. Our own resilience to emerging climate-related regulations is also dependent on our suppliers' ability to adapt to new climate-related regulations that affect them. If they are not prepared to face these risks themselves it is highly likely that their increased operating cost would be passed on to us. Currently, our suppliers' ability to quickly adapt to changing regulations or market demands may be limited.</p>
<p><b>MARKET RISKS</b></p>	<p><b>Supply:</b> We rely heavily on access to good quality, sustainably sourced raw materials for our fish feed. If climate change causes acute or chronic physical changes, the availability of these raw materials may become scarcer and hence more expensive. We are also reliant on our suppliers as invested partners to find more sustainable production and transportation methods as these could become more heavily regulated in the future.</p> <p><b>Demand:</b> Climate change and increased consumer attention to climate-related issues can have a multitude of effects on the demand for protein sources. One of the main changes we monitor closely, is the risk from shifts in consumer preferences of preferring certified fish. This could potentially have a substantive financial impact if we are not able to meet these demands. Increased demand from grocery stores for environmental/climate-related certified products can already be observed in the market, not just in Norway but in the rest of Europe and throughout North America. We have been contacted by clients who want or even demand this. Certified products, such as ASC certified fish, can become a common customer demand, and the risk of not receiving the certification may impact our revenues. However, we are committed to expand the number of ASC certified locations, and at year-end, a total of ten sites were ASC certified.</p>



<p><b>TECHNOLOGY RISKS</b></p>	<p><b>Developments in land-based fish farming:</b> If land-based fish farming increases in markets such as China and the US, we will be at a great disadvantage, particularly as we use air freight to reach consumer markets. R&amp;D efforts in land-based farming technologies may increase as the cost of carbon rises, making land-based fish farming more competitive, and placing us at a competitive disadvantage. If the transport of fish could be accomplished at low carbon emission levels, however (i.e. via alternative freezing methods), we would still be well positioned.</p> <p><b>Developments in alternative protein:</b> Climate change and a growing awareness of the meat industry’s substantial carbon footprint is boosting efforts to develop alternative proteins, plant based or lab based. If alternative protein can be produced at a competitive cost and quality, it could affect demand for farmed fish.</p>
<p><b>REPUTATIONAL RISKS</b></p>	<p><b>Business models based on extensive use of air freight</b> may see growing reputational pressure as climate awareness increases. This may impact our attractiveness to consumers, employees, and investors.</p> <p><b>Investor interest</b> may decrease if we fail to develop a convincing narrative on our approach to sustainability (i.e. how we are going to cut emissions in line with the Paris Agreement).</p> <p><b>Consumer interest</b> may also decrease if we fail to effectively communicate our dedication to sustainable and climate-friendly solutions. We provide certified fish as a part of our climate-related focus on offering more environmentally friendly and climate conscious products. With the growing focus on certified seafood from the public, this can be even more relevant for our future reputation.</p>
<p><b>OPPORTUNITIES</b></p>	<p><b>Low-emission protein source:</b> Farmed salmon has a substantially better carbon footprint than meat-based protein, making it more resilient to climate-related regulations and shifts in consumer preference away from carbon-intensive protein sources.</p> <p><b>Renewable energy:</b> Grieg Seafood sees opportunities in shifting from fossil fuels to electrical power at our locations in Norway in order to reduce emissions and lower our cost. Fuels from generators from on-site energy production is one of the largest direct sources of emissions in our sector, and we are testing new technologies to reduce the carbon footprint from these sources, such as switching diesel engines used on sites with battery packs or hybrid solutions. These are great opportunities which can also be beneficial economically in the long run. With the passing of the Norwegian Climate Act, there is a great opportunity for Grieg Seafood to reap the reputational benefits of eliminating fuel-related emissions because we still use fossil aggregates in several locations along the coastline of Norway. State-owned enterprises, such as Enova, are also distributing subsidies for switching to renewable energy, that we can apply for. By switching our locations from diesel to electricity, we will reduce emissions from these locations by 90%, and even more in the future with more renewable sources in the power grid in 2050 than in today’s Nordic mix. We have already implemented initiatives to switch from diesel to electricity by installing off-grid electricity in some locations. Additionally, this activity is not only beneficial for the climate, but also has further environmental, pollution and water benefits. We have a policy that emphasizes our responsibility as to protect the biodiversity in the ocean.</p> <p><b>Early adaptation to climate changes:</b> Grieg Seafood BC has adapted its operations to the consequences of a changing climate (i.e. increased amount and types of algae, and lower oxygen levels). This knowledge should be easily transferrable to other areas.</p> <p><b>Innovation:</b> Grieg Seafood have tried to find more sustainable ways to store our fish for transportation. The opportunity to reduce the amount of ice in boxes that we transport fish in, can decrease both cost and emissions. Sub-chilling entails bringing the salmon to low temperatures without freezing more than 20% of its water. Approximately 10% of the overall weight in salmon transport is ice. Sub-chilling makes ice redundant, and reduces emissions and transportation cost. Sub-chilling does not just have economic benefits with a longer shelf life, but also gives the opportunity to transport the fish in shipping containers instead of airfreight, which is considerably cheaper and more environmentally friendly. Increased shelf life provides further market opportunities. This technology challenges existing regulations and definitions of fresh and frozen fish.</p> <p><b>New business regions due to ice cap melting.</b> If the northern ice cap continues to melt, the North-East passage to China from Finnmark in northern Norway might open. In that case, Grieg Seafood Finnmark might benefit from transporting products to Asia with a low carbon footprint, given that appropriate freezing methods have been developed.</p>

TCFD MATRIX: RESULTS 2019			
#	DISCLOSURE	RESPONSE	REFERENCE
<b>GOVERNANCE</b>			
1	<b>Describe the board's oversight of climate-related risks and opportunities.</b>	<p>The Board exercises oversight of strategic, operational and financial matters, including the nature and extent of major risks. Therefore, the Board also has the highest-level responsibility to oversee developments in climate-related risks and opportunities. On the Board, the Audit Committee has a particular responsibility to monitor critical business risks, and address the quality and effectiveness of relevant risk reducing measures. The Audit Committee receives a risk review quarterly, and significant risks are reported further to the Board. Climate-related risks have not yet been treated as a separate risk category, but rather as a part of the broader sustainability issues. However, climate-related risks and opportunities are increasingly recognized as crucial considerations to ensure the success of Grieg's business strategy, and there is consequently an ongoing effort to make these topics a prioritized agenda item.</p> <p>Going forward, we will ensure that climate-related risks are adequately assessed as a separate risk category, and that the Audit Committee and the Board regularly review these risks. A clear strategy to address both risks and opportunities will be developed. The Board of Directors holds the group management team accountable for pursuing our strategies and for assessing risks related to climate change and the environment.</p>	For more information about our risk management, see Part 3 – Corporate Governance and the Board of Directors' Report in the Annual Report 2019.
2	<b>Describe management's role in assessing and managing climate-related risks and opportunities.</b>	<p>Grieg Seafood's management level action on sustainability and climate change is led by the Chief Sustainability Officer (CSO). The CSO leads a team with one dedicated person in each region who is responsible for climate and sustainability issues in their own region. The CSO reports to the Chief Operational Officer, who is a member of the group management team. In mitigating and managing overall climate-related risks, we have a target to reduce emissions from our operations by 2030.</p> <p>Going forward, we will ensure a coherent understanding of climate risks relevant to Grieg Seafood, and include these risks and opportunities as a separate issue in our strategy and risk management.</p>	For more information about our risk management, see Part 3 – Corporate Governance and the Board of Directors' Report in the Annual Report 2019.
<b>STRATEGY</b>			
3	<b>Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.</b>	<p>See "Our risks and opportunities" as presented in the table above.</p> <p>Going forward, we will develop likelihood and impacts analyses for different emission pathways and time horizons by using scenario analyses for climate-related risks.</p>	

#	DISCLOSURE	RESPONSE	REFERENCE
4	<b>Describe the impact of climate-related risks and opportunities on the organization's business strategy and financial planning.</b>	<p>Examples of impact are described in the table "Our risk and opportunities" above.</p> <p>Overall, we expect the impacts of climate-related risks to be moderate in the short term, but these impacts could become more severe in the medium to long term. Any significant physical change is likely to interfere with our current business model or damage our facility infrastructure, both of which could be costly. Similarly, the transitional risks related to increased climate-change regulation or significant changes in consumer preferences could likely affect our bottom line and access to capital. On the other hand, we see Grieg Seafood as being uniquely placed to mitigate these risks and take advantage of climate-related opportunities. In order to get a full overview over how these climate-related risks and opportunities may evolve and affect us, we will develop likelihood and impacts analyses under different emission pathways and time horizons.</p> <p>Going forward, we will address climate-related risk as part of our strategy. We have already developed some cost estimates, but more detailed financial planning is necessary.</p>	
5	<b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b>	<p>The resilience of our strategy under different emission pathways and time horizons is not currently known, and this will be an area of focus in our ongoing work on climate-related risks.</p> <p>Going forward, we will develop scenarios analyses to ensure adequate management of and a strategic approach to our climate-related risks.</p>	
<b>RISK MANAGEMENT</b>			
6	<b>Describe the organization's processes for identifying and assessing climate-related risks.</b>	<p>On a quarterly basis we perform a risk analysis, which is reported to the Board's Audit Committee. Climate-related risk has so far been treated as an integrated part of other risk categories. In the future, it will be separated as its own risk area.</p> <p>By preparing this report, we initiated a formal process for identifying and assessing climate-related risks as a separate risk category, which will be a part of our integrated risk identification, assessment, and management process. This is to ensure thorough monitoring of these risks and that proper actions are taken in our strategic and financial planning. The risk owner for climate-related risks will be the CSO who currently already monitors climate-related risks with the help of a team made up of sustainability heads in each region.</p> <p>The process for identifying and assessing climate-related risks will be similar to our general risk and opportunity assessment. First, we identify overall company targets, and then identify relevant risks linked to these targets. The risks are classified into risk categories in terms of which area of the company they are likely to affect. Each risk category has a risk owner, who is responsible for monitoring and assessing the risks that fall under their category of responsibility. Identified risks are subsequently assessed against the risk appetite for each risk category. Each risk is assessed in terms of likelihood and potential impact with regards to long-term value creation and achievement of strategic targets.</p>	

#	DISCLOSURE	RESPONSE	REFERENCE
7	<b>Describe the organization's processes for managing climate-related risks.</b>	<p>The process for managing risk in general, is carried out by the group management team and overseen by the Board. The Finance Department is responsible for maintaining a risk register, based on discussions with the group management team and the CSO. The risk owners have the direct responsibility to manage risks in their risk category. They are mandated to initiate measures to mitigate risks that exceed the risk appetite for the category, i.e. that interfere with the company's set targets and overall strategic goals. Risk management and mitigation progress is reported to the Audit Committee and further to the Board. High risk areas will be followed up closely until the risk is reduced to an acceptable level.</p> <p>So far, our process for managing climate-related risks has occurred under other risk categories or been manifested in the overall reduction of carbon emissions. A formal process for managing climate-related risks as an independent risk category has recently been initiated. Going forward, we will include management of climate-related risks as a separate category of our risk framework. This will ensure regular assessment and risk management ownership at the correct level, particularly with regard to longer-term investments and strategic decisions.</p>	
8	<b>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.</b>	<p>Climate-related risks have been integrated as part of other risk categories in the processes of identifying, assessing and managing company risks. We recognize integration of climate-related risk into the wider risk framework as a positive way for climate issues to be fully mainstreamed in our strategic operations. There is a need to understand the specific impact climate change will have on the resilience of our strategy and operations. Therefore, we see a need to establish an independent risk category, under which we can tailor our identification, assessment, and management processes specifically to climate-related risks and opportunities, for example by using scenario analyses. This will mean that climate-related risks will be included and integrated in the wider risk framework, but that it will also be possible to make individual climate-related risk judgements.</p> <p>Going forward, we will integrate climate-related risks into our risk framework as a fully integrated but independent risk category. Responsibility for climate risk is assigned to the CSO.</p>	

#	DISCLOSURE	RESPONSE	REFERENCE																				
<b>METRICS &amp; TARGETS</b>																							
9	<p><b>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</b></p>	<p>We have estimated cost related to selected climate-related risks and opportunities.</p> <table border="1"> <thead> <tr> <th>RISK/ OPPORTUNITY</th> <th>TYPE OF FINANCIAL IMPACT</th> <th>ESTIMATED IMPACT FIGURE</th> <th>EXPLANATION</th> </tr> </thead> <tbody> <tr> <td>Regulatory risk</td> <td>Increased operating cost from pricing of GHG emissions</td> <td>MNOK 10</td> <td>If we substitute all use of fossil fuels for energy at our sites in Norway, we will save approx. MNOK 600 (over the installations lifetime of 20 years). With a 1.7% increase already regulated in 2019, this price will increase to MNOK 610. The potential financial impact figure of this risk is therefore MNOK 10.</td> </tr> <tr> <td>Regulatory risk</td> <td>Reduced revenue from decreased demand due to shifts in consumer preferences</td> <td>MNOK 33</td> <td>We base the calculation of the financial impact figure of this risk on the total harvested volume in 2019 of 82 873 tonnes GWT. Given a scenario where the common customer demand for ASC is 20% of our harvested volume, which pays NOK 2 more per kg ASC certified fish, we have calculated that this could represent a possible loss of income of MNOK 33.</td> </tr> <tr> <td>Acute physical risk</td> <td>Reduced revenue from decreased production capacity due to extreme weather events</td> <td>MNK 200</td> <td>In a scenario where our pens are damaged, and 500 000 fish close to harvest weight of 5kg (and a market value of NOK 60 per kg) escape, the impact could be a loss of revenues of MNOK150. Damages on the constructions could possibly be up to MNOK 40 -50. The total cost of potential financial impact figure is approx. MNOK 200.</td> </tr> <tr> <td>Opportunity</td> <td>Reduced exposure to future fossil fuel price increases by switching to lower-emission sources of energy</td> <td>MNOK 610</td> <td>If we substitute all use of fossil fuels on our sites in Norway, it will save us MNOK 600 (over the installations lifetime of 20 years). The total saving by realizing this opportunity is MNOK 610 MNOK, including 1.7% increase on the taxation of fuel.</td> </tr> </tbody> </table> <p>Going forward, we will continue developing key metrics to track risk management, including by developing scenario analyses. We will also consider the development of an internal carbon pricing scheme.</p>	RISK/ OPPORTUNITY	TYPE OF FINANCIAL IMPACT	ESTIMATED IMPACT FIGURE	EXPLANATION	Regulatory risk	Increased operating cost from pricing of GHG emissions	MNOK 10	If we substitute all use of fossil fuels for energy at our sites in Norway, we will save approx. MNOK 600 (over the installations lifetime of 20 years). With a 1.7% increase already regulated in 2019, this price will increase to MNOK 610. The potential financial impact figure of this risk is therefore MNOK 10.	Regulatory risk	Reduced revenue from decreased demand due to shifts in consumer preferences	MNOK 33	We base the calculation of the financial impact figure of this risk on the total harvested volume in 2019 of 82 873 tonnes GWT. Given a scenario where the common customer demand for ASC is 20% of our harvested volume, which pays NOK 2 more per kg ASC certified fish, we have calculated that this could represent a possible loss of income of MNOK 33.	Acute physical risk	Reduced revenue from decreased production capacity due to extreme weather events	MNK 200	In a scenario where our pens are damaged, and 500 000 fish close to harvest weight of 5kg (and a market value of NOK 60 per kg) escape, the impact could be a loss of revenues of MNOK150. Damages on the constructions could possibly be up to MNOK 40 -50. The total cost of potential financial impact figure is approx. MNOK 200.	Opportunity	Reduced exposure to future fossil fuel price increases by switching to lower-emission sources of energy	MNOK 610	If we substitute all use of fossil fuels on our sites in Norway, it will save us MNOK 600 (over the installations lifetime of 20 years). The total saving by realizing this opportunity is MNOK 610 MNOK, including 1.7% increase on the taxation of fuel.	
RISK/ OPPORTUNITY	TYPE OF FINANCIAL IMPACT	ESTIMATED IMPACT FIGURE	EXPLANATION																				
Regulatory risk	Increased operating cost from pricing of GHG emissions	MNOK 10	If we substitute all use of fossil fuels for energy at our sites in Norway, we will save approx. MNOK 600 (over the installations lifetime of 20 years). With a 1.7% increase already regulated in 2019, this price will increase to MNOK 610. The potential financial impact figure of this risk is therefore MNOK 10.																				
Regulatory risk	Reduced revenue from decreased demand due to shifts in consumer preferences	MNOK 33	We base the calculation of the financial impact figure of this risk on the total harvested volume in 2019 of 82 873 tonnes GWT. Given a scenario where the common customer demand for ASC is 20% of our harvested volume, which pays NOK 2 more per kg ASC certified fish, we have calculated that this could represent a possible loss of income of MNOK 33.																				
Acute physical risk	Reduced revenue from decreased production capacity due to extreme weather events	MNK 200	In a scenario where our pens are damaged, and 500 000 fish close to harvest weight of 5kg (and a market value of NOK 60 per kg) escape, the impact could be a loss of revenues of MNOK150. Damages on the constructions could possibly be up to MNOK 40 -50. The total cost of potential financial impact figure is approx. MNOK 200.																				
Opportunity	Reduced exposure to future fossil fuel price increases by switching to lower-emission sources of energy	MNOK 610	If we substitute all use of fossil fuels on our sites in Norway, it will save us MNOK 600 (over the installations lifetime of 20 years). The total saving by realizing this opportunity is MNOK 610 MNOK, including 1.7% increase on the taxation of fuel.																				
10	<p><b>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</b></p>	<p>We calculate our own emissions in Scope 1 and Scope 2. Our emissions in 2019 are:</p> <table border="1"> <thead> <tr> <th>EMISSION SCOPE</th> <th>GREENHOUS GAS EMISSIONS (TCO2E)</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>39 363</td> </tr> <tr> <td>Scope 2</td> <td>3 304</td> </tr> <tr> <td>Total</td> <td>42 667</td> </tr> </tbody> </table>	EMISSION SCOPE	GREENHOUS GAS EMISSIONS (TCO2E)	Scope 1	39 363	Scope 2	3 304	Total	42 667	<p>See our Scope 1 and Scope 2 emissions in Part 2 – Sustainable Food – Reducing carbon Emissions, in the Annual Report 2019.</p>												
EMISSION SCOPE	GREENHOUS GAS EMISSIONS (TCO2E)																						
Scope 1	39 363																						
Scope 2	3 304																						
Total	42 667																						
11	<p><b>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</b></p>	<p>We target a 30% reduction in emissions/tonnes GWT by 2030, compared to the base year 2017.</p> <p>Going forward, we will commit to the Science-Based Targets Initiative (SBTi). We will develop targets to track climate-related risks and opportunities.</p>																					





APPENDIX

# GLOBAL REPORTING INITIATIVE INDEX

This report has been prepared in accordance with the GRI Standards: Core option. We follow the GRI Standards to report our economic, environmental and social performance, allowing for greater transparency and accountability. For more information on our approach to corporate social responsibility and transparency, see Part 1.

## REPORT QUALITY

The quantitative information provided in this report, is mainly data we have retrieved from our production, logistics and financial systems. Where data have been measured or estimated, this is indicated in footnotes. If we use external data, the source is specified. Our data is reported consistently, unless otherwise indicated. Any restatement of historical data is disclosed. All entities consolidated into the Grieg Seafood Group's financial statement are included in our sustainability data.

## EXTERNAL VERIFICATION

To ensure the quality of our report and the information (both quantitative and qualitative) provided, it is reviewed and verified internally. To ensure high data quality and to enhance the credibility of our sustainability reporting, it has been verified by our independent auditor, PwC. The auditor's opinion on sustainability reporting concludes that our Annual Report 2019 is presented according to the GRI Standards Core Option. In addition to assessing the extent to which our report complies with the GRI Standards Core Option, PwC has also examined selected metrics. These metrics include data reported to the Global Salmon Initiative and our greenhouse gas emissions. Reference is made to the auditor's statement on sustainability reporting in the Annual Report 2019.

## MANAGEMENT APPROACH

With our vision of farming the ocean for a better future, we demonstrate our commitment to corporate responsibility by operating profitably and sustainably in a manner that conforms with fundamental ethical norms and respect for the individual, the environment, and society as whole. We apply the precautionary principle as our strategy for approaching issues of potential harm when scientific knowledge is lacking. We aim to collaborate and take part in research to develop and test new solutions. In pursuit of our vision, we will face risks and opportunities. Our risk management is clearly connected with a multitude of stakeholder expectations, and the topics we have identified as material.

The Board exercises oversight of strategic, operational and financial matters, including the nature and extent of major risks. The Board and the CEO have delegated responsibility to the various business areas and functions, ensuring that operational responsibility is an integral part for all management teams and units and departments. We have a whistleblower channel, operated by EY, available for our employees and external parties to report any unwanted behavior and breaches to our Code of Conduct.

<b>PILLAR</b>
<b>FOUNDATION</b>
<b>HEALTHY OCEAN</b>
<b>SUSTAINABLE FOOD</b>
<b>PROFIT &amp; INNOVATION</b>
<b>PEOPLE</b>
<b>LOCAL COMMUNITIES</b>



MATERIAL TOPIC	TOPIC DEFINITION AND BOUNDARIES	MANAGEMENT APPROACH	CHOSEN UN SDGs
<b>Corporate governance &amp; responsible business conduct</b>	Strong corporate governance is essential in achieving our objectives and acting as a responsible organization. We need to ensure that all employees practice sound ethics, care for the environment, and social wellbeing. We expect nothing less from our suppliers through our Supplier Code of Conduct.	Our governance system consists of our culture, management principles, risk and internal control framework, policies, procedures etc. We adhere to our Principles of Corporate Governance, and our Code of Conduct guides our behavior. Training in our Code is performed regularly. External assurance and certifications are performed in several areas of our operations.	<b>16, 17</b>
<b>Fish health &amp; welfare</b>	Ensuring fish health and welfare is an ethical responsibility and important to ensure good growth, quality and lower cost. It includes the full lifecycle of the salmon as well as our use of cleaner fish.	We have policies and operational procedures to ensure good fish health and welfare. We adhere to regulations, and report to authorities. KPIs to measure fish health and welfare includes survival rate and causes for reduced survival.	<b>14</b>
<b>Sea lice control</b>	Sea lice control is important to ensure the health and welfare of our fish, as well as to protect wild salmon, in particular in Norway. In BC, the wild salmon carries sea lice, impacting our farms each autumn.	We have policies and several approaches to keep the sea lice level low. We adhere to local regulations, and report sea lice levels regularly to authorities. Main KPI is keeping the adult female sea lice level below national limits.	<b>14</b>
<b>Medicines &amp; chemicals</b>	We aim to avoid using medicines to combat sea lice or diseases, as it can impact the local environment, or in the case of antibiotics, make the salmon resistant for further treatment.	We have policies and procedures in place for the use of medicines and chemicals. We also adhere to regulations. We track the use of medicines and chemicals, and the result of our measures is the survival rate and the quality of our fish.	<b>3, 12, 14</b>
<b>Escape control</b>	Avoiding fish escape incidents is important to minimize impact on wild salmon, as well as to protect our values.	We have procedures in place, as well as high technical standard on equipment to avoid escapes. Any escape incident is an indicator that our measures are not effective, and require an investigation of our procedures.	<b>14</b>
<b>Organic emission</b>	We aim to keep emissions of feed and feces from the open-net pens in line with regulations to minimize local emissions and avoid eutrophication.	We assess our sites and apply operating procedures to ensure that local emissions are below legal limits. Environmental monitoring programs and tests is the main approach to evaluate the effectiveness of our measures.	<b>12, 14</b>
<b>Wildlife interactions</b>	We aim to avoid impact on wild mammals and birds.	We have procedures and equipment in place to minimize the risk of injury to wildlife. Any lethal incident is an indicator that we need to reassess our measures.	<b>12</b>
<b>Safe &amp; healthy food</b>	We need to ensure that our fish meet rigorous food safety standards, in some cases even above and beyond official regulations, to meet customer expectations.	We have procedures, including traceability and strict quality control, in place to ensure that our salmon is safe. We operate according to standards and certify our supply chain. Samples are taken by external laboratories to ensure our salmon is well below limits for environmental contaminants.	<b>3</b>
<b>Sustainable feed ingredients</b>	We need to ensure that marine and protein ingredients are sustainable.	As we do not produce our own fish feed, we set requirements for our feed suppliers to develop more sustainable feed. We comply with standards, and support and/or participate to develop new and higher standards for sustainable sourcing of feed raw materials.	<b>12, 13, 17</b>
<b>GHG emissions</b>	To ensure future competitiveness and do our part in reaching the Paris Agreement, we must reduce our greenhouse gas emissions, while also working with upstream suppliers and downstream transportation to reduce our own and our supply chain 's footprint.	We have set a target for reduction, and have improved our data collection for a more systematic assessment of our emissions. We are not satisfied with the increase in our GHG emissions, and will develop transition plans.	<b>3, 12, 13</b>
<b>Plastic waste</b>	We aim not to pollute the environment where we farm our salmon, and to improve the circular economy.	We work to reduce negative impacts of plastic waste, including using recycled materials and recycling our materials. We work with suppliers to assess alternative materials.	<b>3, 12, 13, 14, 17</b>
<b>Economic performance</b>	We aim to create value for our stakeholders, in particular our shareholders, by focusing on sustainable production and improve our operations.	We have a target for the return on capital employed, and strategies in place to ensure focus on particular areas.	<b>5, 8</b>
<b>Human rights</b>	Respecting human rights is the basis for society, and also for our business and our value chain.	We have our own principles and Code of Conduct in place, and adhere to various global principles and practices. We also require our suppliers to follow our Supplier Code of Conduct.	<b>8, 16</b>
<b>Workplace safety (HSE)</b>	We aim to prevent accidents, and offer workplace conditions and other support to help ensure the health and safety of our employees. We expect the same from our value chain.	We work systematically to safeguard our employees, and have principles, systems, programs and risk assessment in place.	<b>3, 4, 17</b>
<b>Anti-corruption</b>	Business integrity is essential for our business strategy.	Our Code of Conduct and the Supplier Code of Conduct state the principles for anti-corruption.	<b>8, 16</b>
<b>Indigenous relations</b>	Respecting Indigenous rights is essential as we need their permission to farm salmon on their land.	We aim for good relations and dialogue, and recognize the special rights of Indigenous peoples.	<b>8, 16, 17</b>
<b>Local value creation</b>	Respecting and supporting local communities are essential for our license to operate.	We have principles related to the use of local suppliers and service providers, and we engage and support local projects.	<b>2, 5, 8, 17</b>

## GRI 102: GENERAL DISCLOSURES 2019

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>ORGANIZATIONAL PROFILE</b>					
102-1	<b>Name of the organization</b>		No	Front page	
102-2	<b>Activities, brands, products, and services</b>		No	Part 1: Our business model Part 2: Profit - Ocean Quality and our market	26-27 104-105
102-3	<b>Location of headquarters</b>	Grieg Gaarden, C. Sundts gate 17/19, 5004 Bergen, Norway.	No		
102-4	<b>Location of operations</b>		No	Part 1: Our organization	6
102-5	<b>Ownership and legal form</b>		No	Part 3: Grieg Seafood Group accounts - Note 1	218
102-6	<b>Markets served</b>		No	Part 2: Profit - Ocean Quality and our market	104-105
102-7	<b>Scale of the organization</b>		No	Part 1: Our organization; Key figures; Our business model	6; 14-15; 26-27
102-8	<b>Information on employees and other workers</b>		No	Part 2: People - Embracing diversity, Results; Creating attractive jobs, Results	140-141; 144-146
102-9	<b>Supply chain</b>	Feed was our main supply category in 2019, comprising 44% of our cost. Our main feed suppliers are Skretting, Cargill and BioMar. Other main suppliers include Sølvtrans and Egersund Net.	No	Part 1: Our business model	26-27
102-10	<b>Significant changes to the organization and its supply chain</b>	There have not been any significant changes to the organization's size, structure, ownership or supply chain in 2019.	No		
102-11	<b>Precautionary Principle or approach</b>	We respect and adhere to the precautionary principle.		Part 4: Global Reporting Initiative Index - Management approach	330
102-12	<b>External initiatives</b>		No	Part 1: The UN Sustainable Development Goals; Transparent reporting on our progress	32-33; 40
102-13	<b>Membership of associations</b>	Membership in political organizations: Norwegian Seafood Federation, The Federation of European Aquaculture Producers, Scottish Salmon Producers Organisation, BC Salmon Farmers Association, Newfoundland Aquaculture Industry Association, and Canadian Aquaculture Industry Alliance.	No		

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>STRATEGY</b>					
102-14	Statement from senior decision-maker		No	Part 1: CEO letter	16-17
<b>ETHICS AND INTEGRITY</b>					
102-16	Values, principles, and norms of behavior		No	Part 1: Our vision, Our values Part 2: People - Human rights and ethics; Anti-corruption	7 136-139; 150-151
102-17	Mechanisms for advice and concerns about ethics		No	Part 2: People - Human rights and ethics	136-139
<b>GOVERNANCE</b>					
102-18	Governance structure	Decision-making on economic, environmental, and social topics lies with the Group management team.	No	Part 3: Board of Directors' report; Corporate Governance	168-187; 188-206
<b>STAKEHOLDER ENGAGEMENT</b>					
102-40	List of stakeholder groups		No	Part 1: Stakeholder dialogue	38-39
102-41	Collective bargaining agreements		No	Part 2: People - Human rights and ethics	136-139
102-42	Identifying and selecting stakeholders		No	Part 1: Stakeholder dialogue	38-39
102-43	Approach to stakeholder engagement		No	Part 1: Stakeholder dialogue	38-39
102-44	Key topics and concerns raised		No	Part 1: Stakeholder dialogue Part 4: Global Reporting Initiative Index - Management approach	38-39 330
<b>REPORTING PRACTICES</b>					
102-45	Entities included in the consolidated financial statements			Part 3: Grieg Seafood Group accounts - Note 1	218
102-46	Defining report content and topic boundaries			Part 1: Our materiality matrix for sustainable reporting Part 4: Global Reporting Initiative Index - Management approach	36 330
102-47	List of material topics			Part 1: Our materiality matrix for sustainable reporting	36
102-48	Restatements of information	No significant restatements are made.		Part 4: Global Reporting Initiative Index - Report quality	330

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
102-49	<b>Changes in reporting</b>	The topics defined as material in our matrix have changed in relation to the Annual Report 2018, based on feedback from our stakeholders. More topics are categorized as material in 2019 than in 2018. New topics in 2019 include human rights and Indigenous relations. We have also renamed some topics, while others have been divided into subcategories.	No		
102-50	<b>Reporting period</b>	January 1 - December 31, 2019	No		
102-51	<b>Date of most recent report</b>	The Annual Report 2018 is the previous most recent report of this kind but does not adhere to GRI Standards. This report was published April 8, 2020.	No		
102-52	<b>Reporting cycle</b>	We report annually according to the GRI Standards. Our quarterly reports include some of our sustainability metrics.	No		
102-53	<b>Contact point for questions regarding the report</b>	Chief Sustainability Officer: Tor Eirik Homme, tor.eirik.homme@griegseafish.com. Group Communication Manager: Kristina Furnes, kristina.furnes@griegseafish.com. Global Finance Officer: Renete Kaarvik, renete.kaarvik@griegseafish.com.	No		
102-54	<b>Claims of reporting in accordance with the GRI standards</b>	This report has been prepared in accordance with the GRI Standards: Core option.	No	Part 4: Global Reporting Initiative Index	330
102-55	<b>GRI content index</b>		No	Part 4: Global Reporting Initiative Index	330-343
102-56	<b>External assurance</b>	The Chief Sustainability Officer seeks external verification of sustainability reporting according to GRI Standards Core Option and selected sustainability KPIs. Our sustainability reporting has been verified by our independent auditor PwC. Reference is made to the auditor's statement according to ISAE 3000 at the end of the Annual Report 2019.	No	Part 4: Global Reporting Initiative Index - External verification	330

<b>TOPIC-SPECIFIC DISCLOSURES</b>					
#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>CORPORATE GOVERNANCE AND RESPONSIBLE BUSINESS CONDUCT</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary		No	Part 4: Global Reporting Initiative Index - Management approach	330
103-2	The management approach and its components		No	Part 3: Corporate governance Part 4: Global Reporting Initiative Index - Management approach	188-206 330
103-3	Evaluation of the management approach		No	Part 2: People - Anti-corruption, Results Part 4: Global Reporting Initiative Index - Management approach	150-151 330
<b>GRI INDICATORS</b>					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No	Part 2: People - Anti-corruption, Results	150-151
307-1	Non-compliance with environmental laws and regulations		No	Part 2: People - Anti-corruption, Results	150-151
419-1	Non-compliance with laws and regulations in the social and economic area		No	Part 2: People - Anti-corruption, Results	150-151
<b>HEALTHY OCEAN</b>					
<b>FISH HEALTH &amp; WELFARE</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary		No	Part 2: Healthy Ocean - Fish health and welfare Part 4: Global Reporting Initiative Index - Management approach	56-65 330
103-2	The management approach and its components		No	Part 2: Healthy Ocean - Fish health and welfare Part 4: Global Reporting Initiative Index - Management approach	56-65 330
103-3	Evaluation of the management approach		No	Part 2: Healthy Ocean - Fish health and welfare, Results Part 4: Global Reporting Initiative Index - Management approach	64-65 330

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>GRIEG SEAFOOD INDICATORS</b>					
Grieg Seafood indicator	<b>Survival in seawater</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Fish Mortality" which is defined as "12 months rolling mortality = (total # of mortalities in sea last 12 months - total # of culled fish due to illness or similar and not in harvest figures)/ (closing # of fish in sea + total # of mortalities in last 12 months + total # of harvested fish in last 12 months + total # of culled fish in sea) x 100".	No	Part 2: Healthy Ocean - Fish health and welfare, Results	64
Grieg Seafood indicator	<b>Main causes for reduced survival</b>	List of the main cause of reduced survival, with loss stated in number and tonnes of fish.	No	Part 2: Healthy Ocean - Fish health and welfare, Results	65
<b>SEA LICE CONTROL</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Healthy Ocean - Sea lice control Part 4: Global Reporting Initiative Index - Management approach	66-71 330
103-2	<b>The management approach and its components</b>		No	Part 2: Healthy Ocean - Sea lice control Part 4: Global Reporting Initiative Index - Management approach	66-71 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Healthy Ocean - Sea lice control Part 4: Global Reporting Initiative Index - Management approach	66-71 330
<b>GRIEG SEAFOOD INDICATOR</b>					
Grieg Seafood indicator	<b>Sea lice levels</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Sea lice counts" which is defined as "sea lice according to local action levels set by the authorities" for Rogaland, Finnmark and Shetland. For BC, the sea lice levels are adjusted from "motile" to "adult females".	No	Part 2: Healthy Ocean - Sea lice control, Results	70
<b>MEDICINES &amp; CHEMICALS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Healthy Ocean - Fish health and welfare, Sea lice control Part 4: Global Reporting Initiative Index - Management approach	56-65; 66-71 330
103-2	<b>The management approach and its components</b>		No	Part 2: Healthy Ocean - Fish health and welfare, Sea lice control Part 4: Global Reporting Initiative Index - Management approach	56-65; 66-71 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Healthy Ocean - Fish health and welfare, Results; Sea lice control, Results Part 4: Global Reporting Initiative Index - Management approach	64-65; 69-71 330

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>GRIEG SEAFOOD INDICATORS</b>					
Grieg Seafood indicator	<b>Use of antibiotics</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Antibiotic Use" which is defined as "the amount of active pharmaceutical ingredients (API) used (in g) per tonne of fish produced (LWE)".	No	Part 2: Healthy Ocean - Fish health and welfare, Results	65
Grieg Seafood indicator	<b>Hydrogen peroxide treatments</b>	This Grieg Seafood indicator equals the GSI indicator "Use of hydrogen peroxide", which is defined as "the amount of active pharmaceutical ingredients (API) used (in gr) per tonne of fish produced (LWE)", however we have chosen to recalculate to use kg instead of gr.	No	Part 2: Healthy Ocean - Sea lice control, Results	69
Grieg Seafood indicator	<b>Active substances used for treatments</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Sea lice treatments" which is defined as "the amount of active pharmaceutical ingredients (API) used (in kg) per tonne of fish produced (LWE)".	No	Part 2: Healthy Ocean - Sea lice control, Results	69
<b>ESCAPE CONTROL</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Healthy Ocean - Escape control Part 4: Global Reporting Initiative Index - Management approach	72-73 330
103-2	<b>The management approach and its components</b>		No	Part 2: Healthy Ocean - Escape control Part 4: Global Reporting Initiative Index - Management approach	72-73 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Healthy Ocean - Escape control, Results Part 4: Global Reporting Initiative Index - Management approach	73 330
<b>GRIEG SEAFOOD INDICATOR</b>					
Grieg Seafood indicator	<b>Number of escape incidents and fish escapes</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Fish escapes" which is defined as "number of fish escape incidents and number of fish escaped (after net recapturing)".	No	Part 2: Healthy Ocean - Escape control, Results	73
<b>ORGANIC EMISSIONS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Healthy Ocean - Limiting local emissions Part 4: Global Reporting Initiative Index - Management approach	74-76 330
103-2	<b>The management approach and its components</b>		No	Part 2: Healthy Ocean - Limiting local emissions Part 4: Global Reporting Initiative Index - Management approach	74-76 330



#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Healthy Ocean - Limiting local emissions, Results Part 4: Global Reporting Initiative Index - Management approach	76 330
<b>GRIEG SEAFOOD INDICATOR</b>					
<b>Grieg Seafood indicator</b>	<b>Environmental status of our sites</b>	Result of benthic monitoring according to local regulations.	No	Part 2: Healthy Ocean - Limiting local emissions, Results	76
<b>WILDLIFE INTERACTIONS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Healthy Ocean - Interaction with wildlife Part 4: Global Reporting Initiative Index - Management approach	78-79 330
103-2	<b>The management approach and its components</b>		No	Part 2: Healthy Ocean - Interaction with wildlife Part 4: Global Reporting Initiative Index - Management approach	78-79 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Healthy Ocean - Interaction with wildlife, Results Part 4: Global Reporting Initiative Index - Management approach	79 330
<b>GRIEG SEAFOOD INDICATOR</b>					
<b>Grieg Seafood indicator</b>	<b>Number of dead birds and marine mammals</b>	This Grieg Seafood indicator is based on the GSI indicator "Wildlife interactions" which is defined as "total number of lethal incidents by species divided by total number of sites" except that we report the total number of lethal incidents per region.	No	Part 2: Healthy Ocean - Interaction with wildlife, Results	79
<b>SUSTAINABLE FOOD</b>					
<b>SAFE &amp; HEALTHY FOOD</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Sustainable food - Safe and healthy food Part 4: Global Reporting Initiative Index - Management approach	82-84 330
103-2	<b>The management approach and its components</b>		No	Part 2: Sustainable food - Safe and healthy food Part 4: Global Reporting Initiative Index - Management approach	82-84 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Sustainable food - Safe and healthy food, Results Part 4: Global Reporting Initiative Index - Management approach	84 330

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>GRI 416 CUSTOMER HEALTH AND SAFETY 2016 &amp; GRIEG SEAFOOD INDICATOR</b>					
416-2	<b>Incidents of non-compliance concerning the health and safety impacts of products and services</b>	There have been no incidents of non-compliance concerning the health and safety impact of our salmon in 2019.	No	Part 2: People - Anti-corruption, Results	150-151
Grieg Seafood indicator	<b>Level of environmental contaminants</b>	The level of the environmental contaminants PCB, PCB-like dioxins and heavy metal, based on samples of our salmon.	No	Part 2: Sustainable food - Safe and healthy food, Results	84
<b>SUSTAINABLE FEED INGREDIENTS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Sustainable food - Sustainable feed ingredients Part 4: Global Reporting Initiative Index - Management approach	88-90 330
103-2	<b>The management approach and its components</b>		No	Part 2: Sustainable food - Sustainable feed ingredients Part 4: Global Reporting Initiative Index - Management approach	88-90 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Sustainable food - Sustainable feed ingredients, Results Part 4: Global Reporting Initiative Index - Management approach	90 330
<b>GRIEG SEAFOOD INDICATOR</b>					
Grieg Seafood indicator	<b>Forage fish dependency ratio (FFDR)</b>	This Grieg Seafood indicator corresponds to the GSI indicator "Use of marine ingredients in feed", which is defined as "forage fish dependency ratio, calculated per calendar year".	No	Part 2: Sustainable food - Sustainable feed ingredients, Results	90
<b>GHG EMISSIONS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Sustainable food - Reducing carbon emissions Part 4: Global Reporting Initiative Index - Management approach	92-95 330
103-2	<b>The management approach and its components</b>		No	Part 2: Sustainable food - Reducing carbon emissions Part 4: Global Reporting Initiative Index - Management approach	92-95 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Sustainable food - Reducing carbon emissions, Results Part 4: Global Reporting Initiative Index - Management approach	94-95 330
<b>GRI 305 EMISSIONS 2016</b>					
305-1	<b>Direct (Scope 1) GHG emissions</b>	Biogenic CO2 emissions (tCO2e) is not relevant for our operations.	No	Part 2: Sustainable food - Reducing carbon emissions, Results	94-95

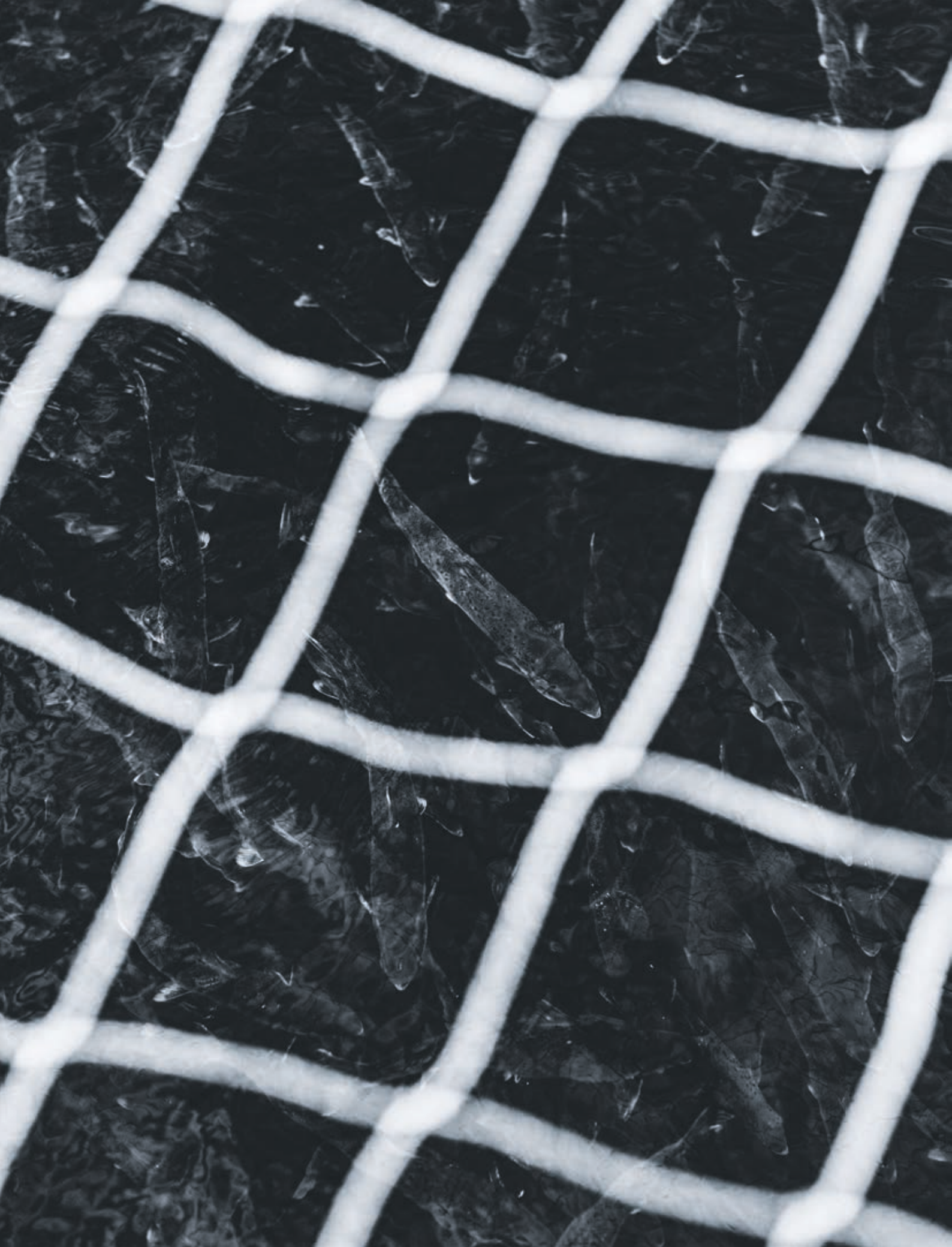
#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
305-2	Energy indirect (Scope 2) GHG emissions		No	Part 2: Sustainable food - Reducing carbon emissions, Results	94-95
305-4	GHG emissions intensity		No	Part 2: Sustainable food - Reducing carbon emissions, Results	94-95
305-5	GHG emissions		No	Part 2: Sustainable food - Reducing carbon emissions, Results	94-95
<b>PLASTIC WASTE</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary		No	Part 2: Sustainable food - Waste management Part 4: Global Reporting Initiative Index - Management approach	98-99 330
103-2	The management approach and its components		No	Part 2: Sustainable food - Waste management Part 4: Global Reporting Initiative Index - Management approach	98-99 330
103-3	Evaluation of the management approach		No	Part 2: Sustainable food - Waste management Part 4: Global Reporting Initiative Index - Management approach	98-99 330
GRIEG SEAFOOD INDICATOR					
Grieg Seafood indicator	Measure taken to reduce the use of plastic in the production	We will work to develop and measure relevant KPI(s) regarding waste management going forward.	No	Part 2: Sustainable food - Waste management	98-99
<b>PROFIT &amp; INNOVATION</b>					
<b>ECONOMIC PERFORMANCE</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary		No	Part 2: Profit & Innovation - Economic productivity Part 4: Global Reporting Initiative Index - Management approach	106-109 330
103-2	The management approach and its components		No	Part 2: Profit & Innovation - Economic productivity Part 4: Global Reporting Initiative Index - Management approach	106-109 330
103-3	Evaluation of the management approach		No	Part 2: Profit & Innovation - Economic productivity Part 4: Global Reporting Initiative Index - Management approach	106-109 330
GRI 201 ECONOMIC PERFORMANCE 2016					
201-1	Direct economic value generated and distributed		No	Part 2: Profit & Innovation - Economic productivity	109

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
<b>PEOPLE</b>					
<b>HUMAN RIGHTS</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: People - Human rights and ethics Part 4: Global Reporting Initiative Index - Management approach	136-139 330
103-2	<b>The management approach and its components</b>		No	Part 2: People - Human rights and ethics Part 4: Global Reporting Initiative Index - Management approach	136-139 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: People - Human rights and ethics, Results Part 4: Global Reporting Initiative Index - Management approach	138-139 330
GRI 412 HUMAN RIGHTS ASSESSMENT 2016					
412-1	<b>Operations that have been subject to human rights reviews or impact assessments</b>	In 2019, we did not perform any human right reviews.	No	Part 2: People - Human rights and ethics, Results Part 4: Global Reporting Initiative Index - Management approach	138 330
412-2	<b>Employee training on human rights policies or procedures</b>		Yes	Part 2: People - Human rights and ethics, Results Part 4: Global Reporting Initiative Index - Management approach	138 330
<b>WORKPLACE SAFETY (HSE)</b>					
GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: People - Keeping our employees safe Part 4: Global Reporting Initiative Index - Management approach	146-149 330
103-2	<b>The management approach and its components</b>		No	Part 2: People - Keeping our employees safe Part 4: Global Reporting Initiative Index - Management approach	146-149 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: People - Keeping our employees safe, Results Part 4: Global Reporting Initiative Index - Management approach	148-149 330
GRI 403 OCCUPATIONAL HEALTH AND SAFETY 2018					
403-1	<b>Occupational health and safety management system</b>	Workers covered by this standard (workers who are not employees but whose work and/or workplace is controlled by the organization) are not a material part of Grieg Seafood's operations. Therefore, this part of the standard is not relevant.	No	Part 2: People - Keeping our employees safe	146-149
403-2	<b>Hazard identification, risk assessment, and incident investigation</b>		No	Part 2: People - Keeping our employees safe	146-149
403-3	<b>Occupational health services</b>		No	Part 2: People - Keeping our employees safe	146-149

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
403-4	<b>Worker participation, consultation, and communication on occupational health and safety</b>		No	Part 2: People - Keeping our employees safe	146-149
403-5	<b>Worker training on occupational health and safety</b>		No	Part 2: People - Keeping our employees safe	146-149
403-6	<b>Promotion of worker health</b>		No	Part 2: People - Keeping our employees safe	146-149
403-7	<b>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</b>		No	Part 2: People - Keeping our employees safe	146-149
403-9	<b>Work-related injuries</b>	Workers covered by this standard (workers who are not employees but whose work and/or workplace is controlled by the organization) are not a material part of Grieg Seafood's operations. Therefore, this part of the standard is not relevant.	No	Part 2: People - Keeping our employees safe, Results	148-149
<b>ANTI-CORRUPTION</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: People - Anti-corruption Part 4: Global Reporting Initiative Index - Management approach	150-151 330
103-2	<b>The management approach and its components</b>		No	Part 2: People - Anti-corruption Part 4: Global Reporting Initiative Index - Management approach	150-151 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: People - Anti-corruption, Results Part 4: Global Reporting Initiative Index - Management approach	150-151 330
<b>GRI 205 ANTI-CORRUPTION 2016</b>					
205-1	<b>Operations assessed for risks related to corruption</b>		No	Part 3: Corporate governance	188-206
205-3	<b>Confirmed incidents of corruption and actions taken</b>		No	Part 2: People - Anti-corruption, Results	150-151
<b>LOCAL COMMUNITIES</b>					
<b>INDIGENOUS RELATIONS</b> GRI 103 MANAGEMENT APPROACH 2016					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Local communities - Local value creation; Case story Part 4: Global Reporting Initiative Index - Management approach	154-159; 160-161 330

#	DISCLOSURE DESCRIPTION	RESPONSE	OMISSION	CHAPTER REFERENCE	PAGE
103-2	<b>The management approach and its components</b>		No	Part 2: Local communities - Local value creation; Case story Part 4: Global Reporting Initiative Index - Management approach	154-159; 160-161 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Local communities - Local value creation; Case story Part 4: Global Reporting Initiative Index - Management approach	154-159; 160-161 330
<b>GRI 411 RIGHTS OF INDIGENOUS PEOPLES 2016</b>					
411-1	<b>Incidents of violations involving rights of Indigenous peoples</b>	In 2019, we did not have any incidents of violations involving rights of Indigenous peoples.	No		
<b>LOCAL VALUE CREATION</b> <b>GRI 103 MANAGEMENT APPROACH 2016</b>					
103-1	<b>Explanation of the material topic and its Boundary</b>		No	Part 2: Local communities - Local value creation Part 4: Global Reporting Initiative Index - Management approach	154-159 330
103-2	<b>The management approach and its components</b>		No	Part 2: Local communities - Local value creation Part 4: Global Reporting Initiative Index - Management approach	154-159 330
103-3	<b>Evaluation of the management approach</b>		No	Part 2: Local communities - Local value creation Part 4: Global Reporting Initiative Index - Management approach	154-159 330
<b>GRI 203 INDIRECT ECONOMIC IMPACTS 2016 &amp; GRI 204 PROCUREMENT PRACTICES 2016</b>					
203-1	<b>Infrastructure investments and services supported</b>	We did not support any infrastructure investments or services in Shetland in 2019.	No	Part 2: Local communities - Local value creation	154-159
204-1	<b>Proportion of spending on local suppliers</b>		No	Part 2: Local communities - Local value creation	154-159







## GRIEG SEAFOOD

### Visiting

Grieg Gaarden  
C. Sundts gate 17-19  
N-5004 Bergen  
Norway

### Post

Postbox 234 Sentrum  
5804 Bergen

### Contact

Tlf: +47 55 57 66 00  
Fax: +47 55 57 69 70  
[info@griegseafood.com](mailto:info@griegseafood.com)  
[www.griegseafood.com](http://www.griegseafood.com)

## PRODUCTION

Grieg Seafood's annual report 2019 has  
been produced by Group Finance and  
Group Communication

**Design and layout:** Mission AS

