



ROOTED IN NATURE



# Grieg Seafood ASA – Quarterly report Q4 2018

## ABOUT GRIEG SEAFOOD

*Grieg Seafood ASA is one of the world's leading salmon farmers, specializing in Atlantic salmon. The Group has an annual production target of 100 000 tonnes gutted weight in 2020.*

*Our farming facilities are in Finnmark and Rogaland in Norway, British Columbia in Canada and Shetland in the UK. 818 people are employed by the Grieg Seafood Group at the end of 2018. Grieg Seafood ASA was listed on the Oslo Stock Exchange in June 2007. Our headquarters are situated in Bergen, Norway. The business development of Grieg Seafood ASA focuses on profitable growth, sustainable use of resources and being the preferred supplier to selected customers.*

- EBIT NOK 351 million (NOK 151 million), EBIT per kg NOK 14.81; up 84% from to Q4 2017
- Earnings driven by high prices and cost reduction per kg
- Harvest volume of 24 000 tonnes (+27%) driven by strong biological performance in Norway
- Good production with high average harvest weight in BC, continued high cost due to challenges in previous quarters
- High cost in Shetland due to continued biological challenges
- Awarded A- by the Carbon Disclosure Project on actions related to Climate Change
- Expected harvest volume of 82 000 tonnes (+10%) in 2019

### CEO comment

*“Q4 2018 ended a strong year for Grieg Seafood in which we reached our last guided harvest volume of 75 000 tonnes – an increase of 20% compared to 2017 – and revenues of more than NOK 7.5 billion. This was achieved by maintaining a strict focus on sustainability and driving forward improvements to our farming operations.*

*Throughout the year we introduced several initiatives, including advanced sensor- and monitoring systems across our four regions. In September we opened a new operations center in Rogaland, supporting our digitalization strategy utilizing big data analytics to improve overall operational performance.*

*We are proud of receiving the second highest grade by the Carbon Disclosure Project, which scores companies based on their work to cut carbon emissions. With improved operations and by maintaining a strict focus on sustainable farming and on securing fish welfare, we are well prepared to continue executing on our growth strategy, targeting 100 000 tonnes in 2020 with cost at or below industry average”, says CEO Andreas Kvame.*

### Guiding

The global supply of Atlantic Salmon for 2019 is expected to increase while demand growth is expected to remain stronger than supply growth, contributing to continued good prices going forward. Grieg Seafood expects to harvest approximately 82 000 tonnes in 2019, an increase of 10% from 2018. The expected harvest volume for Q1 2019 is 13 200 tonnes.

## Key figures Grieg Seafood Group

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Operating income	2 128 111	1 731 232	7 552 326	7 037 713
EBITDA (1)	412 612	204 280	1 334 473	1 105 533
EBIT (2)	350 688	150 631	1 098 818	904 400
Profit before tax incl. fair value adjustment	439 280	292 583	1 276 925	798 480
Harvest volume (tonnes GWT)	23 682	18 667	74 623	62 598
EBIT/kg (NOK)	14.81	8.07	14.72	14.45
Total assets	8 155 716	7 152 615	8 155 716	7 152 615
Net interest-bearing debt (3)	1 662 943	1 262 809	1 662 943	1 262 809
Equity	3 858 595	3 347 905	3 858 595	3 347 905
Equity % (4)	47 %	47 %	47 %	47 %
ROCE % (5)	28 %	15 %	22 %	24 %
Dividend per share (NOK)	2.00	1.00	4.00	4.00
Earnings per share (NOK)	3.09	1.80	8.58	5.17

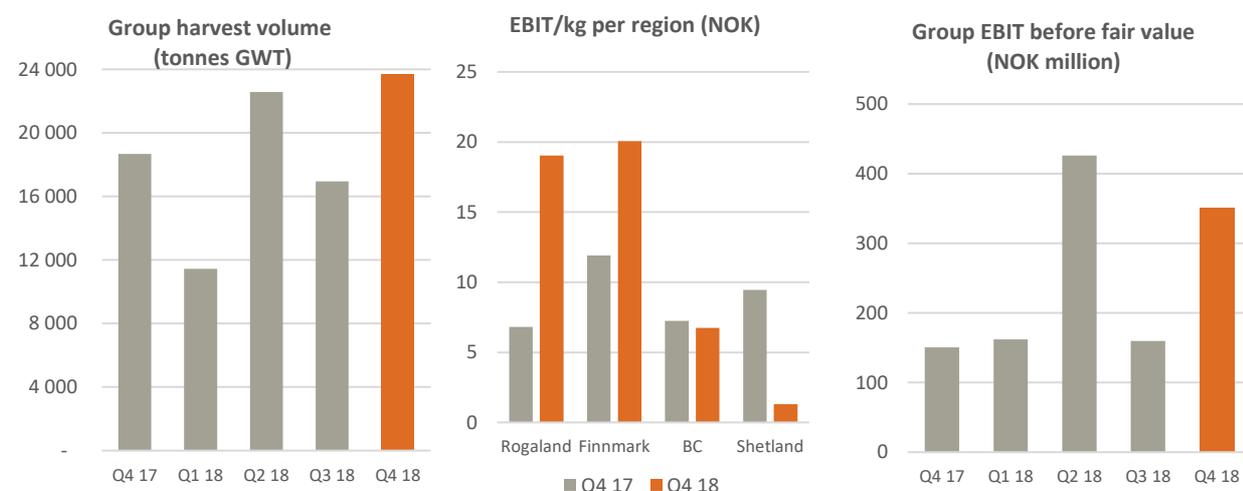
1) The calculation is based on EBITDA before fair value adjustment of biological assets. See note 10 for information.

2) EBIT is before fair value adjustment of biological assets. See note 10 for information.

3) NIBD excluded factoring. Total net interest-bearing debt is NOK 2 236 320 000, factoring included. Please refer to note 6 for more information.

4) Equity ratio according to covenants definition is 53%. See note 6 for information.

5) Return on average capital employed (ROCE): See note 10 for information.



## Group financials

### Profit and loss fourth quarter 2018

The Grieg Seafood Group harvested 23 682 tonnes GWT in Q4 2018, compared to 18 667 tonnes in Q4 2017.

The average realized price for Grieg Seafood was up by NOK 5.55 per kg compared to Q4 2017.

Grieg Seafood's total operating income in Q4 2018 amounted to NOK 2 128 million, an increase of 23% compared to the same period last year.

The farming cost (total cost related to fish harvested this quarter) increased by NOK 0.43 per kg compared to the same quarter last year. This is mainly related to high cost of harvested fish in BC and on Shetland that was affected by harmful algal bloom (HAB) and gill-related diseases.

The Group's EBIT before fair value adjustment of biological assets was NOK 351 million during the quarter, compared to NOK 151 million in the same quarter of 2017. EBIT per kg amounted to NOK 14.81 for the period, up from NOK 8.07 in Q4 2017.

#### EBIT per region for Q4 2018

NOK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Rogaland	117.8	29.1	219.6	393.1
Finmark	217.2	102.7	594.9	351.9
BC	19.8	19.0	290.9	120.2
Shetland	4.8	29.7	33.8	68.7
ASA/ eliminations	-25.7	-43.1	-72.5	-69.6
<b>GSF EBIT</b>	<b>333.9</b>	<b>137.4</b>	<b>1 066.6</b>	<b>864.2</b>
NCI*	16.8	13.2	32.2	40.2
<b>GSF Group</b>	<b>350.7</b>	<b>150.6</b>	<b>1 098.9</b>	<b>904.4</b>

\* Non-controlling interest, value creation related to the sale of fish from Bremnes Fryseri AS (40% ownership of Ocean Quality AS)

EBIT from the four regions includes value creation from the respective sales activities of the Group's jointly-owned sales company, Ocean Quality.

Q4 2018 profit was positively affected by total fair value adjustments of NOK 113 million, yielding an EBIT after fair value adjustment of biological assets of NOK 464 million. In Q4 2017, fair value adjustments were NOK 129 million and EBIT after fair value adjustment of biological assets was NOK 279 million. In Q4 2018, Grieg Seafood has applied a new calculation model for the fair value of the biological assets. 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). Please refer to note 4 for further information regarding the fair value of the

biomass and the effect of transferring to a new calculation model.

Net financial items were NOK -25 million for the quarter, resulting in a pre-tax profit of NOK 439 million. In Q4 2017, net financial items amounted to NOK 13 million and pre-tax profit ended at NOK 293 million.

Tax for the period was estimated to NOK -85 million, with profit after tax of NOK 354 million. In Q4 2017, the tax expense was NOK -84 million, and profit after tax amounted to NOK 208 million.

### Summary of the full year of 2018

(Figures for 2017 in brackets)

In 2018 the Grieg Seafood Group's operating income totaled NOK 7 552 million (7 038). Higher prices and volumes contributed positively. Total harvest volume for the year was 74 623 tonnes GWT, up from 62 598 tonnes GWT in 2017.

EBIT for the Group before fair value adjustment of biological assets ended at NOK 1 099 million in 2018, compared to NOK 904 million in 2017.

EBIT per kg was NOK 14.72, compared to NOK 14.45 in 2017. EBIT per kg was positively affected by the large harvest volume and high spot prices, however the cost related to pancreas disease (PD), HAB and gill diseases during the year had a negative impact, both in terms of high cost and price achievement. Total farming cost per kg for the Group was NOK 43.1, NOK 0.7 above our targeted cost of NOK 42.4 for the year.

Fair value adjustments of biological assets were NOK 256 million in 2018, and the EBIT after fair value adjustment came to NOK 1 355 million. In 2017 fair value adjustments of biological assets were NOK -91 million, with an EBIT after fair value adjustment NOK 813 million.

Net financial items were negatively affected by currency losses on loans and receivables during the period and came to NOK -78 million (-14), bringing the pre-tax profit to NOK 1 277 million (798).

Refinancing has been carried out during the year. Two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million and an overdraft of NOK 100 million have been established.

Tax for the year is estimated at NOK -305 million (-198) bringing the profit for the period to NOK 972 million (601).

The main reason for the good performance was a strong market and more stable production. Globally, the supply of Atlantic salmon has flattened, while underlying demand has strengthened. This has resulted in a shortage of salmon and high prices, a situation expected to persist in the longer term. However, short term price fluctuations may occur. To offset the effect of these fluctuations, Grieg Seafood has adopted a policy which aims to ensure that 20-50% of all production in the coming years is hedged against price fluctuations. Currency hedging is also carried out.

## Cash flow and financial position

(Figures for 2017 in brackets)

The Grieg Seafood Group had a net cash flow from operations of NOK -62 million in Q4 2018 (-39). Change in working capital during the quarter was NOK -374 million (-172). The net cash flow from operations for year to date of 2018 was NOK 820 million (709).

Net cash flow from investment activities was NOK -148 million for the quarter (-175), consisting of investments of NOK -138 million (-181). The investments comprise a combination of maintenance and growth, including increased sea and smolt capacity. Net cash flow from investment activities for the full year 2018 includes acquisition of licenses of NOK 57 million and totaled NOK -762 million (-556).

Net cash flow from financing activities in the fourth quarter was NOK 145 million (144). The Group's interest-bearing debt had a net increase of NOK 378 million during the quarter. The net cash flow from financing activities for the full year 2018 was NOK -191 million (-384).

The net change in cash and cash equivalents was negative at NOK -66 million (-70) for the quarter and at the end of the period, the Group had cash holdings of NOK 138 million (272). Year to date (31.12) 2018 the net change in cash and cash equivalents was NOK -133 million (-231).

As at 31 December 2018, the book value of total assets was NOK 8 156 million, up from NOK 7 153 million at the same time in 2017. Total equity amounted to NOK 3 859 million (3 348), corresponding to an equity ratio of 47% (47%).

The Group had a good level of free liquidity and unutilized credit facilities at the end of the quarter, with available bank credit frame of NOK 793 million. Net interest-bearing debt excluding factoring debt was NOK 1 690 million, compared to NOK 1 284 million at the same time last year. Factoring amounted to NOK 573 million at period-end, compared to NOK 501 million at the same period last year.

The Group aims to provide shareholders with a competitive return on invested capital through payment of dividends and share price increases. The Board of Directors maintains that, as an average over a period of several years, dividends should correspond to 25-35% of the Group's profit after tax, adjusted for the effect of fair value of biological assets. During the fourth quarter of 2018, a dividend of NOK 2.00 per share was paid out for 2017. The Board is authorized by the Annual General Meeting (AGM) to approve distribution of dividends during the fiscal year. Dividend for 2018 will be decided by the AGM. The Board will return with its recommendation for the size of the dividend.

Grieg Seafood is planning to invest a total of NOK 635 million in 2019 where of NOK 385 million is related to growth and improvement. The investments are part of the Group's growth strategy, which entails increased smolt capacity and new farming sites. Increased biomass will also result in increased working capital needs.

## Achieving sustainable growth – our strategic priorities and focus areas

Grieg Seafood's objective is to ensure sustainable growth in the years ahead by combining skilled and motivated people, new technology and to increasingly farm salmon on nature's terms. The goal is to increase sustainable production to reach an annual harvest volume of 100 000 tonnes in 2020. We are also aiming for production cost at or below weighted industry average, targeting NOK 37.90 per kg by 2020. In Norway, the target is NOK 36.00 per kg by 2020.

We believe this is possible by improving utilization of our current capacity, which we will achieve by making our farming practices more sustainable. Reducing production time in sea, optimal feeding, preventive sea lice measures and using digital tools to control biology better are our main priorities in reaching our goal. These priorities are different focus areas to reduce our environmental impact, improve fish welfare and as a result, increase harvest rates and reduce production cost. As such, improving sustainability is key to increase profits in the salmon farming industry.

Ensuring sustainable growth of our business will also help us achieve the four primary United Nations Sustainable Development Goals that Grieg Seafood has adopted: zero hunger (nr 2), climate action (nr 13), life below water (nr 14) and partnerships for the goals (nr 17). Grieg Seafood is also an active member of the Global Salmon Initiative (GSI), demonstrating our commitment to transparency and to reach a shared industry goal of producing a sustainable and healthy product. We work on implementing the Aquaculture Stewardship Council (ASC) global standard for sustainable seafood production, and currently hold four ASC certifications. In 2018, we disclosed our Greenhouse Gas (GHG) emission strategy, actions and performance in association with the Carbon Disclosure Project (CDP) for the first time. Grieg Seafood was recognized with A-, the second highest grade, for our response to climate change, confirming our environmental focus.

We believe that an information revolution will transform our common understanding of the ocean and life below the surface. Through our digitalization strategy, GSF Precision Farming, we intend to take a leading role in utilizing new technology, big data and artificial intelligence to make real-time decisions that reduces our environmental impact, improves fish welfare and as a result improves profit.

To ensure progress towards our goal for sustainable growth, we have initiated the GSF 2020 improvement program, with specific targets and initiatives for each region. The program contains four strategic priorities:

- 1) Digitalization,
- 2) post-smolt strategy,
- 3) biosecurity and fish welfare, and
- 4) expansion opportunities.

## Digitalization

GSF Precision Farming will change the way we operate. By applying advanced sensor systems, big data, artificial intelligence and automation, we aim to generate actionable insights to reduce our environmental footprint, which increases yield and resource efficiency while reducing cost. We have set up a pilot for an integrated operations center in Rogaland, where we are utilizing sensor data for real-time monitoring in the nets at sea. To prevent consequences of algal blooms in BC, we are correlating satellite pictures with digital processing of water samples and environmental parameters. Grieg Seafood is also taking a leading role in the industry collaboration project AquaCloud, as a partner in NCE Seafood Innovation Cluster to predict sea lice outbreaks.

## Post-smolt strategy

Access to high-quality smolt is critical to ensure future growth. Through investments in post-smolt production, Grieg Seafood aims to improve biology, increase productivity and reduce cost. The main effect from larger smolt is increased robustness and shorter time to reach harvest size. Stronger, healthier fish and reduced exposure to risks like sea lice and diseases will also improve biology and increase survival rates, while also reducing the environmental footprint per kg produced. The average weight of our smolt was 144 grams in 2017 and we target smolt stocking of an average weight of 230 grams in 2020. During Q4 2018, 7 million smolt were transferred to sea, totaling 26 million for the year which was according to plan. We plan to stock approximately 26 million smolt in 2019 with an average weight of 193 grams in accordance with our smolt strategy.

## Biosecurity and fish welfare

Biosecurity and fish welfare are vital to securing sustainable growth and high harvest quality. Our goal is to keep the average survival rate in seawater above 93%. The average survival rate is calculated as total mortality in sea last rolling 12 months. In 2017, we achieved our target with a group average survival rate of 94%. However, in 2018 we did not achieve this target mainly due to challenges with algae in BC and gill-related diseases in Shetland, with a Group average of 91%. We aim to achieve strong biological performance through implementation of a broad range of technological and operational initiatives, including post-smolt strategy, GSF Precision Farming and preventive measures for sea lice and algae issues. Our main biological challenges are sea lice, harmful plankton, oxygen levels, gill disease, pancreas disease (PD) and low seawater temperatures. We use cleaner fish in Rogaland, Finnmark and Shetland as preventive sea lice measures in addition to sea lice skirts. We aim to avoid sea lice treatments because they are stressful to the fish and some of them may harm the environment. The sea lice level was stable in all regions during Q4 2018, but sea lice treatment had to be carried out in all our regions towards the end of the year.

In BC and Shetland, we analyze daily water samples by using sensor technology and advanced image analysis, to enable early identification of species, prevalence and depth distribution of algae. We also use aeration systems that reduces the consequence of algae issues and increases survival during harmful algal bloom (HAB) events.

We have zero tolerance for escapes from our facilities, and we work continuously to prevent this. We regret to report that Shetland had two escape incidents in 2018, both occurred during Q1. In the first incident, due to equipment failure, 500 fish escaped whilst unloading smolts with a well boat. The second incident was caused by damaged nets, which resulted in 21 700 fish escaping. Alterations to eliminate the risk of reoccurrence of these incidents were made. There were no escape incidents in 2017.

## Expansion opportunities

Our goal of harvesting 100 000 tonnes in 2020 will be secured by improved utilization of existing capacity, driven by post-smolt strategy, digital salmon farming, improved biosecurity and fish welfare.

Flexibility, including the ability to use more of our existing sites, allows for a higher utilization of our capacity while also providing time for the environment below our sites to restore between production cycles. We continuously aim to maintain and improve cooperation with local communities and authorities to ensure access to new, good locations. We are expanding our smolt facilities in Finnmark, Rogaland and BC. Our application for 10 development licenses related to the offshore fish farming concept "Blue Farm" was unfortunately not accepted but we have appealed the decision. To secure sustainable growth longer term, additional opportunities will be pursued, including acquisitions, joint ventures and development of new concepts.

## Operational review

### Rogaland

#### Operational results

NOK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenues	355.7	219.9	959.6	1 150.2
EBITDA	130.8	39.9	267.6	430.6
EBIT	117.8	29.1	219.6	393.1
Harvest volume (tonnes GWT)	6 185	4 278	16 293	18 111
EBIT/ kg (NOK)	19.04	6.80	13.48	21.70

Harvest volume in Rogaland was 6 185 tonnes in Q4 2018, in line with the production plan and an increase of 44% compared to the same quarter last year.

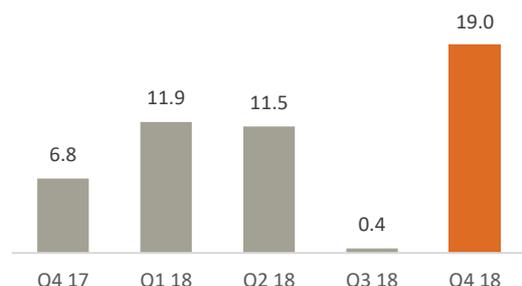
Sales revenue for the quarter amounted to NOK 355.7 million, an increase of NOK 135.8 million compared to Q4 2017. The quality of the fish harvested was somewhat downgraded due to PD (Pancreas Disease) but high spot price in the quarter and decent average weight contributed to a good price achievement.

The biological performance of the fish has been good during the quarter, with high utilization of the MAB (maximum allowed biomass). According to the definition by GSI (Global Salmon initiative), the average survival rate in sea for the last rolling 12 months was 92%, slightly below our target of 93%. Cost per kg declined compared to the previous quarters and the same period last year, driven by increased average weight and improved fish health. Cost per kg will increase somewhat in Q1 2019 due to lower harvest volume, but overall, cost per kg is in line with expectations.

Total harvest volume for the year was 16 293 tonnes, slightly above the expectation of 16 000 tonnes. Estimated harvest volume for Q1 2019 is 4 800 tonnes.

EBIT per kg before fair value adjustment of biological assets was NOK 19.04 in the period, compared to NOK 6.80 kg in the same period in 2017.

#### EBIT/kg (NOK) region Rogaland



#### Operational priorities

Sea lice remains a challenge to the salmon farming industry, an issue Grieg Seafood actively works to mitigate. Over time, we have invested in increased capacity of non-chemical treatments and is well equipped and prepared for the handling of sea lice incidents. Cleaner fish represents an important tool in the fight against sea lice in Rogaland and, in general, the use of wrasse has been a good preventive measure. Grieg Seafood Rogaland did not use any sea lice treatment between July and November 2018. Historically, PD has been a challenge in Rogaland, negatively affecting feeding and reducing growth rates. At the end of the year, 2 of 13 sites in total were affected by PD compared to 7 of 12 sites at the end of 2017. This is expected to contribute to improved harvest weight and quality going forward.

Grieg Seafood Rogaland aims to reduce the production time in sea from 18 to 12 months, with an average smolt size increasing to 500 grams in 2020. Larger smolt size will significantly reduce seawater production time, making the fish less exposed to challenges such as sea lice and PD. Grieg Seafood Rogaland is collaborating with Bremnes Fryseri and Vest Havbruk to produce large size smolt of 700 - 1 000 grams. Through Tytlandsvik Aqua, the partners plan for an annual production capacity of 3 000 tonnes, of which Grieg Seafood's share of the volume is 50%. The expansion, budgeted at NOK 300 million shared by the three companies, was completed according to plan at the end of the year. Production started at the beginning of 2019, and Grieg Seafood Rogaland expects to receive 1 000 tonnes of smolt from Tytlandsvik Aqua during 2019. Tytlandsvik Aqua has the potential for further expansion of 6 000 tonnes.

An integrated operations center was launched in Rogaland in September and four sites are currently being monitored and fed from this facility. The data gathered at the operations center supports decision making at the sites. Centralizing tasks, such as feeding and camera surveillance, also frees up time for employees to focus on fish welfare. Full coverage of all sites in Rogaland is expected by the end of 2019. Precision farming will ensure better feeding, leading to increased growth. Combined with efforts to increase smolt sizes to reduce production time in sea and improve the utilization of current capacity, it is expected to contribute to increased harvest volumes and lower cost per kg. Grieg Seafood Rogaland targets harvest volumes of 25 000 tonnes with a production cost of NOK 36 per kg in 2020.

## Finnmark

### Operational results

NOK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenues	594.4	422.3	1 671.3	1 265.2
EBITDA	240.1	122.2	685.6	426.7
EBIT	217.2	102.7	594.9	351.9
Harvest volume (tonnes GWT)	10 824	8 626	29 774	22 831
EBIT/ kg (NOK)	20.07	11.90	19.98	15.42

In Finnmark, Grieg Seafood harvested 10 824 tonnes in Q4 2018, an increase of 25% compared to 8 626 tonnes in Q4 2017.

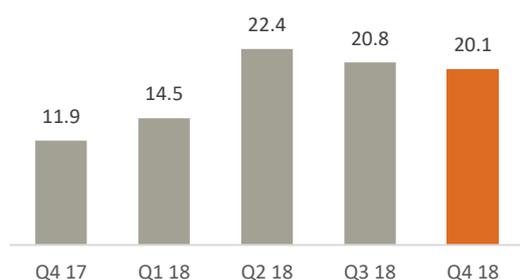
Sales revenues for the quarter amounted to NOK 594.4 million, compared to NOK 422.3 million in Q4 2017, driven by high spot price and good price achievement, reflecting the high quality of the fish harvested.

The biological performance has been strong, with a survival rate of 96% for the last rolling 12 months according to GSI definition. Cost per kg remained at roughly the same low level as in the previous quarter. Low harvest volume is expected to lead to increased cost per kg in Q1 2019.

Total harvest volume for the year was 29 774 tonnes, slightly above expected 29 500 tonnes. Estimated harvest volume for Q1 2019 is 5 300 tonnes.

EBIT per kg before fair value adjustment of biological assets was NOK 20.07 in Q4 2018, compared to NOK 11.90 in the corresponding quarter last year.

#### EBIT/kg (NOK) region Finnmark



### Operational priorities

Grieg Seafood Finnmark farms its salmon in beneficial biological conditions – the seawater temperatures are an advantage and the interconnectivity between the sites is low. There is high focus on improving fish welfare and safeguarding survival rates, and camera surveillance and sensor technology is utilized to continuously monitor the environment. Sea lice is not considered a main biological challenge and the sea lice situation was stable during the quarter. Sea lice skirts and cleaner fish are the main measures utilized to prevent sea lice in Finnmark, however, sea lice treatment was carried out towards the end of the year.

The region continues its efforts towards sustainable production and, at the end of the year, four sites had been ASC certified.

Access to high quality smolt is key to ensuring production growth with sustainable biology. At the end of the year, the construction work to increase the smolt capacity at Adamselv from 800 to 1 600 tonnes was completed. The new capacity will be fully utilized in 2020.

Efforts to improve smolt quality over the last few years are now paying off. The number of smolt going to sea is increasing and is expected to provide higher growth and lower cost going forward.

Grieg Seafood Finnmark is continuously considering expansion opportunities, which is crucial for flexible biological planning.

Grieg Seafood Finnmark targets harvest volumes of 38 000 tonnes with a production cost of NOK 36 per kg in 2020.

## British Columbia (BC)

### Operational results

NOK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenues	187.3	155.3	1 075.3	580.3
EBITDA	32.6	28.8	335.7	154.6
EBIT	19.8	19.0	290.9	120.2
Harvest volume (tonnes GWT)	2 941	2 622	16 632	9 600
EBIT/ kg (NOK)	6.74	7.24	17.49	12.52

In BC (Canada), the harvest volume in Q4 2018 was 2 941 tonnes, compared to 2 622 tonnes in Q4 2017.

Sales revenue for the quarter was NOK 187.3 million, up from NOK 155.3 million in the same quarter of 2017. The 21% increase was driven by volume growth, high prices and good average harvest weight, which contributed to good price achievement despite quality downgrading.

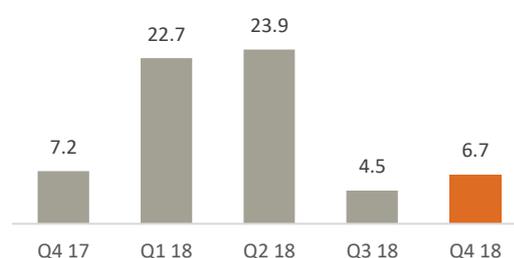
Biological conditions were good during Q4, however, the quality of the fish harvested was somewhat downgraded due to issues related to early maturity and other challenges stemming from harmful algal bloom (HAB) incidents in previous quarters. Less downgrading is expected going forward as all the fish from the locations impacted by algae challenges have been completely harvested by the end of the year.

Effects from previous HAB incidents also impacted the survival rate and the cost per kg both for the quarter and the year in total. As part of the accounting principle of recognizing extraordinary mortality as cost in the income statement, a write-down of NOK 15 million was recognized in the quarter, decreasing EBIT per kg by NOK 4.99. According to GSI definition, the survival rate for the last rolling 12 months was 88%, negatively impacting the cost per kg. The cost is expected to decline during 2019.

Total harvest volume for the year was 16 632 tonnes, 900 tonnes lower than expected due to reduced growth during the fourth quarter on fish affected by HAB incidents in Q2 and Q3. Estimated harvest volume for Q1 2019 is 1 500 tonnes.

EBIT per kg before fair value adjustment of biological assets was NOK 6.74 in Q4 2018, compared to NOK 7.24 for the corresponding period in 2017.

### EBIT/kg (NOK) region British Columbia (BC)



### Operational priorities

Access to high quality smolt is key to ensuring production growth with sustainable biology. Smolt production is according to plan. The current capacity of the Gold River smolt facility is 500 tonnes and will be expanded by a production of 400 tonnes. The expansion is expected to take full effect in 2020, at which time the region will be self-sufficient in terms of smolt deliveries. The investment is estimated at NOK 50 million.

HAB is a risk in BC. Over the last year, several measures have been implemented to ensure continued improvements to sea production. Grieg Seafood BC uses technology to monitor and analyze algae movements and oxygen levels. Aeration systems have been implemented to allow for feeding in marginal situations and have led to improved survival rates during HAB events. Combined with feeding hubs and advanced feeding systems, this provides an improved basis for decision making and optimized feeding.

The sea lice level was somewhat increasing during the quarter in one of our production areas, and sea lice treatment was carried out.

Grieg Seafood BC will continue to grow harvest volume and aims to reduce costs, targeting a harvest volume of 20 000 tonnes with production cost of NOK 39 per kg in 2020.

## Shetland

### Operational results

NOK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenues	245.2	185.7	799.9	745.9
EBITDA	16.6	41.7	80.2	117.5
EBIT	4.8	29.7	33.8	68.7
Harvest volume (tonnes GWT)	3 730	3 141	11 924	12 056
EBIT/ kg (NOK)	1.29	9.46	2.83	5.69

Harvest volume in Q4 2018 was 3 730 tonnes, an increase of 19% compared to Q4 2017.

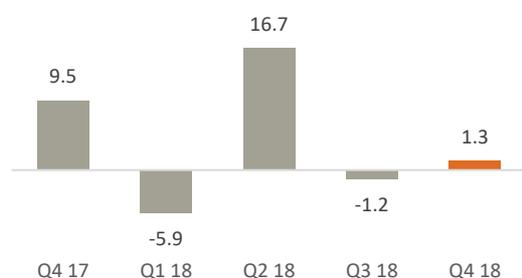
Total sales revenue in the quarter amounted to NOK 245.2 million compared to NOK 185.7 million in Q4 2017. Despite challenges related to gill diseases in Q3, the quality of the fish harvested in this quarter has been high, contributing to good price achievement.

During the quarter, the region experienced reduced survival caused by gill-related diseases and winter ulcers. The survival rate was affected by the challenges endured during the second half of 2018 and ended at 83% for the last rolling 12 months according to GSI definition. As part of the accounting principle of recognizing extraordinary mortality as cost in the income statement, a write-down of NOK 30 million was recognized in the quarter, decreasing EBIT per kg by NOK 7.99. Cost will remain high going into Q1 2019.

The total harvest volume for the year was 11 924 tonnes, close to expectation of 12 000 tonnes. Planned harvest volume for Q1 2019 is 1 600 tonnes.

EBIT per kg before fair value adjustment of biological assets was NOK 1.29 for the quarter, compared to NOK 9.46 in Q4 2017.

EBIT/kg (NOK) region Shetland



### Operational priorities

The aquaculture industry in Shetland has over time endured biological challenges. The industry in Shetland and on the Isle of Skye is collaborating to mitigate these challenges and Grieg Seafood Shetland continues to cooperate closely with the other sea farmers in the region to establish a long-term, stable and sustainable marine biology. Whole farming areas now operate with a three-month fallowing period, and lice counting, and treatment activity is coordinated between farmers with reciprocal visits during lice counting operations. Over the last four years, production at Grieg Seafood Shetland has been cut from 27 to 17 sites, focusing production on the best sites with the strongest biological control. Routines and systems similar to those utilized at Grieg Seafood BC, have been implemented for the monitoring and mitigation of algae-related issues. Other prioritized measures to ensure strong biosecurity, improved fish welfare and control of the sea lice situation include the use of aeration systems, fresh water treatments, sea lice skirts and cleaner fish. The sea lice level remained high during the quarter and sea lice treatments have been carried out.

The smolt transferred to sea from the Grieg Seafood Shetland's own smolt facility during the year were not of satisfying quality. We have been looking into various improvement measures to improve smolt quality going forward. Good smolt quality is essential for fish welfare, growth and cost going forward. We focus on monitoring and treatment activity to ensure an optimal smolt production.

The biological challenges related to gill disease and reduced survival that occurred in 2018 are not expected to affect the region's 2020 ambitions. By focusing on initiatives to improve biosecurity and fish welfare, Grieg Seafood Shetland maintains the target of a harvest volume of 17 000 tonnes with a production cost of NOK 43 per kg in 2020.

### Ocean Quality Group

Ocean Quality is the sales organization of Grieg Seafood and Bremnes Fryseri, with an ownership of 60% and 40%, respectively. All fish produced by Grieg Seafood is sold by Ocean Quality with the purpose of generating a positive margin against the market price for salmon. Total volume sold during Q4 2018 was 34 514 tonnes, which is an increase of 16% compared to the same period last year (29 633 tonnes). Total volume sold in 2018 amounted to 114 720 tonnes, compared to 105 501 tonnes last year.

## Related parties' transactions

There have been no transactions with related parties which affect the financial results for the fourth quarter. Please see note 8 for further information.

## Subsequent events

No significant events have been recorded after the balance sheet date.

## Share information

At the end of Q4 2018, Grieg Seafood had a total of 111 662 000 shares, including treasury shares, divided between 5 124 shareholders. The Grieg Group holds 52.80% of the Grieg Seafood Group. The 20 largest shareholders account for 75.78% of the Grieg Seafood shares.

The AGM decided on 12 June 2018 to let Grieg Seafood buy treasury shares to use in a share savings program for its employees. The purpose is to strengthen the company culture and encourage loyalty by letting the employees become shareholders in Grieg Seafood. 21 576 treasury shares were transferred on 21 November 2018 to 134 employees, reducing Grieg Seafood's total holding of treasury shares to 1 228 424.

Please refer to note 9 for further information about the shareholders.

## Market development

Salmon prices were volatile in Q4 2018. The average price level was up by NOK 1.07 per kg compared to Q3 2018 and up by NOK 6.47 per kg compared to Q4 2017.

The salmon supply in the quarter has been higher compared to Q4 2017, which in relation to the high average prices confirms the strong underlying demand for farmed salmon.

## Outlook

The Group's total share of fixed price contracts in Norway in Q4 2018 was 25.8% and 33.6% for the full year of 2018. Currently, the share of fixed price contracts is estimated to be 17% for 2019. Grieg Seafood target to maintain 20-50% contract share.

The global supply of Atlantic Salmon for 2019 is expected to increase by approximately 4% - 6% compared to 2018, mainly due to increased harvest volume in Norway and UK. With a growing demand in both established markets such as Europe and the USA as well as in Russia, and with a normalized market presence in China, sustained high prices are expected in 2019.

Grieg Seafood expects to harvest 13 200 tonnes in Q1 2019 and a total of 82 000 tonnes for the full year.

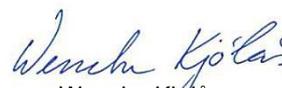
In Q4 2018, 11.9 million smolt were transferred to sea, reaching a total smolt output of 26 million for the year. In 2019, we expect to stock approximately 26 million smolt, with a higher average weight than in 2018. The stocking of larger smolt will be an important measure to ensure increased production over the coming years, supporting Grieg Seafood's 2020 ambitions to harvest 100 000 tonnes with cost at or below industry average.

For further information please refer to [www.griegseafood.com](http://www.griegseafood.com).

The Board of Directors and CEO  
Bergen, 13 February 2019

  
Asbjørn Reinkind  
Vice chair

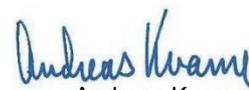
  
Per Grieg jr.  
Chair

  
Wenche Kjølås  
Board member

  
Karin Bing Orgland  
Board member

  
Solveig Nygaard  
Board member

  
Tore Holand  
Board member

  
Andreas Kvame  
CEO

## Financial statements

### Profit and loss

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Sales revenues	2 130 958	1 720 364	7 500 316	7 017 456
Other operating income	-2 847	10 868	52 010	20 257
<b>Operating income</b>	<b>2 128 111</b>	<b>1 731 232</b>	<b>7 552 326</b>	<b>7 037 713</b>
Share of profit from ass. companies	-800	325	-2 328	-550
Change in inventories	94 813	278 161	240 717	350 442
Raw materials and consumables used	-1 232 898	-1 157 993	-4 093 572	-4 074 642
Salaries and personnel expenses	-150 548	-138 167	-541 047	-482 827
Other operating expenses	-426 066	-509 278	-1 821 623	-1 724 604
<b>EBITDA before fair value adjustment of biological assets</b>	<b>412 612</b>	<b>204 280</b>	<b>1 334 473</b>	<b>1 105 533</b>
Depreciation and amortization of tangible assets	-60 555	-52 357	-230 262	-196 237
Amortization of intangible assets	-1 369	-1 293	-5 393	-4 895
<b>EBIT before fair value adjustment of biological assets</b>	<b>350 688</b>	<b>150 631</b>	<b>1 098 818</b>	<b>904 400</b>
Fair value adjustment of biological assets	113 135	128 544	256 097	-91 463
<b>EBIT after fair value adjustment of biological assets</b>	<b>463 823</b>	<b>279 175</b>	<b>1 354 916</b>	<b>812 937</b>
<b>Net financial items</b>	<b>-24 542</b>	<b>13 408</b>	<b>-77 991</b>	<b>-14 457</b>
<b>Profit before tax</b>	<b>439 280</b>	<b>292 583</b>	<b>1 276 925</b>	<b>798 480</b>
Estimated taxation	-85 075	-84 467	-304 720	-197 581
<b>Profit after tax</b>	<b>354 206</b>	<b>208 116</b>	<b>972 205</b>	<b>600 899</b>
<b>Attributable to:</b>				
Profit attributable to non-controlling interest	12 735	9 843	24 615	30 362
Profit attributable to owners of Grieg Seafood ASA	341 471	198 274	947 590	570 537
Dividend declared and paid per share (NOK)	<b>2.00</b>	<b>1.00</b>	<b>4.00</b>	<b>4.00</b>
Earnings per share (NOK)	<b>3.09</b>	<b>1.80</b>	<b>8.58</b>	<b>5.17</b>

## Statement of Comprehensive Income

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
<b>Profit for the period</b>	<b>354 206</b>	<b>208 116</b>	<b>972 205</b>	<b>600 899</b>
<b>Other comprehensive income:</b>				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Currency translation differences, subsidiaries	15 028	15 552	-5 889	16 729
Currency effect of net investments	19 847	19 887	-4 193	22 333
Tax effect of net investments	-4 607	-4 773	923	-5 360
Changes in fair value of cash flow hedges (currency contracts)	-5 270	-15 573	15 026	-24 821
Income tax effect fair value of cash flow hedges	1 174	3 550	-3 494	5 769
Adjustment financial assets	-17	-295	11	-295
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Other gain or losses	0	0	0	0
<b>Total recognized income for the period</b>	<b>26 155</b>	<b>18 348</b>	<b>2 383</b>	<b>14 355</b>
<b>Total comprehensive income for the period</b>	<b>380 361</b>	<b>226 464</b>	<b>974 588</b>	<b>615 254</b>
<i>Attributable to:</i>				
Profit attributable to non-controlling interests	10 205	3 276	30 738	19 922
Profit attributable to owners of Grieg Seafood ASA	370 156	223 188	943 850	595 332

## Financial position

All figures in NOK 1 000	31.12.2018	31.12.2017
<b>ASSETS</b>		
Goodwill	109 013	109 038
Licenses	1 121 662	1 068 552
Other intangible assets	27 379	18 384
Deferred taxes	1 718	3 574
Property, plant and equipment	2 290 708	1 871 804
Investments in associated companies	37 122	9 450
Other current receivables	1 327	1 317
<b>Total non-current assets</b>	<b>3 588 929</b>	<b>3 082 121</b>
Inventories	126 092	92 262
Biological assets	2 223 833	2 016 263
Fair value biological assets	971 309	682 089
Accounts receivable	925 232	761 407
Other current receivables	179 658	198 527
Derivatives and other financial instruments	2 743	48 232
Cash and cash equivalents	137 920	271 715
<b>Total current assets</b>	<b>4 566 786</b>	<b>4 070 494</b>
<b>Total assets</b>	<b>8 155 716</b>	<b>7 152 615</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	446 648	446 648
Treasury shares	-2 609	-5 000
Retained earnings and other equity	3 365 099	2 862 716
<b>Total shareholders of GSF</b>	<b>3 809 138</b>	<b>3 304 364</b>
Non-controlling interests	49 458	43 541
<b>Total equity</b>	<b>3 858 595</b>	<b>3 347 905</b>
Deferred tax liabilities	891 370	721 689
Other obligations	9 691	8 848
Subordinated loans	14 047	15 353
Borrowings and leasing	1 591 072	1 393 587
<b>Total non-current liabilities</b>	<b>2 506 180</b>	<b>2 139 476</b>
Current portion of long-term borrowings and leasing	221 788	157 225
Factoring debt	573 377	500 976
Accounts payable	649 352	585 378
Tax payable	141 471	157 244
Derivatives and other financial instruments	5 905	28 462
Other current liabilities	199 048	235 949
<b>Total current liabilities</b>	<b>1 790 942</b>	<b>1 665 233</b>
<b>Total liabilities</b>	<b>4 297 121</b>	<b>3 804 710</b>
<b>Total equity and liabilities</b>	<b>8 155 716</b>	<b>7 152 615</b>

## Changes in equity

All figures in NOK 1 000	Q4 2018 CI*	Q4 2018 NCI**	YTD 2018 CI*	YTD 2018 NCI**
<b>Equity at period start</b>	<b>3 656 714</b>	<b>39 253</b>	<b>3 304 364</b>	<b>43 541</b>
Profit for the period	341 471	12 735	947 590	24 615
Comprehensive income for the period	28 685	-2 530	-3 740	6 123
<b>Total recognized income for the period</b>	<b>370 156</b>	<b>10 205</b>	<b>943 850</b>	<b>30 738</b>
Paid dividend	-220 867	0	-441 691	0
Dividend to non-controlling interest	0	0	0	-24 821
Currency effect on share capital increase	521	0	0	0
Sale of treasury shares	2 614	0	2 614	0
<b>Total equity to shareholders in the period</b>	<b>-217 732</b>	<b>0</b>	<b>-439 077</b>	<b>-24 821</b>
Total change of equity in the period	152 424	10 205	504 773	5 917
<b>Equity at period end</b>	<b>3 809 138</b>	<b>49 458</b>	<b>3 809 138</b>	<b>49 458</b>

\*) Controlling interest: Shareholders of GSF ASA

\*\*) Non-controlling interest

## Cash Flow Statement

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
EBIT after fair value adjustment of biological assets	463 823	279 175	1 354 916	812 937
Taxes paid	-124 431	-148 518	-147 833	-165 464
Adjustment for fair value	-113 135	-128 544	-256 097	91 463
Adjustment for depreciation and impairment	61 924	53 649	235 655	201 133
Adjustment for income/loss from associated companies	800	-325	2 328	550
Change in inventory, trade payables and trade receivables	-374 484	-172 308	-321 699	-288 475
Gain/-loss on sale of property, plant and equipment	3 887	6 718	4 992	669
Other adjustments	19 418	71 118	-52 420	56 065
<b>Cash flow from operations</b>	<b>-62 199</b>	<b>-39 035</b>	<b>819 841</b>	<b>708 877</b>
Capital expenditure of fixed assets	-138 254	-181 273	-733 034	-552 821
Proceeds from sale of fixed assets	0	3 200	1 295	2 182
Investment in shares in subsidiaries and ass. companies	-10 000	0	-30 000	0
Dividends from other investments	0	0	10	0
Change in other non-current receivables	18	2 922	0	-5 705
<b>Cash flow from investments</b>	<b>-148 236</b>	<b>-175 151</b>	<b>-761 729</b>	<b>-556 344</b>
Net changes in interest-bearing debt incl. factoring	377 676	266 794	339 656	152 456
Paid dividends	-220 867	-110 412	-441 691	-441 648
Paid dividends to non-controlling interests	0	0	-24 821	-32 651
Sale of treasury shares	2 615	0	2 615	0
Net interest and financial items	-14 570	-12 017	-67 113	-61 944
<b>Cash flow from financing</b>	<b>144 853</b>	<b>144 365</b>	<b>-191 354</b>	<b>-383 787</b>
<b>Changes in cash and cash equivalents in the period</b>	<b>-65 582</b>	<b>-69 821</b>	<b>-133 242</b>	<b>-231 253</b>
<b>Cash and cash equivalents - opening balance</b>	<b>204 185</b>	<b>341 612</b>	<b>271 715</b>	<b>503 613</b>
Currency effect on cash	-683	-76	-554	-645
<b>Cash and cash equivalents - closing balance</b>	<b>137 920</b>	<b>271 715</b>	<b>137 920</b>	<b>271 715</b>

## Selected notes

### Note 1 – Accounting principles

Grieg Seafood ASA (the Group) comprises Grieg Seafood ASA and its subsidiaries, including the Group's share of associated companies. The financial report for the fourth quarter of 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations approved by the EU, including IAS 34. The report does not include all information required in a complete annual report and should therefore be read in conjunction with the Group's most recent annual report (2017). The quarterly report is unaudited.

IFRS 9 and IFRS 15 took effect as of 1 January 2018. The Group has implemented the new standards effective from 1 January 2018, without any significant impact on the result for the fourth quarter of 2018. There are no other significant changes to the reporting principles or the calculation methods applied in the most recent annual account (2017), which were also applied in the preparation of this report.

Grieg Seafood has applied a new calculation model for the fair value of biological assets as of Q4. The new model does not represent a change in accounting policies. For further information, see note 4.

The Group is in the process of preparing the implementation of IFRS 16, which takes effect 1 January 2019. The preparations include gathering and systematizing all rental agreements in the Group for assessment of the new standard. The new standard will have material impact on the Group's Financial Statements. Preliminary calculations based on the available information regarding operating leases as at 31 December 2018 indicates that the Group will recognize assets and related leasing obligations of around NOK 300 - 400 million on 1 January 2019. This is subject to change due to consideration of renewal options, discount rates, currency effects, new agreements and other factors. Grieg Seafood does not intend to adopt the standard before its effective date.

Management is required to make estimates and assumptions concerning the future that affect the accounting policies and recognized amounts of assets, liabilities, income and expenses. Significant estimates relate to valuation of biological assets and intangible assets. 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 estimates are reflected in the accounts as they occur.

### Note 2 – Risks and uncertainties

The Group is exposed to risks in several areas, such as biological production, changes in salmon prices, political risk related to trade barriers, and financial risk, including interest rate fluctuations, exchange rates and liquidity.

The Group's internal control mechanisms and risk exposure are subject to constant monitoring and improvement, and efforts to reduce different types of risk have high priority. The management has established a framework for managing and eliminating most of the risk that can prevent the Group from attaining its goals.

The Group operates in an industry with high volatility, which leads to financial risk. The financial risk is managed by a central unit at the Group's head office. The Group's financial position remains strong at the end of the year. The Group has renegotiated the syndicated bank loan agreement, which will secure the working capital that is needed for achieving the growth targets. Income and currency risk have been transferred to the sales company. The production companies sell in local currencies to the sales company, which hedges its transactions against currency fluctuations related to CAD/USD, EUR/NOK and USD/NOK and, if required, other currencies.

The greatest operational risk is related to biological developments with regards to both the smolt and the aquaculture operations. To reduce risk, the Group focuses on production of Atlantic salmon as its main product. Training of employees and establishing good internal routines to reduce operational risk, is a priority.

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

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

The Group has a zero-tolerance policy with regards to escapes. Shetland had two escape incidents in 2018 with 22 200 escaped fish. There were no escape incidents in 2017.

Salmon price developments are highly volatile, with great fluctuations within relatively short time spans. However, there has been a stable increase in the demand for salmon over recent years, while the growth in supply has been more limited, and this development is expected to continue going forward. Supply and demand are also affected by other factors, such as

government regulations, sea temperatures, outbreaks, diseases, and other indirect and direct factors, which affect production and hence also supply.

### Note 3 – Segment information

The operating segments are divided geographically by country or region, based on the reporting criteria applied by Group management (as supreme decision-makers) when assessing performance and profitability at a strategic level.

Earnings from the sales company Ocean Quality Group (OQ) is reported per producer. The minority share is reported with ownership cost, as an elimination. Ocean Quality comprises the companies in Norway, UK, North America (NA) and USA. Ocean Quality UK and Ocean Quality NA are wholly owned by Ocean Quality Norway, while Ocean Quality USA is wholly owned by Ocean Quality NA. Grieg Seafood owns 60% of Ocean Quality Norway. Ocean Quality sells all fish produced by Grieg Seafood.

Segment results are based on EBIT before fair value adjustments. The effect of one-off costs, such as restructuring costs and write-down of goodwill, is

excluded from the segments. Effects of share options, as well as unrealized gains and losses on financial instruments, are also excluded.

The column "Other items/eliminations" comprises results from activities carried out by the Group's parent company and other non-production or sales companies, as well as the share of EBIT to Ocean Quality minority interests.

#### The main items in the elimination column comprise:

All figures in NOK 1 000	Q4 2018	YTD 2018
Ownership cost	-25 694	-72 545
Share of EBIT to minority interest	16 766	32 194
<b>EBIT elim. /other items</b>	<b>-8 928</b>	<b>-40 351</b>

Q4	Rogaland		Finnmark		BC-Canada		Shetland-UK		Elim. /Others (2)		The Group	
All figures in NOK 1 000	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Revenues	355 675	219 948	594 351	422 329	187 332	155 284	245 151	185 657	748 448	737 146	2 130 958	1 720 364
Other income	393	1 535	-897	1 643	-2 772	7	5 261	1 266	-4 833	6 417	-2 847	10 868
EBITDA (1)	130 850	39 950	240 056	122 159	32 573	28 845	16 623	41 690	-7 490	-28 363	412 612	204 280
EBIT (1)	117 754	29 105	217 224	102 681	19 828	18 977	4 810	29 706	-8 928	-29 838	350 688	150 631
EBITDA %	37%	18%	40%	29%	18%	19%	7%	22%			19%	12%
EBIT %	33%	13%	37%	24%	11%	12%	2%	16%			16%	9%
Harvest volume tonnes GWT	6 185	4 278	10 824	8 626	2 941	2 622	3 730	3 141			23 682	18 667
<b>EBIT/kg</b>	<b>19.04</b>	<b>6.80</b>	<b>20.07</b>	<b>11.90</b>	<b>6.74</b>	<b>7.24</b>	<b>1.29</b>	<b>9.46</b>			<b>14.81</b>	<b>8.07</b>

- 1) EBITDA and EBIT before fair value adjustment of biological assets.
- 2) Elim. /other includes bonus and share of profit from Ocean Quality to producers.

YTD	Rogaland		Finnmark		BC-Canada		Shetland-UK (3)		Elim. /Others (2)		The Group	
All figures in NOK 1 000	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017
Revenues	959 604	1 150 166	1 671 334	1 265 156	1 075 272	580 293	799 904	745 934	2 994 204	3 275 907	7 500 316	7 017 456
Other income	24 468	12 229	-1 615	6 980	13 160	-24	10 360	5 739	5 637	-4 666	52 010	20 257
EBITDA (1)	267 626	430 627	685 645	426 694	335 728	154 583	80 151	117 464	-34 677	-23 836	1 334 473	1 105 533
EBIT (1)	219 637	393 064	594 917	351 935	290 864	120 162	33 752	68 657	-40 351	-29 418	1 098 818	904 400
EBITDA %	27%	37%	41%	34%	31%	27%	10%	16%			18%	16%
EBIT %	22%	34%	36%	28%	27%	21%	4%	9%			15%	13%
Harvest volume tonnes GWT	16 293	18 111	29 774	22 831	16 632	9 600	11 924	12 056			74 623	62 598
EBIT/kg	13.48	21.70	19.98	15.42	17.49	12.52	2.83	5.69			14.72	14.45

- 1) EBITDA and EBIT before fair value adjustment of biological assets.
- 2) Elim. /other includes bonus and share of profit from Ocean Quality to producers.
- 3) EBITDA and EBIT includes cost accrual of NOK 10 million related to elevation of a sunken barge.

#### From EBIT to net profit for reportable segments

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
<b>EBIT before fair value adjustment of biological assets</b>	<b>350 688</b>	<b>150 631</b>	<b>1 098 818</b>	<b>904 400</b>
Fair value adjustment of biological assets	113 135	128 544	256 097	-91 463
<b>EBIT after fair value adjustment of biological assets</b>	<b>463 823</b>	<b>279 175</b>	<b>1 354 916</b>	<b>812 937</b>
Changes in fair value from hedging instruments	-1 939	1 771	-561	5 775
Net financial interest	-9 521	-8 460	-52 015	-39 270
Net currency gain (losses)	-12 435	19 175	-23 199	20 554
Dividend	0	0	10	0
Net other financial expenses /-income	-648	923	-2 226	-1 516
<b>Net financial items</b>	<b>-24 542</b>	<b>13 408</b>	<b>-77 991</b>	<b>-14 457</b>
<b>Profit before tax</b>	<b>439 280</b>	<b>292 583</b>	<b>1 276 925</b>	<b>798 480</b>
Estimated taxation	-85 075	-84 467	-304 720	-197 581
<b>Net profit for the period</b>	<b>354 206</b>	<b>208 116</b>	<b>972 205</b>	<b>600 899</b>

## Note 4 – Biological assets

For companies that apply IFRS, treatment of live fish in the accounts is regulated by IAS 41, Agriculture. Broodstock and smolt are measured at cost less impairment losses, as the fair value cannot be measured reliably. For fish in sea weighing up to 4.76 kg round weight, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13. Grieg Seafood has been part of a cross-industry group with the purpose to replace the growth model with a present value model (discounted cash flow). Grieg Seafood has changed model with effect from Q4 2018. Considering the industry's common goal to harmonize the model, Grieg Seafood made adaptations to the model during Q4 2018. Changes to the model involve calculation techniques and do not represent a change in

accounting policy. The change to the new calculation had an effect on the profit and loss of NOK -45.4 million in Q4 2018. The valuation model calculates the net present value of expected cash flow from biological assets. Changes in estimated fair value of biological assets are presented on the line "Fair value adjustments of biological assets" in the profit and loss statement. The cash flow and estimates are carried out per location.

Sales prices are based on forward prices and/or the most relevant price information available for the period during which the fish is expected to be harvested. Sales prices are adjusted for quality differences, weight categories and logistics costs. Since the sales price is set at gutted weight, the volume is adjusted for gutting waste.

	Tonnes		Tonnes		NOK 1 000		NOK 1 000	
	Q4 2018	YTD 2018	Q4 2017	YTD 2017	Q4 2018	YTD 2018	Q4 2017	YTD 2017
<b>Biological assets - beginning of period</b>	<b>54 760</b>	<b>54 677</b>	<b>52 336</b>	<b>45 627</b>	<b>2 985 309</b>	<b>2 698 352</b>	<b>2 497 597</b>	<b>2 459 625</b>
Currency translation	0	0	0	0	26 744	-11 446	19 295	24 095
Increases due to production	29 831	90 683	21 998	83 605	989 983	3 154 824	739 458	2 773 680
Decreases due to sales / harvesting/mortality	-28 193	-88 963	-19 656	-74 554	-914 777	-2 935 809	-635 022	-2 416 650
Fair value adjustment beginning of period	N/A	N/A	N/A	N/A	-863 425	-682 089	-605 066	-824 487
Fair value adjustment period end	N/A	N/A	N/A	N/A	971 309	971 309	682 089	682 089
<b>Biological assets - period end</b>	<b>56 398</b>	<b>56 398</b>	<b>54 677</b>	<b>54 677</b>	<b>3 195 142</b>	<b>3 195 142</b>	<b>2 698 352</b>	<b>2 698 352</b>

<b>Biological assets - status 31.12.2018</b>	<b>Number of fish (1 000)</b>	<b>Biomass (tonnes)</b>	<b>Cost of production</b>	<b>Fair value adjustment</b>	<b>Carrying amount</b>
Biomass onshore	23 668	712	153 451	0	153 451
Biological assets with round weight < 4.76 kg	33 409	53 624	2 006 654	944 047	2 950 701
Biological assets with round weight > 4.76 kg	351	2 063	63 728	27 262	90 990
<b>Total</b>	<b>57 429</b>	<b>56 398</b>	<b>2 223 833</b>	<b>971 309</b>	<b>3 195 142</b>

<b>Biological assets - status 31.12.2017</b>	<b>Number of fish (1 000)</b>	<b>Biomass (tonnes)</b>	<b>Cost of production</b>	<b>Fair value adjustment</b>	<b>Carrying amount</b>
Biomass onshore	17 132	465	118 789	0	118 789
Biological assets with round weight < 4.76 kg	31 753	53 654	1 878 468	677 719	2 556 187
Biological assets with round weight > 4.76 kg	112	559	19 006	4 370	23 376
<b>Total</b>	<b>48 996</b>	<b>54 677</b>	<b>2 016 263</b>	<b>682 089</b>	<b>2 698 352</b>

## Note 5 – Fair value adjustments

All figures in NOK 1 000	Q4 2018	Q4 2017	YTD 2018	YTD 2017
<b>Recognized fair value adjustment</b>				
Change in fair value adjustment of biological assets	105 972	71 404	297 583	-148 567
Change in physical supply contracts related to fair value adjustments of biological assets	-378	2 707	-458	37 078
Change in fair value of financial derivatives from salmon (Fish Pool contracts)	7 541	54 433	-41 028	20 026
<b>Total recognized fair value adjustment on biological assets</b>	<b>113 135</b>	<b>128 544</b>	<b>256 097</b>	<b>-91 463</b>

Provisions allocated to physical future contracts that require actual value adjustment, is recorded as other current liabilities in the balance sheet. The contracts are calculated on basis of the same forward prices that apply to fair value calculation of biological assets. Provisions allocated to physical contracts covering fish

under 4.76 kg (immature), are recognized as a proportionate share. Value adjustment of financial derivatives from salmon is recorded in the balance sheet as derivatives and other financial instruments. Financial derivatives are valued at market value.

## Note 6 - Total net interest-bearing debt and equity according with covenants

Net interest-bearing debt is calculated in accordance with covenant requirements in the financing agreement. According to the agreement, factoring debt and non-controlling ownership interests' share of bank assets, are not included.

Ocean Quality in Norway and the UK has a factoring agreement that comprises financing of outstanding receivables, where any significant risk and control of accounts receivable remain with Ocean Quality. Prepayments/financing from factoring are net interest-

bearing debt. Factoring is recognized as financing in the balance sheet.

The share of bank assets that belongs to non-controlling ownership interests (Bremnes Fryseri AS), is excluded in the calculation of the bank's covenant requirements.

As at 31 December 2018, the Group had a good level of free liquidity and unutilized credit facilities, with available bank credit frame of NOK 793 million.

All figures in NOK 1 000	31.12.2018	31.12.2017
Total non-current interest-bearing liabilities	1 601 174	1 396 899
Total current interest-bearing liabilities	795 166	658 202
<b>Gross interest-bearing debt</b>	<b>2 396 340</b>	<b>2 055 100</b>
Cash and cash equivalents	137 920	271 715
Loans to associated companies	22 100	19 600
<b>Net interest-bearing debt</b>	<b>2 236 320</b>	<b>1 763 786</b>
Quote of factoring debt	573 377	500 976
Quote of Bremnes' share of bank OQ AS (40 %)	-26 595	-20 797
<b>Net interest-bearing debt, according to covenants</b>	<b>1 689 537</b>	<b>1 283 606</b>
<b>NIBD/EBITDA *)</b>	<b>1.3</b>	<b>1.2</b>

\*) NIBD/EBITDA is calculated in accordance with the covenants. 12 months rolling EBITDA before fair value adjustment.

The equity share requirement according to covenants is 40%, without consolidation of Ocean Quality Group. As at 31 December 2018, the equity share exclusive of Ocean Quality was 53%. In 2017, the corresponding equity share was 52%.

To cater for major investment requirements relating to the growth strategy for 2020, the Group has renegotiated the syndicated bank loan prior to its original maturity in 2019. The Group has several growth targets, including increased smolt capacity and

new locations, which have resulted in a need for increased working capital. The new agreement includes (among other things) two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million, alongside granted 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.

## Note 7 - Investment in associated companies

Investments in associated companies with operations in the same section of the value chain as the Grieg Seafood Group, have been classified as part of the EBIT. Grieg Seafood Rogaland has invested NOK 40 million in Tytlandsvik Aqua AS, corresponding to 33.3% of the shares in the company. The remaining shareholdings are held by Bremnes Fryseri AS (33.3%) and Vest Havbruk AS (33.3%). Through Tytlandsvik Aqua AS, the partners will secure

increased and improved access to post smolt for the Group.

A total of approx. NOK 300 million has been invested in the construction of a large smolt facility in Rogaland. The construction has progressed according to plan and was completed towards the end of the year. Recognized share of profit in 2018 was NOK -2 328 thousand and the book value was NOK 37 million as at 31 December 2018.

## Note 8 - Related parties

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 ASA. Grieg Seafood ASA rents office premises from Grieg Gaarden AS and acquires other administrative services from Grieg Group Resources AS. The office rental agreement was recently renewed for a period of 10 years. Grieg Kapital AS has share holdings in Ryfylke Rensefisk AS, from which Grieg Seafood acquires lumpfish. Grieg Seafood ASA buys roe from SalmoBreed AS, feed from Biomar Group and

veterinary services from Fomas AS and SLab AS, who are related parties to board members. All service purchases and the rental relationship are made on an arm's length basis. Ocean Quality AS purchases fish from its shareholder Bremnes Fryseri AS, for resale to domestic and international customers. The fish from Bremnes Fryseri AS is supplied by its subsidiary Bremnes Seashore AS. Ocean Quality AS rents office premises and office equipment from Bremnes Fryseri AS. All sales of goods and services are made on an arm's length basis.

Shares controlled by board members and management as at 31.12.2018	No. of shares	Shareholding
<b>Board of directors</b>		
Per Grieg jr. *)	58 961 996	52.80 %
Asbjørn Reinkind (Reinkind AS)	120 000	0.11 %
Wenche Kjølås (Jawendel AS)	7 000	0.01 %
Karin Bing Orgland	0	0.00 %
Solveig Nygaard	0	0.00 %
Tore Holand	0	0.00 %
<b>Group management</b>		
Andreas Kvame (CEO)	39 165	0.04 %
Atle-Harald Sandtorv (CFO)	24 208	0.02 %
Knut Utheim (COO)	23 507	0.02 %
Kathleen Mathisen (CHRO)	3 456	0.00 %
Grant Cumming (Regional Director)	3 425	0.00 %
Roy-Tore Rikardsen (Regional Director)	19 565	0.02 %
Alexander Knudsen (Regional Director)	22 165	0.02 %
Rocky Boschmann (Regional Director)	3 295	0.00 %
<b>Total shares controlled by board members and management</b>	<b>59 227 782</b>	<b>53.04 %</b>

\*) Shares owned by the following companies are controlled by Per Grieg jr. and closely related (Verdipapirhandelloven § 2-5):

Shares owned by Per Grieg jr. and closely related	No. of shares	Shareholding
Grieg Aqua AS	56 018 799	50.17 %
Ystholmen Felles AS	2 928 197	2.62 %
Per Grieg jr. private	15 000	0.01 %
<b>Total shares owned by Per Grieg jr. and closely related</b>	<b>58 961 996</b>	<b>52.80 %</b>

## Note 9 – Share capital and shareholders

### Share capital

As at 31 December 2018, the Company had 111 662 000 shares with a nominal value of NOK 4 per share. All shares issued by the Company are fully paid-up. There is one class of shares and all shares confer the same rights. In June 2011, the Company purchased 1 250 000 treasury shares at NOK 14.40 per share. At 21 November 2018, the Company sold 21 576 shares to employees for use in the share savings program.

Date	Type of change	Change in share capital (NOK 1 000)	Nominal value per share (NOK)	Total share capital (NOK 1 000)	No. of ordinary shares
31.12.2018			4.00	446 648	111 662 000
	Holdings of treasury shares		4.00	-5 000	-1 250 000
21.11.2018	Sale of treasury shares to employees		4.00	86	21 576
<b>Total ordinary shares</b>				<b>441 734</b>	<b>110 433 576</b>

The 20 largest shareholders in Grieg Seafood ASA as at 31.12.2018		No. of shares	Shareholding
Grieg Aqua AS		56 018 799	50.17 %
OM Holding AS		6 039 379	5.41 %
Folketrygdfondet		3 760 350	3.37 %
Ystholmen Felles AS		2 928 197	2.62 %
State Street Bank and Trust Comp		2 055 051	1.84 %
Verdipapirfondet Pareto Investment		1 926 457	1.73 %
Verdipapirfondet Alfred Berg Gamba		1 700 796	1.52 %
Grieg Seafood ASA		1 228 424	1.10 %
Handelsbank Nordiska Sambolagsfond		1 057 190	0.95 %
Euroclear Bank S.A./N.V.		965 253	0.86 %
State Street Bank and Trust Comp		891 700	0.80 %
Clearstream Banking S.A.		866 255	0.78 %
JPMorgan Chase Bank. N.A. London		828 120	0.74 %
The Bank of New York Mellon SA/NV		766 040	0.69 %
The Northern Trust Comp. London Br		685 964	0.61 %
Pictet & Cie (Europe) S.A.		603 115	0.54 %
VPF Nordea Avkastning		602 577	0.54 %
VPF Nordea Kapital		574 943	0.51 %
UBS Switzerland AG		566 035	0.51 %
JPMorgan Chase Bank. N.A. London		552 773	0.50 %
<b>Total 20 largest shareholders</b>		<b>84 617 418</b>	<b>75.78 %</b>
Total others		27 044 582	24.22 %
<b>Total number of shares</b>		<b>111 662 000</b>	<b>100.00 %</b>

\*) Grieg Holdings AS decided to transfer all Grieg Seafood ASA shares to Grieg Aqua AS through a demerger. Grieg Aqua AS was established when the demerger was completed. The process was formalized 3 December 2018. In addition, all Grieg Seafood ASA shares owned by Grieg Ltd AS was transferred to Grieg Aqua AS. Grieg Maturitas II AS, the parent company of Grieg Holdings AS and Grieg Ltd AS, is the sole shareholder of Grieg Aqua AS. Please refer to notification at [www.oslobors.no](http://www.oslobors.no) for more information.

## Note 10 - Alternative performance measures (APM)

APM	Definition and calculation	Reason for applying APM
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.</p> <p>EBIT before fair value adjustment is generally considered the industry measure for profitability.</p>
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.</p>
Equity ratio excluding Ocean Quality	<p>The equity ratio is calculated both with and without Ocean Quality. The bank syndicate equity covenant definition is exclusive Ocean Quality. solely considering Grieg Seafood companies. both with regards to equity and total liabilities.</p>	<p>Applied to measure the company's solidity. according to the Group's covenant requirements.</p>
NIBD	<p>Net interest-bearing debt (NIBD) comprises long-term and current debt to financial institutions. after deducting cash and cash equivalents.</p> <p>NIBD is calculated in two ways: 1) For external reporting purpose: Including all long-term and current debt to credit institutions excluding factoring debt. 2) For covenant calculation as required by the bank syndicate: As in method however. cash and cash equivalents are reduced with an amount corresponding to Bremnes Fryseri AS' 40% share of Ocean Quality AS' bank deposits.</p> <p>NIBD calculated according to method 2 above is used for calculation of:</p> <p>NIBD/EBITDA</p>	<p>NIBD/EBITDA is a measure of solidity and one of the covenants in the bank agreement. When calculating NIBD/EBITDA NIBD is calculated according to method 2 and EBITDA is before fair value adjustment of biological assets and consolidation of Ocean Quality Group.</p>
ROCE	<p>Return on capital employed is calculated using values before fair value adjustment of biological assets. The ROCE is calculated as follows: EBIT before fair value adjustment of biological assets divided by average annual NIBD plus average annual equity before fair value adjustment of biological assets.</p> <p>The average annual values for NIBD and equity are calculated as Opening balance plus Ending balance divided by 2.</p> <p>NIBD is excluding Ocean Quality (refer to method 2 under NIBD above)</p>	<p>Fair value adjustment of biological assets is extracted as this reflects future gains or losses on fish not yet sold.</p>

## Information about Grieg Seafood ASA

### Head Quarter Grieg Seafood ASA

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Organization number	NO 946 598 038 MVA

### Board of Directors of Grieg Seafood ASA

Per Grieg jr.	Chair
Asbjørn Reinkind	Vice chair
Wenche Kjøllås	Board member
Karin Bing Orgland	Board member
Solveig Nygaard	Board member
Tore Holand	Board member

### Group management

Andreas Kvame	CEO
Atle Harald Sandtorv	CFO
Knut Utheim	COO
Kathleen O. Mathisen	CHRO

### Financial calendar

Annual report 2018	12 April 2019
Q1 2019	15 May 2019
Annual General Meeting 2018	13 June 2019
Q2 2019	21 August 2019
Q3 2019	7 November 2019
Q4 2019	13 February 2020

*The Company reserves the right to make amendments to the calendar.*