Annual Report 2018

Content

Board of Directors' report

2018

INTRODUCTION

Austevoll Seafood ASA (AUSS) is a global seafood group. AUSS is a world leader within the production of Atlantic salmon and trout, covering the entire value chain from breeding to smolt, fish for consumer products, harvesting, processing, sale and distribution. As a result of the acquisition within whitefish in the autumn of 2016, the Group is also a significant player within fisheries, processing and sale of whitefish. AUSS has pelagic operations within fisheries, production of fishmeal and fish oil, and products for human consumption. The Group has sales operations in Norway, Europe, Asia, the USA and South America.

The company's head office is located on Storebø island, Austevoll municipality, Norway.

THE GROUP'S ACTIVITIES

The Group's activities are divided into the following operating segments: Lerøy Seafood Group ASA (Europe), Austral Group S.A.A (Peru), Foodcorp Chile S.A (Chile), Br. Birkeland AS (Norway), Br. Birkeland Farming AS (Norway) and the jointly controlled entity Pelagia AS (Europe).

Given the prevailing framework conditions, the Board of Directors is essentially satisfied with the Group's results for the 2018 financial year. It is gratifying to see the effects of more normalised fishing seasons for the business in Peru, as was the case in 2018. The Board of Directors would like to take this opportunity to thank all the Group's employees for their hard work again in 2018.

Lerøy Seafood Group ASA (Europe)

Lerøy Seafood Group ASA (LSG) is a fully integrated leading seafood corporation with a global reach and is now a fully and vertically integrated corporation within both redfish and whitefish. Over the last 20 years, LSG has developed from a family-run Norwegian wholesaler/exporter into a fully integrated international seafood group. This growth has been achieved through professionalisation, organisation building and access to venture capital. There is a clear ambition to further develop this position in the years ahead.

By means of acquisitions, alliances and business development, LSG has been part – and one of the drivers – of the substantial growth in Norwegian production of salmon and trout in recent decades, as well as playing an important role in the development of Norwegian seafood in a global market. An expanded resource base combined with a consistent focus on operational improvements in the value chain has steadily boosted LSG's position as the preferred partner for its customers. LSG is in a position where it can work with a longer-term perspective and more closely with its customers at an increasingly strategic level.

The Group has three farming regions in Norway: Lerøy Aurora in Troms and Finnmark, Lerøy Midt in Nordmøre/Trøndelag and Lerøy Sjøtroll in Hordaland. A total of 162 000 tonnes of salmon and trout was harvested in 2018, up from 158 000 tonnes in 2017.

In addition, LSG owns the Scottish fish-farming company Scottish Sea Farm Ltd. via its 50% shareholding in Norskott Havbruk AS. In 2018, Scottish Sea Farm Ltd. harvested 27 000 tonnes of salmon (2017: 31 000 tonnes).

Acquisition opportunities are assessed on an ongoing basis, although the last significant example within redfish was the acquisition of part of Villa Organic back in 2013. With the acquisition of Havfisk and Lerøy Norway Seafood (LNWS) in 2016, one of the biggest in its history, LSG became Norway's largest company within fishing and processing of whitefish. LSG's investments in whitefish mean that the Group is now also a significant global player in this segment. The expanded resource base makes LSG a more attractive supplier.

Havfisk's primary segment is whitefish fisheries. Havfisk has licence rights to fish just over 10% of the total Norwegian cod quotas in the zone north of 62 degrees latitude, corresponding to more than 30% of the total quota allocated to the trawler fleet. After delivery of the new trawler, Nordtind, in January 2018, Havfisk had a fleet of 10 trawlers in operation up to May, when Kongsfjord was handed over to a new owner. In April 2018, the Group signed an agreement with Vard for the construction of a new vessel. The new vessel is based on the same design as Nordtind, which is a combination trawler (fresh and frozen fish) equipped with forward-looking catch-handling equipment to provide optimal quality and utilisation of the whole fish. The new trawler is scheduled for delivery in Q1 2020.

Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants. There has been a year-on-year reduction in the quotas for cod and haddock in 2018, but a significant increase in shrimp fishing. In terms of volume, the increased catches of shrimp and other species have compensated for the reduction in the quotas for cod and haddock. For 2018 as a whole, Havfisk's total catch volume was 66 255 tonnes, on par with 2017.

LNWS's primary business is processing wild-caught whitefish. The company has use of 12 processing plants and purchasing stations in Norway, five of which are leased from Havfisk. LNWS is the largest purchaser of cod from the coastal fishing fleet in Norway. Processing of whitefish in Norway has been extremely challenging for many years. As a result of high demand for seafood and lower quotas, raw material prices rose through 2018, presenting a challenge for processing operations. The

Group has implemented a raft of measures within both production and marketing to improve earnings, but these are long-term initiatives and it will take time before significant improvements are evident.

In combination with increased access to raw materials, LSG has focused on developing strategic customer relationships via an efficient downstream value chain. LSG sells seafood in a number of categories, including fresh, frozen and smoked. Over the last 15 years, there has been a particular focus on developing a more efficient value chain for fresh distribution of seafood. To facilitate this, the Group has built a number of distribution centres for fresh seafood. These centres are largely based on raw materials in the form of fillets produced at the Group's plants in Norway. Close-to-market facilities enable a high level of service, and enhanced interaction and development with customers in the specific markets. Capacity for sushi and ready meals is also gradually being developed. Work is ongoing to tie the whitefish activities ever more closely to LSG's growing downstream activities. There is still enormous potential within whitefish for increased value creation through the Group's own value chain, and this is an important focus area for the years ahead. One important premise for the further development of profitable conceptual trade is a stable supply of raw materials of the right quality.

LSG reported revenue of NOK 19 880 million in 2018 (2017: NOK 18 620 million) – the highest ever reported by the Group. The revenue growth can be attributed to good prices for the Group's main products as well as increased activity in its downstream operations.

EBITDA in 2018 amounted to NOK 4 228 million (2017: NOK 4 300 million), and EBIT before fair value adjustment related to biological assets was NOK 3 569 million (2017: NOK 3 717 million).

The prices for Atlantic salmon and trout remained strong in 2018, but with high volatility through the year. There was no change in the prices LSG realised for salmon from 2017 to 2018, while prices realised for trout fell, partly as a result of lower quality due to sexual maturation. For 2018 as a while, prices realised for trout by the Group's farming companies were in the region of NOK 6 lower than for salmon.

The consolidated financial statements for 2017 indicated that release from stock costs were expected to fall through 2018. This proved to be true, though unfortunately not wholly in line with the Group's expectations.

Different biological framework conditions lead to major variations in release from stock costs between the regions. Costs remain low for Lerøy Aurora and have improved significantly for Lerøy Midt through 2018, while the cost level at Lerøy Sjøtroll continues to be what we define as unsatisfactory. There is significant potential for improvements in Lerøy Sjøtroll, and the Group has high expectations for the investments made in facilities for the production of larger smolt. Expectations for these investments are based among other things on experience with similar facilities in the Group.

The total catch volume for 2018 was on par with 2017 for whitefish, but the decrease in quotas for 2018 brought about a change in mix with lower volumes of cod and haddock coupled with a significantly higher volume of shrimp. Compared with 2017, the average prices realised for cod and haddock increased by 17% and 25% respectively, while prices for saithe were on par with 2017.

LSG has major downstream activities and a clearly defined goal to drive demand for seafood in the form of new products and market development. LSG sells, processes and distributes own-produced salmon and trout along with whitefish from its own fleet of trawlers, but also has substantial activities in cooperation with third parties. This makes the Group a supplier of a wide range of seafood products, and the Group is seeing positive synergies in its marketing work as a result of the acquisition within whitefish. Earnings within downstream activities in 2018 were characterised and negatively affected by extremely volatile prices for salmon and trout.

The Board of Directors considers that the Group's many years of focusing on sustainable production methods, building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and developing its brand will enable it to continue to generate value going forward.

Austral Group S.A.A. (Peru)

Austral Group S.A.A.'s (Austral) fully integrated value chain comprises activities within fishing, production of fishmeal and oil, and consumer products. Austral holds just under 7% of the total quota for anchoveta in Central/North Peru and just under 4% in South Peru. In addition, the company has fishing rights for horse mackerel and mackerel. Fishmeal and oil are produced in four factories, located in Coishco, Chancay, Pisco and Ilo. The company has two factories producing consumer products that share premises with the fishmeal and fish oil factories in Coishco and Pisco.

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

The quota for the first season of 2018 in Central/North Peru was 3.3 million tonnes (2017-I: 2.8 million tonnes). The season started early in April and continued until the first part of August, with approximately 100% of the total quota being fished. The quota for the second season of 2018 in Central/North Peru was 2.1 million tonnes (2017-II: 1.5 million tonnes). The second season started on 15 November, with 90% of the total quota being fished by the end of December; the rest of the quota was fished in January 2019. For this season too, approximately 100% of the total quota was fished. This was not the situation for the second fishing season in 2017: The second season had started on 23 November, but was suspended a few days later due to an excessive proportion of fish being below the minimum size. The season did not restart until January 2018.

In 2018, a total of just over 6.1 million tonnes of anchoveta was landed in Peru (for production of fishmeal and fish oil), up 88% from 3.2 million tonnes in 2017.

The company has fished 100% of its quotas for the first and second seasons in 2018. The company's total raw material volume, from both its own fishing and purchased from third parties, was 602,000 tonnes in 2018. This was a significant increase on the equivalent figure of 294,000 tonnes in 2017. Thanks to good catch volumes and low sales volumes in Q4 2018, the company entered 2019 with inventories of 43,000 tonnes of fishmeal and fish oil. The suspension of fishing in Q4 2017 meant the company entered 2018 with no inventories.

In 2018, the company sold 111,000 tonnes of fishmeal and fish oil, compared with 95,000 tonnes in 2017. The prices realised for fishmeal were up 7% from 2017 to 2018. The company sells the majority of its fishmeal to Asia, with China as the single largest market. The prices realised for fish oil were up 20% from 2017 to 2018.

Austral reported revenue of NOK 1 640 million in 2018 (2017: NOK 1 250 million), EBITDA of NOK 619 million (2017: NOK 137 million) and EBIT of NOK 453 million (2017: NOK -51 million).

Peru is usually the world's largest producer of fishmeal and fish oil. Production volumes in Peru therefore have a direct bearing on global prices for fishmeal. From 2014 to 2017, Peru has struggled with low quotas and difficult operating conditions. The weather phenomenon known as "El Niño" had an impact during this period. In 2017, the institutes monitoring this weather phenomenon signalled that sea temperatures were returning to normal. The recommended quotas for 2017 totalled 4.3 million tonnes, indicating that the researchers assessed the biomass to be in a good state. This was supported by a total quota for 2018 of 5.4 million tonnes. Operations in the first and second seasons in 2018 showed a significant improvement in catch volumes, reinforcing the Group's projections of a return to normal for fisheries in Peru going forward.

Foodcorp Chile S.A. (Chile)

Foodcorp Chile S.A.'s (FC) fully integrated value chain covers activities within fisheries, consumer products, and production of fishmeal and fish oil. From 2018, the regulation of fisheries in Chile has provided greater flexibility for the fleet to carry out fishing in all the country's regions. This provides a corresponding increase in flexibility for FC, whose quota previously covered South Chile exclusively. FC's quota therefore now corresponds to 8.4% of the horse mackerel quota established for the fleet to which FC's vessels belong. FC also has a quota for sardine/anchoveta. All FC's shore-based industrial activities are located in the same building in Coronel.

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

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

After several difficult years, the company's supply of raw materials has shown a positive development in recent years. In total, the company received 95 000 tonnes of raw materials in 2018, against 102 000 tonnes in 2017. There has been a change in raw material mix in 2018, with significantly higher volumes of horse mackerel and lower volumes of anchoveta/sardine compared with 2017. In addition to the company's own quota of 29 400 tonnes for horse mackerel, it also purchased a quota of 23 400 tonnes from a third party. This resulted in a total volume of 52 800 tonnes of horse mackerel in 2018, up 22% from 43 200 tonnes in 2017. The company fished the purchased quota using its own vessels in both 2018 and 2017.

The volume growth contributes to significantly better utilisation of the fleet and factories, and FC has increased its share of horse mackerel used for frozen products by 32% in 2018 compared with 2017. However, the margins on frozen horse mackerel have fallen compared with 2017. This is mainly explained by the increased price for the horse mackerel quota purchased from a third party and an increase in the annual fee for the company's own horse mackerel quota.

In addition to horse mackerel, the company has also purchased raw materials from the coastal fleet, which in 2018 were squid and anchoveta.

The company reported revenue of NOK 603 million in 2018 (2017: NOK 508 million), EBITDA of NOK 90 million (2017: NOK 79 million) and EBIT of NOK 80 million (2017: NOK 46 million).

Chile has seen a significant decline in horse mackerel fishing since 2008/2009, with joint international fish stock management introduced from 2011. Responsibility for the scheme is assigned to the South Pacific Regional Fisheries Management Organization (SPRFMO). The quotas established in subsequent years have seen only a minor increase, in order to build up the biomass. Thanks to SPRFMO's conservative management, it was able to report in the autumn of 2017 that the biomass had reached a sustainable level, allowing the organisation to recommend an increase of 17% in the quotas for 2018. The increase in quotas for 2019 is just under 3%.

The outcome of the auction for horse mackerel executed in December 2017 was finalised in the spring of 2018, and FC has sustained its share of fisheries on payment of an increased annual fee for the auctioned volume.

Br. Birkeland AS/Br. Birkeland Farming AS (Norway)

At the end of 2017, Br. Birkeland AS's (BRBI) farming operations were demerged and transferred to the new company Br. Birkeland Farming AS (BFARM), while fishery operations remained in Br. Birkeland AS. As a result, the accounting figures for 2018 are reported as farming operations (BFARM) and fishery operations (BRBI). The comparative figures for 2017 are therefore pro forma. At 31 December 2018, AUSS owned 55.2% of the shares in Br. Birkeland Farming AS and 42.9% of the shares in Br. Birkeland AS.

In December 2017, BRBI entered into an agreement to sell the company Maron AS. The company owned vessels and a quota of 409 basic tonnes for ring nets. The transaction was completed in January 2018.Further to this transaction, BRBI owns two pelagic ring net vessels, each with a 681 basic tonne quota for ring nets, and a 1.425 basic tonne trawler quota for blue whiting. BRBI also owns a vessel used for snow crab fishing.

In 2018, BRBI's wholly owned subsidiary Opilio AS owned the vessel "Northguider", used for snow crab and shrimp fishing. On Friday 28 December 2018, the vessel ran aground at Sperreneset, north of the Hinlopenstredet strait on Svalbard. A complex rescue operation was initiated and the 14 crew on board were evacuated with only minor injuries. The shipowner then carried out an emergency operation to unload the vessel over the following weeks, in close collaboration with the Governor of Svalbard, the Norwegian Coastal Administration, the coast guard, other agencies and the shipowner's insurance company and salvage experts. The shipowner's insurance company has concluded that the vessel is a total loss and has abandoned it.

The companies involved in pelagic fisheries have seen an increase in catch volumes compared with 2017. Average prices realised have also increased compared with 2017, particularly for mackerel and blue whiting. In view of this, the vessels have had a successful year with good earnings. With the exception of the quotas for Norwegian spring-spawning herring, all the 2019 quotas are lower than in 2018.

The vessel used to fish snow crab has had another extremely poor year with significant losses. Fishing takes place in the waters surrounding Spitsbergen, and ice in this area again caused major problems for fisheries in the winter of 2018. The regulations governing snow crab catches were amended in May 2018, including a ban on fishing for snow crab between 15 June and 15 September, the period during which the snow crab sheds its shell. Snow crab catches in 2018 amounted to approx. 252 tonnes, compared with 564 tonnes in 2017. After a short spell on snow crab fishing, "Northguider" was rerigged to fish for shrimp, and was out shrimp fishing when it ran aground on 28 December 2018.

In total, BRBI reported revenue of NOK 407 million in 2018 (2017P: NOK 248 million), EBITDA of NOK 213 million (2017P: NOK 46 million) and EBIT of NOK 129 million (2017P: NOK -29 million). The 2018 figures include a gain of NOK 157 million on disposal of fishing vessels with quotas.

BFARM owns seven licences for farming Atlantic salmon in Hordaland. The farming operation harvested 5 727 tonnes gutted weight of Atlantic salmon in 2018 against 6 543 tonnes in 2017.

In total, BFARM reported revenue of NOK 320 million in 2018 (2017P: NOK 408 million), EBITDA of NOK 91 million (2017P: NOK 173 million) and EBIT before fair value adjustment relating to biological assets of NOK 70 million (2017P: NOK 153 million).

The company's earnings have been reduced compared with 2017, which is mainly explained by higher release from stock costs, lower harvested volume and slightly lower prices realised compared with 2017.
The company sells its entire harvest volume on the spot market. Prices for Atlantic salmon remained strong in 2018, but with high volatility through the year. Timing of sales has therefore resulted in BFARM achieving lower average prices in 2018 than in 2017.

Pelagia AS (Europe)

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

The company's operations comprise receipt of raw materials for production of fishmeal and fish oil as well as frozen pelagic products for consumption. The company has production facilities in Norway, the UK and Ireland. In addition, the company owns 50% of Hordafor AS, which purchases raw materials from the fish farming industry, whitefish industry and pelagic fisheries for production of protein concentrate and oil. Through its subsidiary Epax, Pelagia is a leading manufacturer of Omega-3 products based on marine ingredients. These products can be utilised for dietary supplements and in pharmaceutical products.

In 2018, Pelagia – including its protein concentrate operation – received over 1.3 million tonnes of raw materials. The corresponding figure for 2017 was approx. 1.4 million tonnes.

The company reported revenue of NOK 6 369 million in 2018 (2017: NOK 6 122 million), EBITDA of NOK 645 million (2017: NOK 614 million) and EBIT of NOK 443 million (2017: NOK 485 million).

The company generates good results, is a significant player in its segment and represents substantial assets for Austevoll Seafood ASA.

SHAREHOLDERS

At year-end 2018, AUSS had 4 728 shareholders. The share price at 31 December 2018 was NOK 106.80 (2017: NOK 68.25). The company's share capital at 31 December 2018 was NOK 101 358 687, divided into 202 717 374 shares with a nominal value of NOK 0.50, with AUSS owning 893 300 treasury shares.

In the period leading up to the annual general meeting in 2019, the Board of Directors is authorised to increase the share capital by issuing 20 271 737 shares. The Board of Directors is also authorised in the period leading up to the annual general meeting in 2019 to purchase up to 20 271 737 of AUSS's shares at a price ranging from NOK 20 to NOK 150. A proposal will be made to the company's annual general meeting in the spring of 2019 to renew these mandates.

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

In line with the company's dividend policy, the Board of Directors will propose that the annual general meeting in 2019 approves a dividend of NOK 3.50 per share for the 2018 financial year. A dividend of NOK 2.80 per share was paid for the 2017 financial year. If approved by the annual general meeting, the total dividend payment for the 2018 financial year will thus be NOK 709 510 809. Of this amount, NOK 3 126 550 is dividends on treasury shares.

The Board of Directors adheres to the Norwegian Code of Practice for Corporate Governance. The Board of Directors is of the opinion that AUSS is appropriately organised and that its activities are carried out in compliance with relevant legislation and regulations and in accordance with the company's object and Articles of Association. Please refer to the separate chapter on Corporate Governance in the 2018 annual report for more detailed information.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Group's diversified company structure and product range, including its geographical spread, will normally limit risk in terms of specific product volatility and business cycles. The Group's internal control and risk management related to the financial reporting process are described in Corporate Governance in the company's 2018 annual report. For Corporate Governance reporting, please refer to the annual report for 2018, available on the company's website: www.auss.no.

EMPLOYEES

On 22 January 2019, an employee died at work at a Group facility in Chile. This tragic incident was the result of an accident in which the employee was crushed when boarding a transport vessel. After the incident, Foodcorp provided assistance to the employee's relatives and assisted public bodies in establishing the course of events.

On 27.01.2019, a fire started in the smolt facility at Laksefjord, Finnmark, resulting in a tragic incident when an employee of the company carrying out maintenance work died. After the incident, Lerøy Seafood Group ASA assisted and continues to assist the police and other public bodies in identifying how this tragic accident occurred.

Our thoughts are with the families and colleagues of the two deceased.

The Group has a strong focus on routines and compliance with these, together with measures to safeguard all employees. This work is a perpetual process towards our vision of zero injuries.

The total number of full-time equivalents for the Group in 2018 was 6 490, of whom 1 629 were in South America. The corresponding figures for 2017 were 6 229 full-time equivalents with 1,653 in South America.

Female employees are under-represented in the Group's fishing activities and over-represented within processing. Of a total of seven members on the company's Board of Directors, three are women.

Sickness absence in 2018 was 4.90% of working hours in the European part of the Group (2017: 5.71%). The Group takes active steps to try to reduce sickness absence where possible.

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

The Group seeks at all times to ensure equal opportunities and rights for all employees, and to prevent discrimination based on national origin, ethnicity, colour, language, religion or lifestyle choices. The Group also aims to be a workplace where there is no discrimination on grounds of disability. The Group also attaches importance to preventing harassment and has zero tolerance for harassment. The main characteristic of harassment is that the behavior is undesirable, unsolicited and one-way. Harassment can occur in many different variations, where bullying and sexual harassment are the best-known forms.

HEALTH, SAFETY AND THE ENVIRONMENT

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

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

AUSS is committed to the sustainable management of fishery resources and actively monitors employee and management compliance with regulations and quota provisions, among other things to help ensure that resources are conserved for future generations. The Group's vessels are principally engaged in fishing using "active fishing gear" in the form of ring nets and trawls. This means there is only a minimal risk of the Group contributing to the problem of ghost fishing. The Group has one vessel that uses bow nets, and loss of this gear could be a source of ghost fishing. The Group's policy is to retrieve lost gear.

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

The Group's Norwegian fisheries focusing on Norwegian spring-spawning herring and North Sea herring gained Marine Stewardship Council (MSC) certification on 30.04.2009. Norwegian Arctic cod, haddock and saithe achieved MSC certification in 2010. Fishing for shrimp gained MSC certification in 2012. The MSC certificate is proof that Norwegian fishing for these species is sustainable. Cod, haddock and saithe fishing gained a new five-year certificate in 2015. Mackerel in the north-east Atlantic was MSC certified in 2017, but the certificate was suspended in March 2019. This is because the most recent quotas recommended for mackerel, published by the International Council for the Exploration of the Sea (ICES) in October 2018, assume a declining trend in the spawning stock biomass for mackerel. The Norwegian fisheries for Norway pout, sand eel and ocean sprat gained MSC certification in January 2018. More than 90% of Norwegian catches of wild fish are now certified as sustainable. The MSC is an independent, non-profit organisation that seeks to promote responsible fishing in order to ensure sustainable fish stocks. The MSC has developed an environmental standard for sustainable and well-controlled fishing. The standard is based on three main principles: sustainable fish stocks, minimal impact on the ecosystem of which the stocks are part, and effective management.

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

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

CORPORATE SOCIAL RESPONSIBILITY

For many years, AUSS has worked actively to ensure that corporate social responsibility is followed up as part of daily operations. We therefore find it natural to include our account of this work in our annual report. In addition, this section of the annual report should be considered in light of the other parts of the 2018 annual report (ref: Environmental and Social Responsibility 2018).

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

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

AUSS has implemented a Code of Conduct setting out ethical guidelines for employee conduct.

All the operating segments report to the corporate management on a quarterly basis on factors such as health, safety and the environment, the Code of Conduct and whistle-blowing. Any reported non-compliance and/or suspected non-compliance is followed up by the management.

Human rights, labour rights and social issues

AUSS is represented in a number of different locations around the world. The Board finds that our operations have a substantially positive impact in the communities where we operate. Our business operations generate local taxes, and provide jobs and social activities. In 2018, the Group has continued to actively support local and voluntary organisations in the communities in which our companies are established, with a special focus on activities aimed at children and young people. In Peru, for example, we have been involved in education and training, nutrition and health, and environmental activities.

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

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

The external environment

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

Anti-corruption

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

CONSOLIDATED FINANCIAL STATEMENTS

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

Group revenue was NOK 22 837 million in 2018, compared with NOK 20 799 million in 2017. Other gains and losses accounted for NOK 207 million of this figure in 2018, with the gain essentially coming from the sale of a fishing vessel with associated fishing rights. In 2017, other gains and losses were NOK 2 million.

The Group's revenue growth can be attributed to good prices realised for its main products, increased activity in Peru and increased sales of finished products.

The Group's operating profit before depreciation and fair value adjustment related to biological assets in 2018 came to NOK 5 239 million, compared with NOK 4 747 million in 2017.

Operating profit (EBIT) before fair value adjustment related to biological assets in 2018 was NOK 4 279 million, against NOK 3 827 million in 2017. Operating profit after fair value adjustment related to biological assets in 2018 amounted to NOK 5 077 million, against NOK 1 995 million in 2017.

In 2018, profit from associates totalled NOK 472 million, compared with NOK 499 million in 2017. The largest associates are Pelagia Holding AS (owner of Pelagia AS) and Norskott Havbruk AS (owner of the Scottish fish-farming company Scottish Sea Farms Ltd.).

Net financial expenses were NOK -357 million in 2018, against NOK -293 million in 2017. The profit for the year after tax in 2018 was NOK 4 231 million, compared with NOK 1 831 million in 2017.

Net cash flow from operating activities for the Group amounted to NOK 3 162 million in 2018, compared with NOK 4 220 million in 2017. Tax payments totalled NOK 948 million in 2018, compared with NOK 600 million in 2017. Tied-up working capital was significantly higher at year-end 2018 than year-end 2017. One of the explanations for this is the high level of activity in Peru in Q4 and significant inventories of finished products at the end of 2018. In Q4 2017, fishing was stopped after a few days and not restarted until January 2018. This meant there were no activities in Peru in Q4 2017 nor any inventories of finished products at the start of 2018.

Net cash flow from investing activities was negative at NOK -1 606 million in 2018, compared with NOK -1 556 million in 2017. In recent years, the Group has invested substantial amounts in its core activities. These investments cover new fishing vessels, smolt production and land-based industry, and parts of this investment programme will continue in 2019. The high level of investment is reflected in the cash flow from investing activities. In addition, dividends from associates of NOK 395 million were received in 2018, compared with NOK 264 million in 2017.

Net cash flow from financing activities was negative at NOK -2 253 million. The Group paid dividends of NOK 1 081 million in 2018, compared with NOK 951 million in 2017. The parent company redeemed a NOK 500 million bond loan in October 2018. Net cash flow from financing activities in 2017 was negative at NOK -1 326 million.

The Group had bank deposits of NOK 4 393 million at year-end 2018, down from NOK 5 075 million at year-end 2017.

At year-end 2018, the consolidated balance sheet total was NOK 37 955 million, compared with NOK 35 309 million at year-end 2017. The increase in the balance sheet total comes from the following main items: non-current assets as a result of the Group's investment programme, inventories as a result of a significant increase in stocks of finished goods and the IFRS fair value adjustment of the biomass at year-end.

The Group is financially strong with equity at 31.12.2018 of NOK 22 454 million and an equity ratio of 59%. Equity at year-end 2017 was NOK 19 172 million, equivalent to an equity ratio of 54%.

At year-end 2018, the Group had net interest-bearing debt of NOK 3 982 million, compared with NOK 4 138 million at year-end 2017. The Group has good access to financing from banks. Moreover, Austevoll Seafood ASA has built up a high level of trust in the market over the years as an issuer of bond loans. The company aims to be an attractive choice, including for investors who prefer to invest in fixed-income funds.

KEY RISK FACTORS

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

The Group's activities are essentially global and will always be impacted to varying degrees by developments in the global economy. Although uncertainty may have a negative impact on the real economy in most markets, it is our opinion that AUSS's core business is founded on assets that are environmentally and economically sustainable in the long term within viable seafood industries.

The Norwegian seafood industry and the fish-processing industry in Norway and the EU have historically been exposed to the risk represented by the constant threat of long-term political trade barriers imposed by the European Commission. The political trade barriers currently blocking exports of Norwegian salmon and trout to Russia, and the complexity of trading with China provide an illustration of political risk in practice. This situation represents a short-term obstacle to the Group's marketing goals and value generation. However, the market for high-quality seafood is global and is experiencing strong growth. Over time, this growth has largely compensated for political trade barriers, providing grounds for an optimistic outlook and our belief that the Group is well positioned to continue its positive long-term development

Changes in fishing patterns and quota regulations result in fluctuating catch volumes from quarter to quarter and from year to year, and subsequently in variable utilisation of the Group's production facilities. The seasonal fluctuations in catch volumes create similar fluctuations in the interim key figures. At year-end 2018, the Group has live fish worth around NOK 6 billion on its statement of financial position. Biological risk has been and will continue to be a substantial risk factor for Group operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

The approval granted by the Norwegian Ministry of Trade, Industry and Fisheries links the Group's ownership of Havfisk and LNWS to the ownership structure approved when the application was submitted, thereby requiring approval of any changes in ownership not covered by the exemptions granted by the Ministry. The nationality requirement in section 5 of the Act relating to the right to participate in fishing and catches (Participant Act) must also be met. Following the acquisition of Havfisk and LNWS, the Group has substantial exposure in relation to catches of wild fish according to Norwegian quotas.

The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation in Norway and the other jurisdictions where the company carries out fisheries activity.

Exposure to risk as a result of changes in interest rate levels is identified and assessed on an ongoing basis, as the majority of the Group's debt is at floating interest rates. The Group, represented by its subsidiaries, has fixed-rate agreements for parts of its interest-bearing debt. At the end of 2018, the Group had fixed-rate agreements for 27% of its interest-bearing debt. The Group has always attached importance to long-term collaboration with financial partners. The Group has satisfactory financing in place, and we are of the opinion that the financial covenants are a good match for the Group's operations.

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

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

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

GOING CONCERN ASSUMPTION

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

COMPANY FINANCIAL STATEMENTS FOR AUSTEVOLL SEAFOOD ASA

Austevoll Seafood ASA is the holding company for the Group. At year-end 2018, the company had three employees, with sickness absence of 0% for the year (2017: 0%). The company's activities principally involve owning shares in underlying companies. The company's management is actively involved in the operations of the Group companies, taking part in business development, strategy processes, board work etc.

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

Revenue reported by the parent company was NOK 2.1 million in 2018, on par with revenue in 2017. Correspondingly, the parent company reported an operating loss before depreciation (EBITDA) of NOK -36.7 million in 2018, compared with a loss of NOK -29.5 million in 2017. The company contributed NOK 5 million to socially beneficial initiatives in 2018.

Net financial items were positive at NOK 1 007 million in 2018, against NOK 588 million in 2017. Financial income essentially comprises dividends from subsidiaries and associates, while financial expenses are primarily interest on external financing. Profit for the year amounted to NOK 970 million in 2018, compared with NOK 558 million in 2017.

Net cash flow from operating activities for the parent company was negative at NOK -40 million in 2018, up from NOK -53 million in 2017. Net cash flow from investing activities in 2018 was positive at NOK 688 million, compared with NOK 583 million in 2017.

In 2018, the parent company reported a negative net cash flow from financing activities of NOK -1 224 million, comprising dividends paid of NOK 565 million, ordinary instalments on company debt and the company's repayment of a NOK 500 million bond loan in October 2018. No new bond loan was taken up in this connection. In 2017, the parent company reported a negative net cash flow from financing activities of NOK -502 million, mainly comprising dividend payments of NOK 505 million.

At the start of 2018, the parent company had cash and cash equivalents of NOK 1 158 million. At year-end 2018, this figure was NOK 582 million.

The parent company had a balance sheet total at 31 December 2018 of NOK 6 241 million (2017: NOK 6 436 million) and equity of NOK 4 244 million (2017: NOK 3 981 million), representing an equity ratio of 68% (2017: 62%).

The parent company's net interest-bearing external debt at year-end 2018 was NOK 609 million (2017: NOK 625 million). In addition, the parent company had net interest-bearing receivables from subsidiaries of NOK 75 million (2017:NOK 57 million), giving total interest-bearing debt of NOK 534 million (2017: NOK 568 million).

The parent company's financial statements showed a profit of NOK 970 million. The Board of Directors proposes allocation of NOK 710 million to dividend payments (with NOK 3.1 million of this being dividends for treasury shares) and transfer of NOK 260 million to other distributable equity.

The parent company has a satisfactory financial position, providing a good foundation for continued operations and further development of the company.

OUTLOOK

Atlantic salmon and trout, and whitefish

The Group perceives underlying demand for seafood to be good, and the Group expects the satisfactory market conditions to continue in the current year.

Within redfish, LSG's harvest volume was 2% lower than guided in 2018, partly due to price developments but also to slightly lower-than-expected growth of fish in the sea towards the end of the year. The lower growth rate at the end of 2018 will mean a lower harvest volume in Q1 2019 compared with the same quarter in 2018.

Although the Group's release from stock costs for redfish were lower in 2018 than in 2017, this cost level is nevertheless not considered satisfactory. Over time, the Group's investments and continuous improvement work will result in lower cost levels. Thanks to the investments in new smolt facilities, the smolt released to sea by Lerøy Sjøtroll in 2019, for example, will be of a higher quality and considerably larger than previously. The Group expects to see Lerøy Sjøtroll gradually increase its production and competitiveness from 2020.

LSG's contract share for salmon in 2019 is currently around 30% of the expected harvest volume of salmon. Estimates for harvest volume of salmon and trout in 2019, including the share from associates, remain around 190 000 tonnes.

For whitefish, developments in 2018 have largely been in line with the Group's estimates. It has been a good year for fisheries, while increased raw material prices and falling quotas have challenged shore-based operations. For 2019, the quotas for important species such as cod and haddock have been reduced by 6.5% and 15% respectively, which is likely to result in increased prices for these products. The Group has implemented a number of measures to improve its competitiveness. In combination with strong marketing efforts and product development, we believe this bodes well for this part of the Group.

The Group considers the activity level within VAP and Sales & Distribution to be good, and currently expects factories newly opened in 2018 and improved operations to generate higher earnings within this part of the Group in 2019 than was the case in 2018.

Fishmeal and fish oil

Fisheries in Peru saw an improvement in Q4 2018 compared with the same quarter in 2017, and the strong performance meant that approx. 90% of the total quota in Peru had been caught by the end of December; the rest of the quota was caught in January 2019. In 2017, the second season was stopped only a few days after opening on 23 November, so no fish were caught in Q4 2017. The good catch rate in Q4 2018 brought with it a certain fall in fishmeal prices in the quarter. Adjusting for this, the price level has been relatively stable so far in 2019. For 2019, the European quotas for catches of fish species primarily used for production of fishmeal and fish oil in Europe are lower than the quotas for 2018.

In Peru, preparations for the first season started up in February 2019, and there is currently no data available relating to this voyage.

Consumer products (pelagic)

The Group's production of consumer products takes place in Europe and South America. In Europe, the season for herring and capelin is usually from January to April and the season for North Sea herring from May onwards. The main season for mackerel fishing normally starts in September and continues throughout the autumn. The remaining quotas for Norwegian spring-spawning herring are also caught during the same period. The first half of the year is the season for horse mackerel in South America. We find that the Group's products are faring well in competition with alternative sources of protein. The quota recommended by ICES for the North Atlantic for 2019 is down on 2018. The quota recommended by SPRFMO for horse mackerel in the South Pacific in 2019 is up approx. 3% on the quota for 2018.

The Group

The Group is financially sound, has shown positive development and is currently well positioned in several parts of the global seafood industry. The Group's strategy going forward is to continue to grow and further develop within its current operating segments. The Group has and shall continue to have the financial flexibility to support its strategy of further organic growth, carry out strategic acquisitions and sustain the company's dividend policy.

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

Storebø, 12 April 2019
Board of Directors in Austevoll Seafood ASA

Helge Singelstad
Chairman of the Board

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman of the Board

Siren M. Grønhaug
Board member

Eirik Drønen Melingen
Board member

Lill Maren Møgster
Board member

Hege Charlotte Bakken
Board member

Arne Møgster
CEO

Corporate Governance

1. INTRODUCTION

1.1 Background

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

The Company’s Board of Directors adopted in its meeting held on 29 August, 2006 a document which largely and in principle adhered to the then applicable Corporate Governance standard, with a few deviations. The Board of Directors have later examined revised versions of the Corporate Governance standard, published by the Norwegian Committee for Corporate Governance (NUES), latest standard published on 17.10.2018. The Board has approved and adopted this document as the Company’s Corporate Governance Policy to reflect the will of AUSS to fully comply with the Corporate Governance recommendations from NUES. The Company will act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market.

1.2 Objective

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

1.3 Rules and regulations

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

1.4 Management of the Company

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

1.5 Implementation and reporting on Corporate Governance

The Board of Directors must ensure that the Company implements sound Corporate Governance.

The Board of Directors must provide a report on the Company’s Corporate Governance in the directors’ report or in a document that is referred to in the directors’ report. The report on the Company’s Corporate Governance must cover every section of the Code of Practice.

If the Company does not fully comply with the Code of Practice, the Company must provide an explanation of the reason for the deviation and what solution it has selected.

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

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

The Company’s goal is to contribute towards improving human rights, labour rights and environmental protection, both within the Group, in relation to suppliers and subcontractors; in addition The Board of Directors report has a paragraph on Social, health, safety and the environment. Further information regarding Environmental and Social responsibility is available in the annual report on our website: **www.auss.no**.

Deviation from the Recommendations: None

2. BUSINESS

The Company's articles of association shall clearly describe the business that the Company shall operate.
The Board of Directors shall define clear objectives, strategies and risk profiles for the Company's business activities such that the Company creates value for shareholders.

The Company shall have guidelines for how it integrates considerations related to its stakeholders into its value creation.

The Board of Directors shall evaluate these objectives, strategies and risk profiles at least yearly.

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

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

Deviations from the Recommendations: None

3. EQUITY AND DIVIDENDS

The Board of Directors shall ensure that the Company has a capital structure that is appropriate to the Company's objective, strategy and risk profile.

The Board of Directors shall establish and disclose a clear and predictable dividend policy.

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

Mandates granted to the Board of Directors to increase the Company's share capital or to purchase own shares shall be intended for a defined purpose. Such mandates shall be limited in time to no later than the date of the next annual general meeting.

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

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

Capital increase
The Board has the authority until the ordinary general meeting in 2019 to increase the share capital by issuing up to 20 271 737 shares.

Purchase of treasury shares
The Board has the authority, until the ordinary general meeting in 2019, to purchase treasury shares in Austevoll Seafood ASA limited to 10% of the Company's share capital. Shares may not be purchased for less than NOK 20 per share, and no more than NOK 150 per share.

At 31 December 2018, AUSS directly owned 893 300 treasury shares.

Deviations from the Recommendations: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

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

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

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

Transactions between related parties
See note 25 for related party transactions.

Deviations from the Recommendations: None

5. FREELY NEGOTIABLE SHARES

The Company shall not limit any party's ability to own, trade or vote for shares in the Company.
The Company shall provide an account of any restrictions on owning, trading or voting for shares in the Company.
The articles of association place no restrictions on negotiability.

The shares are freely negotiable.

Deviations from the Recommendations: None

6. GENERAL MEETINGS

The Board of Directors shall ensure that the Company's shareholders can participate in the general meeting.

The Board of Directors shall ensure that:

- the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting
- any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible
- the members of the Board of Directors and the chairman of the nomination committee are present at the general meeting
- the general meeting is able to elect an independent chairman for the general meeting
- shareholders shall be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person shall be given the opportunity to vote. The Company shall design the form for the appointment of a proxy to make voting on each individual matter possible and shall nominate a person who can act as a proxy for shareholders.

Notification

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

Participation

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

Deviations from the Recommendations: In 2018 three out of the seven Board members attended the General meeting. In 2018 none of the members of the nomination committee attended the General meeting.

7. NOMINATION COMMITTEE

The Company shall have a nomination committee, and the nomination committee shall be laid down in the Company's articles of association.

The general meeting shall stipulate guidelines for the duties of the nomination committee, elect the chairperson and members of the nomination committee, and determine the committee's remuneration.

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

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

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

The nomination committee shall justify why it is proposing each candidate separately.

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

Composition

The current committee was elected on the AGM on 24.05.2018 and consists of:

Harald Eikesdal,

Mr. Eikesdal is a lawyer with the firm Eikesdal. He previously held a position as Divisional Head with the Norwegian Ministry of Finance and as a deputy judge and notary public at Haugesund Magistrates Court. Until 2017 Harald Eikesdal served as the Deputy Chairman of Laco AS, the main shareholder in Austevoll Seafood ASA and DOF ASA.

Nils Petter Hollekim,
Mr. Hollekim has a degree in Business Administration. He has worked as an administrator/analyst for 33 years, including Norwegian fund management companies until 2012. He spent 15 years working as a portfolio manager for ODIN Forvaltning AS. The last 8 years Mr. Hollekim has been a self-employed consultant and investment manager.

Anne-Sofie Utne,
Ms. Utne holds a Master of Economy from the Norwegian University of Life Sciences (Norges Miljø- og Biovitenskapelige Universitet). Since 2015 she holds the position as Senior Manager in BDO AS in Trondheim, and has a central position in developing BDO's strategy and excellence in services and consulting activities for the Aquaculture /Seafood Industry.
Most recently Ms. Utne served as a business advisor for eight years within the Norwegian aquaculture industry through her fully owned consulting company Kauna AS. Previously she held the position as head of the Aquaculture department of a branch specialist unit in DNB Bank ASA. Ms. Utne has extensive experience within consulting and financial transactions related to national and international corporations within the aquaculture industry. Ms. Utne has from 1 March, 2019 entered the position as Senior Business Developer in Norway Royal Salmon ASA.

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

Deviations from the Recommendations: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

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

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

The general meeting shall elect the chairman of the Board of Directors.

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

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

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

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

The Board of Directors consists of the following persons:

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

Oddvar Skjegstad (1951), Deputy Chairman
Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since May 2010. Mr. Skjegstad has a degree as Master of Business Administration

from Norwegian School of Economic (NHH). He is self-employed and has a wide experience from executive positions in public administration, banking and other industrial activities. Mr. Skjegstad holds board positions in companies within several different business sectors.

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

Hege Charlotte Bakken (1973), Member of the Board
Hege Charlotte Bakken has been member of the Board since May 2018. She holds an MSc degree from the Norwegian University of Life Sciences and an Executive MBA from ESCP Europe Business School in Paris. Hege Charlotte Bakken is Senior Advisor within strategy and management in Stella Polaris, Netherlands. She previously held positions as Senior Advisor at Hemingway Corporate Finance, Amsterdam, Chief Operating Officer of Marvesa Holding N.V. and Managing Director of Marvesa Rotterdam N.V. She also has experience from companies such as Pronova BioPharma Norge ASA, FishMarket International AS, Frionor AS and Norway Seafoods ASA. Hege Charlotte Bakken has served as a member of the boards of Lerøy Seafood Group ASA, Pronova Biopharma Norge AS and Pronova BioPharma ASA.

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

Siren Merete Grønhaug (1965), Member of the Board
Siren Merete Grønhaug has been member of the Board since 2014. Ms. Grønhaug graduated as a Business Economist from the Norwegian School of Economics (NHH), and has additional training through the AFF Solstrand management development programme and at BI Norwegian Business School. She is the Group director HR of Lerøy Seafood Group ASA, and was previously CFO of Lerøy Seafood AS. She has broad knowledge in the seafood sector after many years of experience at executive levels in Lerøy. Ms. Grønhaug has extensive board experience from various companies in Lerøy Seafood Group ASA.

Eirik Drønen Melingen (1988) Member of the Board
Eirik Drønen Melingen has been member of the Board since May 2017. Mr. Melingen has a bachelor degree in Marine technology from Bergen University College and a Masters Degree in Offshore Floating Systems from University of Strathclyde. Mr. Melingen has experience from offshore shipping companies with specialized vessels within Subsea, Marine Seismic, Offshore Supply and Seismic Support.

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

No members of Group management are Directors.

Directors' ownership of shares:
Helge Singelstad owns 50,000 shares in the Company.
Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in the Company.
Helge Møgster owns shares indirectly through Laco AS.
Lill Maren Møgster owns shares indirectly through Laco AS.
Eirik Drønen Melingen owns shares indirectly through Laco AS.

Deviations from the Recommendations: None

9. THE WORK OF THE BOARD OF DIRECTORS

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

The Board of Directors shall ensure that members of the Board of Directors and executive personnel make the Company aware of any material interests that they may have in items to be considered by the Board of Directors.

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

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

The Board of Directors shall also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee shall be restricted to members of the Board who are independent of the Company's Executive personnel.

The Board of Directors shall provide details in the annual report of any board committees appointed.

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

In total 7 Board meetings have been arranged during 2018. The Board members have attended all meetings during 2018.

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

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

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

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

Members: Oddvar Skjegstad and Lill Maren Møgster (since May 2018). Inga Lise L. Moldestad was member of the audit committee until she resigned in May 2018.

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

Deviations from the Recommendations: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems shall also encompass the Company's guidelines etc. for how it integrates considerations related to stakeholders into its creation of value.

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

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

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

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

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

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

Organisation and responsibility
The Chief Accountant for the Group reports to the CFO and is responsible for areas such as financial reporting, budgets and internal control of financial reporting within the Group. The Directors of the entities which issue the reports are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisations and business activities. The entity managers shall ensure implementation of an appropriate and efficient internal control and are responsible for compliance with requirements.

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

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

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

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

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

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

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

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

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

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

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

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

MONITORING

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

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

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

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

Deviations from the Recommendations: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors shall reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

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

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

Any remuneration in addition to normal directors' fees shall be specifically identified in the annual report, see note 20.

The Directors fees are decided by the AGM. The Directors' fees are not linked to the Company's performance.

None of the Board members have during 2018 had assignments for the Company in addition to being members of the board.

Deviations from the Recommendations: None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

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

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

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

The remuneration policy for the executive management is determined by the Board of Directors and communicated to the annual general meeting. The guidelines regarding the remuneration are approved by the AGM. See note 20 for guidelines for remuneration to executive management.

The existing remuneration policy, each year subject to approval by guiding vote in the AGM, allows performance related remuneration.

Deviations from the Recommendations: None

13. INFORMATION AND COMMUNICATIONS

The Board of Directors shall establish guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The Board of Directors shall establish guidelines for the Company's contact with shareholders other than through general meetings.

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

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

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

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

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

Deviations from the Recommendations: None

14. TAKE-OVERS

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

In a bid situation, the Company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form view of the offer.

The Board of Directors shall not hinder or obstruct take-over bids for the Company's activities or shares.

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

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

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

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

Any transaction that is in effect a disposal of the Company's activities shall be decided by a general meeting.

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

Deviations from the Recommendations: None

15. AUDITOR

The Board of Directors shall ensure that the auditor submits the main features of the plan for the audit of the Company to the Audit committee annually.

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

The Board of Directors shall at least once a year review the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

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

Deviations from the Recommendations: None

The Group

Income statement

Income statement	Note	2018	2017
Sales revenue	3,25	22 630	20 797
Other gains and losses	3,21	207	2
Rawmaterials and consumables used		-11 302	-10 489
Salaries and personell expenses	20	-3 195	-2 905
Other operating expenses	20,23,25	-3 101	-2 657
Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets	**2,3**	**5 239**	**4 747**
Depreciation	11	-921	-874
Amortisation of intangible assets	10	-46	-46
Impairments/reversal of impairments	10,11	-143	-1
Insuranse compensation for impairment loss	11	150	0
Operating profit before fair value adjustment of biological assets		**4 279**	**3 827**
Fair value adjustment biological assets	7	798	-1 832
Operating profit	**3**	**5 077**	**1 995**
Income from equity accounted investments	4	472	499
Financial income	19	182	193
Financial expenses	19	-539	-486
Profit before taxes		**5 192**	**2 200**
Income tax expense	2,26	-962	-369
Net profit		**4 231**	**1 831**
Profit attributable to non-controlling interest	**3**	**1 932**	**821**
Profit attributable to shareholders of Austevoll Seafood ASA	**5**	**2 299**	**1 009**
Average no. of outstanding shares	5	201 824 074	201 824 074
Earnings per share from continued operation (NOK)	5	11.39	5.00
Suggested dividend per share (NOK)	5	3.50	2.80

Statement of comprehensive income

Amounts in MNOK	Note	2018	2017
Profit for the year		**4 231**	**1 831**
Other comprehensive income to be recycled to profit and loss			
Cash flow hedges	12	27	25
Currency translation differences		118	52
Share of other comprehensive income of associated to be recycled		-6	-3
Tax effect on items to be recycled to profit and loss		-13	7
Other comprehensive income not to be recycled to profit and loss			
Actuarial loss on post employment benefit obligations	20	-1	1
Other comprehensive income net of tax		**125**	**82**
Total comprehensive income for the year		**4 356**	**1 913**
Attributable to			
Non-controlling interest		1 998	868
Shareholders of Austevoll Seafood ASA		2 358	1 045
Total comprehensive income for the year		**4 356**	**1 913**

Statement of financial position

Amounts in MNOK	Note	2018	2017
Assets			
Goodwill	2,10	1 969	1 942
Deferred tax asset	26	57	86
Licences	2,10	9 414	9 619
Brand/trademarks	10	52	50
Vessels	11	2 097	1 953
Property, plants and other operating assets	11	6 755	5 610
Equity accounted investments and joint ventures	3,4	2 204	2 074
Investments in other shares	12,24	33	31
Non-current receivables	9	156	201
Total non-current assets		**22 736**	**21 566**
Inventories	2,8	1 897	1 188
Biological assets	2,7	5 869	4 689
Trade receivables	2,9,12,25	2 293	2 071
Other current receivables	9,12	767	719
Liquid assets	12,14,17	4 393	5 075
Total current assets		**15 219**	**13 743**
Total assets	**3**	**37 955**	**35 309**
Equity and liabilities			
Share capital	16	101	101
Treasury shares		-18	-18
Share premium		3 714	3 714
Retained earnings and other reserves		7 859	5 990
Non-controlling interests		10 798	9 385
Total equity		**22 454**	**19 172**
Deferred tax liabilities	26	3 425	3 432
Pension obligations and other obligations	12,17,20	73	110
Borrowings	12,17,23	6 965	7 332
Other long-term liabilities	17,25	28	29
Total non-current liabilities		**10 491**	**10 903**
Borrowings	12,17,23	1 382	1 852
Trade payable	12,25	1 629	1 457
Tax payable	26	780	882
Other current liabilities	7,12,18,22	1 219	1 044
Total current liabilities		**5 010**	**5 235**
Total liabilities	**3**	**15 501**	**16 137**
Total equity and liabilities		**37 955**	**35 309**

Storebø, 12 April 2019
Board of Directors in Austevoll Seafood ASA

Helge Singelstad
Chairman

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman

Hege Charlotte Bakken
Board member

Siren M. Grønhaug
Board member

Lill Maren Møgster
Board member

Erik Drønen Melingen
Board member

Arne Møgster
CEO & President

THE GROUP

Statement of change in equity

Amounts in MNOK	Note	Share capital	Treasury shares	Share premium	Currency translation differences	Cashflow hedges	Retained earnings	Non-controlling interest	Total equity
Equity 01.01.2017		**101**	**-18**	**3 714**	**989**	**-26**	**4 488**	**8 965**	**18 213**
Profit for the year		0	0	0	0	0	1 009	821	1 831
Other comprehensive income in the year		0	0	0	52	25	-41	46	82
Total comprehensive income in the period		**0**	**0**	**0**	**52**	**25**	**968**	**868**	**1 913**
Transactions with shareholders									
Dividends	5	0	0	0	0	0	-507	-446	-953
Transactions with non-controlling interest	27	0	0	0	0	0	0	-1	-1
Total transactions with shareholders in the period		**0**	**0**	**0**	**0**	**0**	**-507**	**-447**	**-954**
Total change in equity in the period		**0**	**0**	**0**	**52**	**25**	**462**	**421**	**959**
Equity 31.12.2017		**101**	**-18**	**3 714**	**1 041**	**-1**	**4 950**	**9 385**	**19 172**
Profit for the year		**0**	**0**	**0**	**0**	**0**	**2 299**	**1 932**	**4 231**
Other comprehensive income in the year		0	0	0	126	27	-17	-11	125
Total comprehensive income in the period		**0**	**0**	**0**	**126**	**27**	**2 282**	**1 921**	**4 356**
Transactions with shareholders									
Dividends	5	0	0	0	0	0	-565	-517	-1 082
Transactions with non-controlling interest	27	0	0	0	0	0	-8	8	0
Other		0	0	0	0	0	8	0	8
Total transactions with shareholders in the period		**0**	**0**	**0**	**0**	**0**	**-565**	**-509**	**-1 075**
Total change in equity in the period		**0**	**0**	**0**	**126**	**27**	**1 716**	**1 412**	**3 281**
Equity 31.12.2018		**101**	**-18**	**3 714**	**1 167**	**25**	**6 666**	**10 798**	**22 454**

Cash flow statement

Amounts in MNOK	Note	2018	2017
Profit before income taxes		5 192	2 200
Taxes paid for the period		-948	-600
Depreciation	10,11	967	919
Impairments	10,11	143	1
Insuranse compensation for impairment loss	10	-150	0
Loss+/Gain- on sale of property, plant and equipment	21	-49	-8
Loss+/Gain- on investments	21	-158	0
Unrealised exchange gains and losses		17	-29
Share of (profit-/loss+)from associates	4	-472	-499
Interest expense	19	334	333
Interest income	19	-57	-50
Fair value adjustment on biological assets	7	-798	1 832
Change in inventories		-1 067	168
Change in accounts receivables and other receivables	9	-78	285
Change in accounts payables		139	-43
Change in net pension liabilities		1	-6
Change in other accruals		145	-284
Net cash flow from operating activities		**3 162**	**4 220**
Proceeds from sale of fixed assets		150	115
Proceeds from sale of shares and other equity instruments		391	18
Purchase of intangible and tangible fixed assets	10,11	-2 533	-1 840
Purchase of shares and equity investments in other companies/business combinations		-145	-82
Cash inflow from business combinations	6	27	1
Dividends received	4	395	264
Interest income		57	50
Movements in long term loans granted		48	-80
Currency translation differences investing capital		5	-2
Net cash flow from investing activities		**-1 606**	**-1 556**
Proceeds from issuance of long-term interest bearing debt	17	1 514	1 585
Repayment of long-term interest bearing debt	17	-2 402	-1 246
Movement in short-term interest bearing debt	17	-5	-327
Interest paid		-334	-348
Dividends paid	5	-565	-505
Transactions with non-controlling interests		-516	-446
Currency translation differences from financing activities		56	-39
Net cash flow from financing activities		**-2 253**	**-1 326**
Net change in cash and cash equivalents		**-696**	**1 339**
Liquid assets at 01.01.		**5 075**	**3 745**
Currency exchange gains of cash and cash equivalents		15	-9
Liquid assets at 31.12.		**4 393**	**5 075**

See note 17 for further information about bank overdraft undrawn.

Due to the business combination, not all cash flows will be directly matched with the change in the balance sheet.

In the cash flow analysis the acquisition balance is excluded from the calculation of cash flow / change. See Note 6 for information of which balance sheet items are affected by the business combination.

Notes to the accounts

Notes to the accounts

NOTE 1 GENERAL

Austevoll Seafood ASA is a public limited company registered in Norway. The Company's main office is located on Storebø in the municipality of Austevoll, Norway. Laco AS is the company's major shareholder and ultimate parent (see note 16).

The Company is listed on the Oslo Stock Exchange.

The annual, statutory accounts, based upon International Financial Reporting Standards (IFRS) as adopted by EU, were approved by the Board of Directors at 12.04.2019.

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

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Recoverable amount of goodwill and licences
The Group tests annually whether goodwill and licences with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in note 28. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations unless otherwise stated. These calculations require the use of estimates and are further described in note 10.

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

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

Value adjustment of biological assets
Biological assets comprise the stock of roe, fry, juvenile fish, cleaner fish and consumer products. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets. Valuation is based on a number of different premises, many of which are non-observable. The premises can be categorised in four different groups: (1) Price, (2) Cost, (3) Volume and (4) Discount rate.

For fish ready for slaughter on the balance sheet date, uncertainty mainly involves realised prices and volume. For fish not ready for slaughter, the level of uncertainty is higher. In addition to uncertainty related to price and volume, there will also be uncertainty related to remaining production costs, remaining biological transformation and remaining mortality up to slaughter date for this fish.

Notes to the accounts

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONT.

(1) Price:

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

(2) Cost

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

(3) Volume

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

(4) Discounts

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONT.

4.1. Risk adjustment

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

4.2. Hypothetical licence lease

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

4.3 Time value

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

Sensitivity analysis for fair value of fish in sea

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

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

Sensitivity analysis for fair value of biological assets AUSS

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

Average price per kg (NOK)	Change in price per kg (NOK)	Projected slaughter weight per fish in kg gwe: 3.50	3.75	4.00	4.25	4.50
		Change in projected slaughter weight per kg gwe: -0.50	**-0.25**	**-**	**0.25**	**0.50**
51.1	-5.00	4 158	4 531	4 904	5 277	5 650
54.1	-2.00	4 531	4 926	5 321	5 716	6 111
55.1	-1.00	4 655	5 058	5 460	5 862	6 264
56.1	-	4 780	5 189	**5 599**	6 008	6 418
57.1	1.00	4 904	5 321	5 738	6 155	6 571
58.1	2.00	5 029	5 453	5 877	6 301	6 725
61.1	5.00	5 402	5 848	6 294	6 740	7 186

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONT.

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and projected slaughter weight per kg gutted weight. For projected slaughter weight, the table shows changes in fair value when there is an increase in projected slaughter weight of 250 and 500 grams respectively, and for a corresponding reduction. The projected total cost is held constant, such that an increase in projected slaughter weight will bring about a reduction in cost per kg, while a reduction in projected slaughter weight will bring about an increase in cost per kg. For price, the change is per NOK gutted weight after adjustment for slaughtering and packaging services, transport to Oslo, quality, size and exporter margin.

Sensitivity analysis for weighted average price and monthly discount rate applied

Change in price per kg (NOK)	Change in price per kg (NOK)	Monthly discount rate (%) 4.0 %	5.0 %	6.0 %	7.0 %	8.0 %
		Change in monthly discount rate (%)				
		-2.0 %	**-1.0 %**	**0.0 %**	**1.0 %**	**2.0 %**
51.1	-5.00	5 598	5 235	4 904	4 603	4 328
54.1	-2.00	6 083	5 683	5 321	4 991	4 690
55.1	-1.00	6 244	5 833	5 460	5 120	4 811
56.1	-	6 405	5 983	**5 599**	5 250	4 931
57.1	1.00	6 567	6 132	5 738	5 379	5 052
58.1	2.00	6 728	6 282	5 877	5 508	5 172
61.1	5.00	7 213	6 731	6 294	5 896	5 534

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

Sensitivity analysis for weighted average price and number of fish in stock

Change in price per kg (NOK)	Change in price per kg (NOK)	Number of fish in stock (million fish) 57.2	59.1	60.3	61.5	63.3
		Change in number of fish in stock				
		-5 %	**-2 %**	**0 %**	**2 %**	**5 %**
51.1	-5.00	4 563	4 768	4 904	5 040	5 245
54.1	-2.00	4 959	5 176	5 321	5 466	5 683
55.1	-1.00	5 091	5 312	5 460	5 607	5 828
56.1	-	5 223	5 449	**5 599**	5 749	5 974
57.1	1.00	5 355	5 585	5 738	5 891	6 120
58.1	2.00	5 487	5 721	5 877	6 033	6 266
61.1	5.00	5 883	6 130	6 294	6 458	6 704

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

Notes to the accounts

NOTE 3 SEGMENT INFORMATION

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

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

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

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

Br. Birkeland AS
The Norwegian Br. Birkeland AS group holds pelagic fishing licences which in 2018 were utilised by two modern purse-seiner fishing vessels, in addition the company owns one vessel with permit to fish snow crab.

Br. Birkeland Farming AS
Br. Birkeland Farming holds seven salmon farming licences in the Western Region of Norway.

Pelagia AS
Pelagia AS is a private company within the pelagic sector. Pelagia AS is engaged in production of fishmeal, fish oil, Omega-3 oil and frozen fish for direct human consumption. Pelagia AS has its production facilities in Norway, UK and Ireland. The company is jointly owned with Kvefi AS, and is accounted for as a joint venture.

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

NOTE 3 SEGMENT INFORMATION CONT.

2018	LSG ASA	Austral Group	Foodcorp Chile	Br. Birkeland	Br. Birkeland Farming	Pelagia AS 50%	Other/ elim.	Group
External income	19 830	1 634	603	244	258	3 184	-3 123	22 630
Inter-segment income	8	0	0	5	62	0	-74	0
Other gains and losses	42	6	0	158	0	0	0	207
Total segment income	**19 880**	**1 640**	**603**	**407**	**320**	**3 184**	**-3 197**	**22 837**
Operating expenses	-15 652	-1 021	-513	-194	-229	-2 862	2 873	-17 598
Operating profit before depreciation, amortisation, impairment and fair value adjustment biological assets	**4 228**	**619**	**90**	**213**	**91**	**323**	**-324**	**5 239**
Depreciation and amortisation	-660	-168	-30	-69	-20	-104	84	-967
Impairment/reversal of impairments**	0	2	19	-14	0	3	-3	7
Operating profit before fair value adjustment biological assets	**3 569**	**453**	**80**	**129**	**70**	**221**	**-244**	**4 279**
Fair value adjustment biological assets	755	0	0	0	43	0	0	798
Operating profit	**4 323**	**453**	**80**	**129**	**114**	**221**	**-244**	**5 077**
Income from associated companies	287	0	0	0	1	1	183	472
Interest income	26	2	4	9	1	0	16	59
Interest expenses	-190	-42	-5	-21	-4	-25	-49	-336
Net other financial	3	-35	-4	-4	0	6	-45	-80
Profit before tax	**4 449**	**379**	**75**	**113**	**112**	**203**	**-138**	**5 193**
Income tax expense	-851	-115	-19	14	-22	-19	50	-962
Net profit	**3 598**	**265**	**56**	**127**	**89**	**185**	**-88**	**4 231**
Profit attributable to non-controlling interest	1 787	28	0	74	43	0	0	1 932
Profit attributable to Austevoll Seafood ASA shareholders	**1 811**	**237**	**56**	**52**	**46**	**185**	**-88**	**2 299**
Dividend attribute to AUSS	**628**	**0**	**0**	**17**	**19**	**150**	**180**	**994**

Notes to the accounts

NOTE 3 SEGMENT INFORMATION CONT.

2017	LSG ASA	Austral Group	Foodcorp Chile	Br. Birkeland *	Br. Birkeland Farming *	Pelagia AS 50%	Other/ elim.	Group
External income	18 621	1 249	503	248	131	3 061	-3 015	20 797
Inter-segment income	3	0	0	1	277	0	-280	0
Other gains and losses	-4	2	5	-1	0	0	0	2
Total segment income	**18 620**	**1 250**	**508**	**248**	**408**	**3 061**	**-3 295**	**20 799**
Operating expenses	-14 320	-1 114	-430	-201	-234	-2 754	3 001	-16 052
Operating profit before depreciation, amortisation, impairment and fair value adjustment biological assets	**4 300**	**137**	**78**	**47**	**173**	**307**	**-295**	**4 747**
Depreciation and amortisation	-583	-192	-31	-71	-21	-89	67	-919
Impairment/reversal of impairments **	0	4	-1	-4	0	24	-24	-1
Operating profit before fair value adjustment biological assets	**3 717**	**-51**	**46**	**-28**	**153**	**242**	**-252**	**3 827**
Fair value adjustment biological assets	-1 716	0	0	0	-116	0	0	-1 832
Operating profit	**2 000**	**-51**	**46**	**-28**	**37**	**242**	**-252**	**1 995**
Income from associated companies	303	0	0	0	3	20	174	499
Interest income	21	0	2	9	1	0	18	52
Interest expenses	-192	-35	-5	-26	-5	-21	-52	-335
Net other financial	-39	27	0	4	0	-13	11	-11
Profit before tax	**2 093**	**-59**	**44**	**-40**	**35**	**228**	**-102**	**2 200**
Income tax expense	-344	-24	-8	15	-5	-40	38	-369
Net profit	**1 749**	**-83**	**36**	**-25**	**30**	**188**	**-64**	**1 831**
Profit attributable to non-controlling interest	828	-5	0	-1	0	-5	5	821
Profit attributable to Austevoll Seafood ASA shareholders	**922**	**-78**	**36**	**-24**	**30**	**193**	**-69**	**1 009**
Dividend attribute to AUSS	**471**	**0**	**0**	**18**	**16**	**100**	**1**	**606**

** Proforma figures 2017*
*** For information regarding impairments, see note 10 and 11.*

Notes to the accounts

NOTE 3 SEGMENT INFORMATION CONT.

Segment	Total assets 2018	Total assets 2017	Total investments in non-current assets 2018	Total investments in non-current assets 2017
LSG ASA	26 445	23 730	2 275	1 583
Pelagia AS	IA	IA	IA	IA
Br. Birkeland AS	1 507	1 494	3	81
Br. Birkeland Farming AS	642	738	22	0
Other	5 096	5 579	7	16
Total for Norway	**33 690**	**31 541**	**2 307**	**1 681**
Austral - Peru	3 338	2 935	142	132
Foodcorp - Chile	926	833	84	27
Total	**37 955**	**35 309**	**2 533**	**1 840**

Segment	Associated companies and joint venture 2018	Associated companies and joint venture 2017	Total liabilities 2018	Total liabilities 2017
LSG ASA	1 047	992	11 559	11 527
Pelagia AS	1 100	1 061	IA	IA
Br. Birkeland AS	0	0	533	712
Br. Birkeland Farming AS	50	14	252	290
Other	6	7	1 330	1 875
Total for Norway	**2 203**	**2 073**	**13 674**	**14 404**
Austral - Peru	1	1	1 545	1 437
Foodcorp - Chile	0	0	282	296
Total	**2 204**	**2 074**	**15 501**	**16 137**

Sales revenue by geographic areas	2018	2017
Norway	4 294	3 794
EU	11 825	10 832
Eastern Europe	646	611
Africa	303	164
North America	914	1 009
Pacific	4 188	3 976
South America	460	411
Total	**22 630**	**20 797**

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

Notes to the accounts

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES

The amounts recognised in the balance sheet are as follows:

	2018	2017
Associates	1 103	1 013
Joint ventures	1 100	1 061
Per 31.12.	**2 204**	**2 074**

Profit and loss recognised in the income statement are as follows:

	2018	2017
Associates	287	306
Joint ventures	185	193
Total per 31.12.	**472**	**499**

Set out below are the associates of the Group as of 31.12.2018, which are considered material to the Group.

Name	Country of incorporation	Voting rights	Measurement method
2017 and 2018			
Norskott Havbruk AS	Norway	50.00 %	Equity
Seistar Holding AS	Norway	50.00 %	Equity
Seafood Danmark AS	Denmark	33.33 %	Equity

Set out below are the summarised financial information for the investments in associates considered material to the Group, and total amounts for associates considered to not be material.

Name	**Seafood Danmark AS**		**Norskott Havbruk Group ***		**Seistar Holding AS**	
Year ended	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Statement comprehensive income						
Revenue	1 739	1 920	2 057	2 088	171	143
Pre-tax (loss)/profit	64	65	640	670	25	23
Post-tax (loss)/profit	49	39	523	541	32	23
Other comprehensive income	0	0	-11	-6	0	0
Balance sheet						
Total current assets	380	361	1 303	1 360	92	82
Total current liabilities	-336	-294	-336	-292	-32	-23
Non-current assets	379	330	1 330	983	428	426
Non-current liabilities	-85	-117	-775	-557	-272	-295
Net assets	**337**	**280**	**1 523**	**1 494**	**217**	**190**
Foreign exchange differences	5	4	0	0	0	0
Carrying value in AUSS group	**112**	**93**	**792**	**778**	**108**	**95**

The information above reflects the amounts presented in the financial statements of the associates on 100 percent basis, adjusted for differences in accounting policies between the Group and the associates.

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES CONT.

Reconciliation of summarised financial information.

Name	Seafood Danmark AS		Norskott Havbruk Group *		Seistar Holding AS	
Year ended	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Carrying value per 01.01.	**93**	**0**	**778**	**643**	**95**	**86**
Acquisitions	0	77	0	0	0	0
Disposals	0	0	0	0	0	0
Share of profit/(loss)	18	12	265	271	16	12
Exchange differences	1	4	-3	28	0	0
Dividends	0	0	-242	-161	-3	-3
Other changes in equity	0	0	-6	-3	0	0
Carrying value per 31.12.	**112**	**93**	**792**	**778**	**108**	**95**

** Norskott Havbruk Group operate their business through their subsidiary in Scotland. Exchange differences refer to translation of currency from GBP to NOK.*

Name	Others		Total	
Year ended	**2018**	**2017**	**2018**	**2017**
Carrying value per 01.01.	**46**	**53**	**1 013**	**782**
Acquisitions	21	0	21	77
Disposals	0	-16	0	-16
Share of profit/(loss)	-12	11	287	306
Exchange differences	0	0	-2	32
Dividends	0	0	-245	-164
Other changes in equity	35	-2	29	-5
Carrying value per 31.12.	**90**	**46**	**1 103**	**1 013**

Notes to the accounts

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES CONT.

Investments in joint ventures	Location	Business	Voting share	Measurement method
Pelagia Holding AS	Norway	Pelagic	50 %	Equity

Set out below are the 100% summarised financial information for the investment in joint venture, which is accounted for using the equity method.

	Pelagia Holding AS	
Assets	**2018**	**2017**
Cash and cash equivalents	92	318
Other curent assets	2 313	1 813
Total current assets	**2 406**	**2 131**
Financial liabilities (excluding trade payables)	-1 144	-825
Other current liabilities (including trade payables)	-422	-471
Total current liabilities	**-1 565**	**-1 297**
Non-current assets	3 007	3 084
Non-current financial liabilities	-1 474	-1 593
Other non-current liabilities	-46	-76
Equity-financed fixed assets	**1 487**	**1 414**
Minority interests	-43	-42
Net assets	**2 285**	**2 207**
Revenue	6 369	6 122
Depreciation and amortisation	-202	-129
Other expenses	-5 724	-5 508
Net interest expense	-50	-42
Other financial items	14	13
Pre-tax profit	**406**	**456**
Income tax expense	-37	-80
Post-tax profit	**369**	**377**
Other comprehensive income	0	0
Total comprehensive income	**369**	**377**

	Pelagia Holding AS	
Reconciliation of summarised financial information	**2018**	**2017**
Per 01.01.	**1 061**	**928**
Share of profit/(loss)	185	193
Currency exchange	2	41
Dividends	-150	-100
Other changes in equity	3	-1
Carrying value per 31.12	**1 100**	**1 061**

NOTE 4 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES CONT.

Investment in joint operations	Location	Business	Voting share	Nature of the relationship	Measurement method
Marfood S.A.	Chile	Fish oil/Fishmeal	46 %	1)	Proportional

1) The establishment of Marfood S.A. was to serve the purpose of joint operation of production and marketing/sale of fishmeal/oil products with Alimar S.A. The owners are providing their own production assets, to which unique ownership is retained. The co-operation with Marfood ended 31.12.2015. For the year 2018, Marfood did not have commercial operations, and the company will be liquidated in 2019.

Set out below are the summarised financial information for the investments in joint operations, which are accounted for using the proportional method.

	Marfood S.A	
Assets	**2018**	**2017**
Cash and cash equivalents	7	5
Other current assets	1	1
Non-current assets	1	1
Total assets	**9**	**7**
Other current liabilities (including trade payables)	2	1
Total liabilities	**2**	**1**
Total equity	**8**	**6**
Total equity and liabilities	**9**	**7**
Revenue	3	3
Operating costs	0	-7
Pre-tax profit	**2**	**-4**
Income tax expense	0	0
Post-tax profit	**2**	**-4**
Total comprehensive income	**2**	**-4**

NOTE 5 DIVIDENDS PER SHARE

Distributed dividend per share in 2018, based on profit figure for 2017 was NOK 2.80 per share. This amounted to a total of TNOK 567 609. Based on the profit figure for 2018, a dividend payment of NOK 3.50 per share is suggested for 2019. This will in total constitute TNOK 709 511. A final decision will be made by the ordinary shareholders' meeting on 24 May 2019.

Year	Profit after tax to AUSS shareholders	No of shares 31.12.	Average no of outstanding shares	Earnings per share	Suggested dividend
2018	2 299	202 717 374	201 824 074	11.39	710
2017	1 009	202 717 374	201 824 074	5.00	568
2016	1 645	202 717 374	201 409 613	8.17	507
2015	722	202 717 374	200 995 151	3.59	1 419
2014	555	202 717 374	200 995 151	2.76	405
2013	699	202 717 374	200 995 151	3.48	324
2012	419	202 717 374	202 717 374	2.07	243
2011	369	202 717 374	202 717 374	1.82	203
2010	1 222	202 717 374	202 717 374	6.03	304
2009	723	202 717 374	188 917 000	3.83	243
2008	122	184 317 374	184 317 374	0.66	0
2007	499	184 317 374	183 302 000	2.72	55
2006	264	178 223 624	145 550 000	1.82	0
Total	**10 548**				**4 981**

Year	Proposed dividend per share	Dividends in % of net result (100%) ex. fair value biological assets	Dividends paid in mill (from last year)	No. of shares	Distributed dividend per share
2018	3.50	20 %	566	202 717 374	2.80
2017	2.80	18 %	505	202 717 374	2.50
2016	2.50	20 %	1 419	202 717 374	7.00
2015	7.00	129 %	405	202 717 374	2.00
2014	2.00	32 %	324	202 717 374	1.60
2013	1.60	32 %	243	202 717 374	1.20
2012	1.20	59 %	203	202 717 374	1.00
2011	1.00	21 %	304	202 717 374	1.50
2010	1.50	20 %	243	202 717 374	1.20
2009	1.20	26 %	0	202 717 374	0.00
2008	0.00	0 %	55	184 317 374	0.30
2007	0.30	12 %	0	184 317 374	0.00
2006	0.00	0 %	0	178 223 624	0.00
Total	**24.60**		**4 268**		**21.10**

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

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

NOTE 6 ACQUISITION OF SHARES/BUSINESS COMBINATIONS

Transactions in 2018

There have been three business combinations in 2018. In March 2018 all the shares in Laks- & Vildcentralen AS was acquired. In October 2018 all shares in Hardanger Skjell AS was acquired. In November 2018 the Group increased it`s ownership in Lerøy Sommarøy AS from 50% to 100%. Consolidation starts from end of acquisition month. Calculated gain from change of status from associate to subsidiary has been eliminated against calculated goodwill. Hardanger Skjell AS was merged in December 2018 with the mother company Lerøy Ocean Harvest (parent-subsidiary merger).

Austevoll Seafood ASA acquired 3.55% ownership in Br. Birkeland Farming AS in 2018, with settlement in 1.94% of the shares in Br. Birkeland AS (more info in note 27).

Fair value adjustments 2018	Balance before BC	Eliminations	Identified surplus value	Calculated Goodwill	Elimination of transition from AC to subsidiaries	Fair value balance
Goodwill	0	0	0	112	-22	90
Deferred tax assets	9	0	0	0	0	9
Fixed assets	2	0	0	0	0	2
Financial assets	5	-1	0	0	0	4
Inventory	22	0	1	0	0	24
Short term receivables	42	0	0	0	0	42
Liquid assets	20	0	0	0	0	20
Identified value	**100**	**-1**	**1**	**112**	**-22**	**190**
Equity	20	-1	1	112	-22	110
Deferred tax	0	0	0	0	0	0
Current liabilities	80	0	0	0	0	80
Total equity and liabilities	**100**	**-1**	**1**	**112**	**-22**	**190**

Transactions in 2017

There have not been any significant business combinations or redemptions of non-controlling ownership interests in 2017. The purchase price of the acquired company, Skårvågfisk AS, was NOK 4.4 million. Goodwill of NOK 2.6 million was identified in this connection. The total impact on equity of redemption of non-controlling ownership interests in 2017 was NOK -1.5 million.

NOTE 7 BIOLOGICAL ASSETS

The Group recognises and measures biological assets (fish in sea) at fair value. For salmon and trout, including parent fish, a present value model is applied to estimate fair value. For roe, fry, smolt and cleaner fish, historical cost provides the best estimate of fair value.

The fair value of fish in the sea is estimated as a function of the estimated biomass at the time of harvest, multiplied by the estimated sales price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. Please refer to note 28 accounting policies for more detailed information.

Fair value adjustment recognised in the period related to biological assets comprises: (1) change in fair value adjustment of biological assets, (2) change in fair value (provision) of loss-making contracts and (3) change in unrealised gain/ loss of financial sale and purchase contracts (derivatives) for fish in Fish Pool.

The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfill the contract. This implies that the Group may experience loss-making (onerous) contracts according to IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost for the products. In such a scenario, a provision is made for the estimated negative value. The provision is classified in the financial statements as other short-term debt. The Group also enters into Fish Pool contracts to hedge prices. The number of such contracts is limited. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

Carrying amount of biological assets	**2018**	**2017**
Fish in sea at historic cost *	3 964	3 654
Fry, brood, smolt and cleaning fish to cost *	270	244
Total biological assets before fair value adjustment	4 234	3 898
Fair value adjustment biological assets	1 635	791
Total biological assets	**5 869**	**4 689**
Fair value on fish in sea	5 599	4 445
Fair value on fry, brood, smolt and cleaning fish	270	244
Total biological assets	**5 869**	**4 689**

** Historical cost minus expensed mortality*

Carrying amount of loss-making contracts	**2018**	**2017**
Total loss-making contracts 31.12.	**52**	**5**

Recognised fair value adjustment related to biological assets	**2018**	**2017**
Change in fair value adjustment biological assets (fish in sea)	843	-2 070
Change in onerous contracts	-47	279
Change in fair value Fish Pool contracts	1	-42
Total fair value adjustments related to biological assets	**798**	**-1 832**

NOTE 7 BIOLOGICAL ASSETS CONT.

Reconciliation of carrying amount of biological assets	Roe, fry, smolt and cleaner fish *	Fish in sea (salmon and trout) *	Fair value adjustment	Total value biological assets
Biological assets as of 31.12.2016	283	3 610	2 861	6 754
Changes in 2017				
Increase from biological transformation (released and net growth)	684	5 877	0	6 562
Reduction due to sale and own consumption (smolt and cleaner fish)	-723	0	0	-723
Reduction due to slaughtering (salmon and trout)	0	-5 548	0	-5 548
Reduction due to incident-based mortality	0	-286	0	-286
Reduction due to accidental release	0	0	0	0
Net change in fair value (fish in sea)	0	0	-2 070	-2 070
Biological assets as of 31.12.2017	**244**	**3 653**	**792**	**4 689**
Changes in 2018				
Increase from biological transformation (released and net growth)	516	6 114	0	6 630
Reduction due to sale and own consumption (smolt and cleaner fish)	-490	0	0	-490
Reduction due to slaughtering (salmon and trout)	0	-5 667	0	-5 667
Reduction due to incident-based mortality	0	-137	0	-137
Reduction due to accidental release	0	0	0	0
Net change in fair value (fish in sea)	0	0	843	843
Biological assets as of 31.12.2018	**270**	**3 964**	**1 635**	**5 869**

** Balance sheet value before fair value adjustment (historical cost reduced with charged mortality).*

Reconciliation of volume (LWT) for stock of fish in sea	2018	2017
Life weigt (LWT) on fish in sea per 01.01. (tonnes)	**117 560**	**114 101**
Changes through the year		
Increase from biological transformation (released and net growth)	203 883	208 476
Reduction due to slaughtering	-200 035	-195 603
Reduction due to incident based mortality	-5 475	-9 415
Reduction due to accidental release	0	0
Live weight of fish in sea at 31.12. (tonnes)	**115 934**	**117 560**

The table below shows the total volume of fish in sea, living weight measured in tonnes, distributed by weight:

Volume (LWT) - Overview of fish in sea as of 31.12.	2018	2017
Fish in sea, 0 - 1 kg	14 670	12 171
Fish in sea, 1 - 2 kg	15 911	13 581
Fish in sea, 2 - 3 kg	36 970	14 425
Fish in sea, 3 - 4 kg	26 083	45 596
Fish in sea, 4 - 4.8 kg	15 728	14 456
Fish in sea, above 4.8 kg	6 572	17 331
Fish in sea, total salmon and trout	**115 934**	**117 560**

Notes to the accounts

NOTE 7 BIOLOGICAL ASSETS CONT.

Distribution according to ready for slaughtering or not, and by salmon and trout	2018	2017
Fish ready for slaughtering (fish with live weight > 4.8 kg)	**6 572**	**17 331**
- Salmon	5 147	16 064
- Trout	1 425	1 267
Fish not ready for slaughtering (fish with live weight < 4.8 kg)	**109 362**	**100 229**
- Salmon	93 475	85 457
- Trout	15 887	14 772
Total volume fish in sea (LWT)	**115 934**	**117 560**
- Salmon	98 622	101 521
- Trout	17 312	16 039
Number of individuals		
Total number of all groups (in 1 000)	60 260	56 116

2017 Estimated forwardprice trough expected slaughtering period	Forward price *	Exporter fee	Clearing cost	Net forward price
1. quarter 2018	52.92	-0.75	-0.185	51.99
2. quarter 2018	52.12	-0.75	-0.185	51.19
3. quarter 2018	52.12	-0.75	-0.185	51.19
4. quarter 2018	54.07	-0.75	-0.185	53.14
1. quarter 2019	56.87	-0.75	-0.185	55.94
2. quarter 2019	54.87	-0.75	-0.185	53.94

2018 Estimated forwardprice trough expected harvesting period	Forward price *	Exporter fee	Clearing cost	Net forward price
1. quarter 2019	64.02	-0.75	-0.185	63.08
2. quarter 2019	65.00	-0.75	-0.185	64.07
3. quarter 2019	59.52	-0.75	-0.185	58.58
4. quarter 2019	61.48	-0.75	-0.185	60.55
1. quarter 2020	62.90	-0.75	-0.185	61.97
2. quarter 2020	62.90	-0.75	-0.185	61.97

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 31.12.2018.*

Adjustments are also made for	2018	2017
Price-premium (+) for ASC trout	0.00	0.00
Reduction for quality differences salmon	-0.25	-0.25
Reduction for quality differences trout	-0.70	-0.25
Reduction for size differences salmon	-0.40	-0.40
Reduction for size differences trout	-0.80	-0.40

THE GROUP

NOTE 7 BIOLOGICAL ASSETS CONT.

Deductions are also made for well boat services, slaughtering and packaging (primary processing), and transport to Oslo from the locality being measured.
Based on the above parameters, an estimated net price is calculated for each locality, and is then included in the cash flow calculation in relation to the assessment of fair value. In connection with the sensitivity analysis conducted in the note on significant accounting estimates and assessments, an estimated average net price is applied to all sizes. This is calculated by dividing the total estimated net sales revenue per locality by the total estimated volume (measured as slaughter weight), based on projected slaughter weight.

	2018	2017
Calculated average net-prices, all sizes (NOK/kg)	**56.07**	**48.51**
Other parameters		
Projected mortality in relation to number of individuals per month in North Norway	0.50 %	0.50 %
Projected mortality in relation to number of individuals per month in other regions	1.00 %	1.00 %
Projected harvesting weight (live weight)	4.8 kg	4.8 kg
Discount rate (monthly)	6 %	6 %

Accidental release in 2018

For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. In 2018, the Group reported five minor cases of accidental release. All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident. The Group has not experienced any accidental release of economic significance in 2018. In total only 115 individuals have escaped, from a total stock of approximately 57 million individuals. The accidental release consists of four different small incidents. These incidents are further described in the sustainability report, available at **www.leroyseafood.com**.

Incident-based mortality

The Group defines mortality as abnormal when more than 1.5% of the total number of fish die in the space of one month. For more detailed information, see the note on biological assets.

Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2018, incident-based mortality has mainly been caused by sea lice treatment.

Fish health, including minimising mortality, is the cornerstone of the Group's strategy. There has still been a positive trend in the number of delousing treatments and in related mortality in 2018

NOTE 8 INVENTORIES

	2018	2017
Raw materials	400	480
Work in progress	152	17
Finished goods	1 367	715
Impairments, including obsoleteness	-22	-23
Total	**1 897**	**1 188**
Obsoletness of inventories expensed during the year	6	11

NOTE 9 TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	2 326	2 115
Less: provision for impairment of trade receivables	-33	-44
Trade receivables - net	**2 293**	**2 071**
Other current receivables		
Prepayments	79	121
Public fees and taxes receivable	313	337
Currency forward contracts/Effects of fair value hedging	73	32
Insurance to recover	151	34
Short-term loans	52	113
Balance on sale of equipment	16	5
Other current receivables	82	77
Total other current receivables	**767**	**719**
Total current receivables	**3 060**	**2 790**
Non-current receivables		
Loans to related parties	59	47
Loans to third parties	51	39
Other non-current receivables	46	115
Total non-current receivables	**156**	**201**
The agening of the trade receivables, past due but not impaired		
0 to 3 months	473	420
3 to 6 months	50	14
Over 6 months	19	8
Total	**541**	**442**
The agening of the trade receivables, past due and impaired		
0 to 3 months	2	4
3 to 6 months	1	2
Over 6 months	10	20
Total	**13**	**26**

The Group's trade receivables of MNOK 2 293 are partly covered by credit insurance and other types of security. Trade receivables per 31.12. were nominally MNOK 2 326 while provisions for bad debts were amounted to MNOK 33.

Trade receivables, past due but not impaired was MNOK 541 per 31.12. A major part of the trade receivables, past due but not impaired are related to the subsidiary Lerøy Seafood Group ASA (LSG) with MNOK 453 of the amount overdue. Per end of February 2019 more than 95.5% of the customer receivables related to LSG are paid.

NOTE 9 TRADE AND OTHER RECEIVABLES CONT.

The carrying amounts of the trade and other current receivables are denominated in the following currencies	2018	2017
USD	356	331
GBP	85	63
EUR	888	778
NOK	1 360	1 180
CLP	48	40
PEN	70	111
SEK	183	192
Other	70	96
Total	**3 060**	**2 790**
Movements on the provision for impairment of trade receivables are as follows		
Per 01.01.	-46	-31
This years change in provisions	13	-14
Currency translation differences	0	1
Per 31.12.	**-33**	**-44**

NOTE 10 INTANGIBLE ASSETS

2017	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Per 01.01.						
Acquisition cost	2 069	3 986	4 749	1 207	50	12 062
Accumulated amortisation	0	-93	-100	-16	0	-209
Accumulated impairment	-132	-18	0	-30	0	-180
Carrying amount at 01.01.	**1 936**	**3 875**	**4 650**	**1 161**	**50**	**11 672**
Balance sheet value at 01.01.	1 936	3 875	4 650	1 161	50	11 672
Currency translation differences	2	0	0	-41	0	-39
Intangible assets acquired	0	20	0	0	0	20
Amortisation	0	-1	-41	-3	0	-46
Impairment/reversal of impairment	4	0	0	0	0	4
Carrying amount at 31.12.	**1 942**	**3 895**	**4 608**	**1 118**	**50**	**11 611**
Per 31.12.						
Acquisition cost	2 070	4 033	4 749	1 168	50	12 070
Accumulated amortisation	0	-120	-141	-21	0	-282
Accumulated impairment	-128	-18	0	-29	0	-176
Carrying amount at 31.12.	**1 942**	**3 895**	**4 608**	**1 117**	**50**	**11 611**
- of which assets with indefinite lives	1 942	3 852	4 096	1 117	50	11 057
- of which assets with definite lives	0	42	512	0	0	554
- remaining years for assets with definite useful lives (years)		10-12 years	10-15 years			

NOTE 10 INTANGIBLE ASSETS CONT.

2018	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trademarks	Total
Balance sheet value at 01.01.	1 942	3 895	4 608	1 117	50	11 611
Currency translation differences	5	0	0	43	0	48
Reclassification	-67	9	-47	0	0	-105
Effect of business combinations	90	0	0	0	0	90
Intangible assets acquired	0	92	0	4	2	97
Intangible assets sold	0	0	-260	-14	0	-273
Amortisation	0	-9	-34	-3	0	-46
Impairment/reversal of impairment	0	0	0	14	0	14
Carrying amount at 31.12.	**1 969**	**3 987**	**4 267**	**1 161**	**52**	**11 435**
Per 31.12.						
Acquisition cost	2 097	4 159	4 443	1 208	52	11 959
Accumulated amortisation	0	-154	-175	-27	0	-356
Accumulated impairment	-128	-18	0	-21	0	-167
Carrying amount at 31.12.	**1 969**	**3 987**	**4 267**	**1 161**	**52**	**11 435**
- of which assets with indefinite lives	1 969	3 954	3 789	1 161	52	10 925
- of which assets with definite lives	0	33	478	0	0	511
- remaining years for assets with definite useful lives (years)		10-12 years	9 -14 years			

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

Cash-generating units (CGU)

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

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

Book value intangible assets per CGU	Goodwill	Licences	Brand/ Trademarks	Total
Lerøy Seafood Group ASA	1 498	7 443	50	8 992
Br. Birkeland AS	169	637	0	806
Br. Birkeland Farming AS	21	174	2	197
Austral Group S.A.A	280	812	0	1 093
Foodcorp Chile S.A	0	349	0	349
Total	**1 969**	**9 414**	**52**	**11 435**

Lerøy Seafood Group ASA (LSG)

LSG is a fully-integrated seafood company and comprises the entire value chain, from roe, fry, smolt, farming of Atlantic salmon and trout, catching white fish and processing to sales and distribution. LSG has following fish farming licences; 31 licences in the North of Norway (incl. demonstration- and teaching licences), 62 licences (incl. demonstration- and teaching licences) in Central Norway

Notes to the accounts

NOTE 10 INTANGIBLE ASSETS CONT.

and 63 (incl. demonstration- and teaching licences) in West Norway. The following rates are applied for tests of possible impairment: discount rate (WACC) before tax of 7.6%, WACC after tax of 6.0%, nominal rate of growth of 3.0% and estimated inflation of 2.0%. LSG's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2018 and 2017. The management's calculations are robust in the face of reasonable changes in conditions in the future, and a change of all essentials elements with 10-15% will not cause requirement of write-down. Within aquaculture, historically up to 2012, the Group has experienced a significant production growth per license in Norway. Since 2012 and until today it has been approximately no growth. The model is therefore based on an assumption of zero growth in volume which is a very conservative projection in the longer term. It is probable that such a low growth rate would result in a margin expansion, a condition which is barely covered by the model.

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

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

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2018 (2017), each vessel was permitted up to four (four) quota units, including the quota connected to the vessel. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". In 2018 (2017), one cod licence entitled the holder to fish for 1 206 (1 480) tonnes of cod, 412 (564) tonnes of haddock and 465 (388) tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2017 (2016), this is a decrease of –18% (1%) for cod, -27% (-2%) for haddock and +20% (+6%) for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

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

The main purpose of the structure schemes is to reduce the number of vessels participating in individual fisheries, thereby facilitating improved profitability for the remaining vessels – i.e. improving efficiency within a regulated framework. Moreover, the schemes are intended to adapt fleet capacity to the basic resources. At the end of the duration of 20 and 25 years respectively, the structural quotas are no longer valid and the total quotas will be

NOTE 10 INTANGIBLE ASSETS CONT.

distributed among all parties in the regulation group in question, as basic quotas. Basic quotas do not have any time limits.

Havfisk AS – and Lerøy Norway Seafoods AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act). Havfisk AS has been given an extemtion from the requirement stating that the controlling interest must be an active fisherman. The Participant Act and supporting legislation stipulate inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of Lerøy Seafood Group ASA's acquisition of the majority shareholding in Havfisk AS was granted on the basis of Lerøy Seafood Group ASA's ownership on the date of the approval. The approval also states that no new applications are required for future changes in ownership of Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA provided that Lerøy Seafood Group ASA continues to own minimum 60% of the shares in Havfisk AS and that Austevoll Seafood ASA continues to own minimum 50% of the shares in Lerøy Seafood Group ASA. However, the approval does not allow for changes in ownership that result in Laco AS directly owning less than 55.55% of the shares in Austevoll Seafood ASA. Any significant changes in ownership in Laco AS also require approval. The approval also requires continuation of the prevailing terms related to permits for the vessels and structural quotas, in addition to compliance with the nationality requirement in section 5 of the Participant Act. Pursuant to the nationality requirement in section 5 of the Participant Act, operating permits can only be granted to parties that are Norwegian citizens or have status that equals Norwegian citizenship. According to the second paragraph letra a) of the provision, limited companies, public limited companies and other companies with limited liability have equal status to Norwegian citizens when the company's head office and Board of Directors are located in Norway, when the majority of the Board members, including the Chairman of the Board, are Norwegian citizens resident in Norway and who have lived in Norway for the last two years, and when Norwegian citizens own shares or stocks corresponding to minimum 6/10 of the company's capital and have voting rights in the company with minimum 6/10 of the votes. Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA are obliged to submit an overview twice a year detailing the company's shareholders, including specification of the shares held by foreign shareholders. Ultimately, a breach of the above-mentioned licence provisions could result in Havfisk AS losing its licence rights.

Br. Birkeland AS (BRBI)

BRBI had by end of 2018 three fishing vessels, two of which are pelagic ring net/trawlers. The pelagic vessels each had a 681 basic ton ring net licence and a 1.425 trawling licence. One vessel fish for snow crab and have an onboard factory where the product is processed to completion. For licences related to pelagic fishing, the last known turnover figure has been applied for impairment tests, and this indicates a sound margin in relation to book values.

The company had a further vessel, "Northguider" fishing for shrimp and snow crab. On Friday 28 December 2018, the vessel ran aground at Sperreneset, north of the Hinlopenstredet strait on Svalbard. A complex rescue operation was initiated and the 14 crew on board were evacuated with only minor injuries. The vessel has been declared a total loss and has therefore been written down in the balance sheet.

Br. Birkeland Farming AS (BFARM)

Br. Birkeland Farming group owns seven licences for farming Atlantic salmon in West Norway.

The following rates are applied for tests of possible impairment for farming licences: discount rate (WACC) before tax of 10,0%, WACC after tax of 7,9%, nominal rate of growth of 3.0% and estimated inflation of 2.0%. BFARM's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2018 and 2017. The management's calculations regarding farming licences are robust in the face of reasonable changes in conditions in the future.

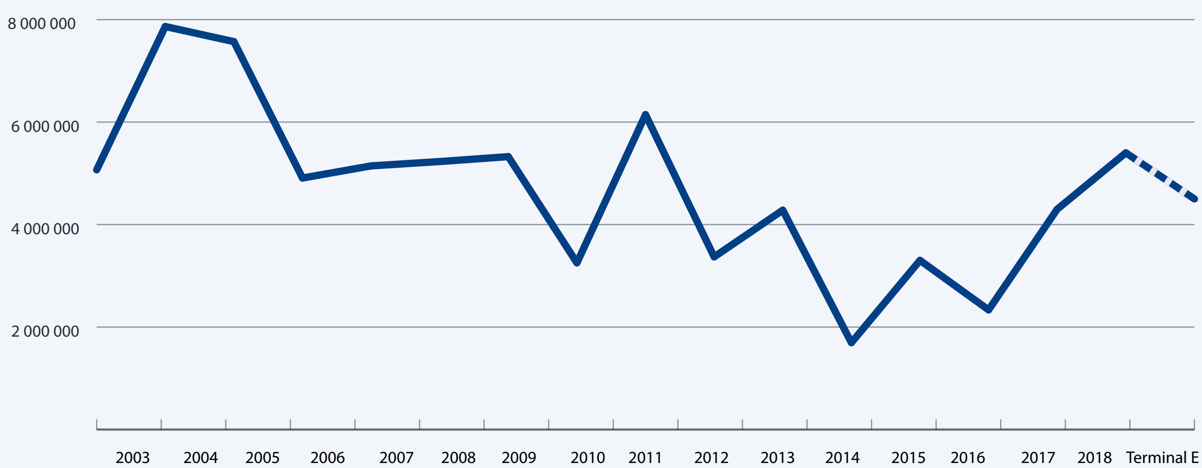
Austral Group S.A.A (Austral)

Austral is a fully-integrated fishing company involved in catches, processing and sales. Austral has fishing rights for anchoveta and horse mackerel/mackerel in Peru. The company has a total anchoveta quota that represents 6.98% of the total quota for Central/North Peru, and just less than 4% of the quota in South Peru. Austral's product range comprises fishmeal and fish oil, in addition to canned and frozen products directly for the consumer market. Austral's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable

NOTE 10 INTANGIBLE ASSETS CONT.

management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and quota sizes from year to year. There are two main seasons for anchoveta – the first from April to July and the second from November to January. Resource management is carried out by Instituto del Mar de Peru (IMARPE). Prior to each fishing season, IMARPE carries out a measurement of biomass and recommends quota sizes on the basis of their finds. Cash flows after tax and an equivalent discount rate (WACC) after tax of 7.1%, nominal rate of growth of 2.0% and estimated inflation of 2.0% are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2017-2026 report. The model makes use of current cost levels, adapted to take into account growth. The model also estimates a total anchoveta quota in the terminal element in Central/North Peru of 4.5 million tonnes and 0.3 million tonnes in South Peru – totaling 4.8 million tonnes. This figure is at the lower end of the average in the total quota over the past 15 years (ref. graph). Austral's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2018 and 2017. With the implemented WACC and best estimate for the terminal element, the tests show that this value is also intact in the face of reasonable changes in price attainment for fishmeal and -oil. The critical price in the terminal element for fishmeal is USD 1 507. For comparison, the average price of fishmeal FOB Peru was USD 1 521 in 2018 and USD 1 408 in 2017 *(Source: SUNAT).*

Peru, landing of Anchoveta Centre North (figures in 1 000 tonnes)



Foodcorp Chile S.A (FC)

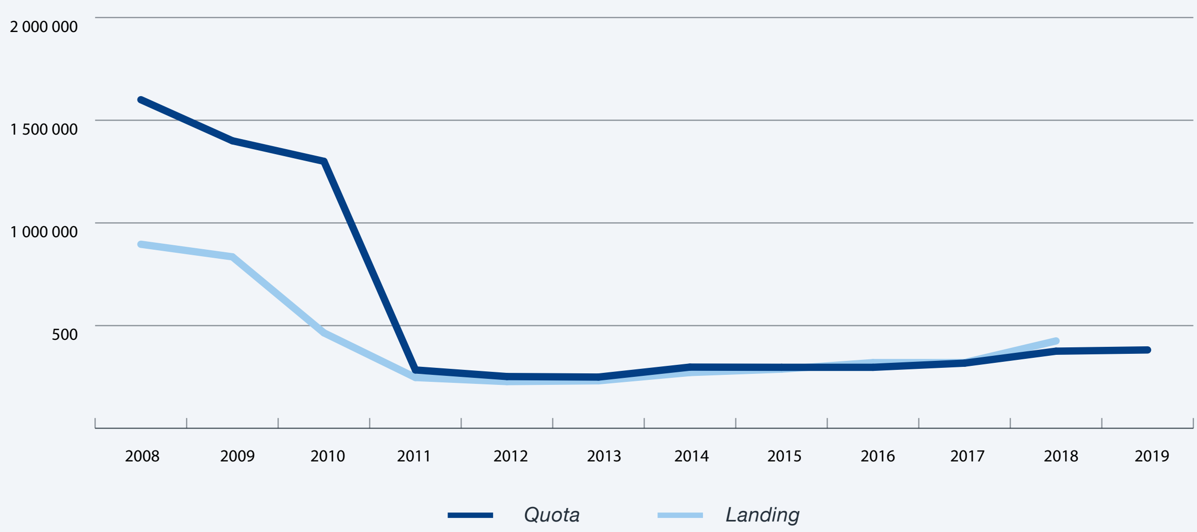
FC is a fully-integrated fishing company involved in catches, processing and sales. FC has fishing rights for horse mackerel, mackerel, squid, sardines and anchoveta in Chile. In 2018 the company had 8.4% of the quota for horse mackerel that applies to the fleet group in Chile to which the company's vessels belong. FC supplies frozen products and canned products for consumers, and fishmeal and fish oil. FC's business is reliant on fish caught in the wild. The company would not be able sustain the long-term values generated by its licences without sustainable management of resources. Moreover, natural weather phenomena will have an impact on conditions at sea and may cause periodic, short-term fluctuations in biomass and, as a result, quota sizes from year to year. The stock of horse mackerel in the southern Pacific has been subject to significant harvesting over the past decade, and a common fish stock management scheme was not implemented until 2011. Fish stock management is now provided by the South Pacific Regional Fisheries Management Organisation (SPRFMO). Their work involves measurements and estimates of stock sizes that in turn provide the basis for specification of total quotas from year to year. Total quotas (TAC) were set for the first time in 2012, and at extremely low levels historically. In order to ensure the development of biomass,

NOTE 10 INTANGIBLE ASSETS CONT.

quotas in the following years have only had a slight increase. The conservative management meant that SPRFMO, in the autumn of 2017, could report that the biomass had reached a sustainable level and could therefore recommend a growth of 17% in the quota for 2018.

An increase of 3% for the quotas for 2019 is recommended. Cash flows after tax and an equivalent discount rate (WACC) after tax of 8.1%, nominal rate of growth of 2.0% and estimated inflation of 2.0% are used to test for possible impairment. This model is based on projected prices for the products, based on the OECD-FAO Agricultural Outlook 2017-2026 report. The model makes use of current cost levels, adapted to take into account growth. The figure for volume of raw materials applied in the model is based on SPRFMO's models. After that, a gradual increase has been added. The critical total quota for Chile on horse mackerel in the terminal element is estimated at 568 000 tonnes. This volume is historical low (look at figures below). FC's impairment tests did not produce grounds for write-down of intangible assets with an indefinite useful life in 2018.

Horse mackerel quotas and catches Chile (figures in 1 000 metric tonnes)



NOTE 11 TANGIBLE FIXED ASSETS

2017	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Per 01.01.						
Acquisition cost	300	116	2 361	7 233	3 858	13 869
Accumulated depreciation	0	-1	-767	-4 371	-1 780	-6 919
Accumulated impairment	-23	0	-113	-37	-85	-258
Carrying amount at 01.01.	**277**	**115**	**1 481**	**2 825**	**1 992**	**6 691**
Balance sheet value at 01.01.	277	115	1 481	2 825	1 992	6 691
Currency translation differences	-1	-2	24	-33	-25	-37
Reclassification	0	-134	8	39	86	0
Acquisitions through business combinations	0	0	0	2	0	2
Tangible fixed assets acquired	57	159	842	641	120	1 820
Tangible fixed assets sold/scrapped	0	-10	-28	-143	9	-172
Depreciation	0	0	-84	-521	-269	-874
Disposals acc. depreciation	0	0	8	76	38	122
Impairment	0	0	0	0	-5	-5
Reversal of impairments	0	0	1	2	1	4
Reversal of impairment by sale/demerge	0	0	0	7	6	12
Carrying amount at 31.12.	**333**	**129**	**2 252**	**2 895**	**1 953**	**7 563**
Per 31.12.						
Acquisition cost	355	130	3 173	7 740	4 015	15 413
Accumulated depreciation	0	-1	-855	-4 816	-2 011	-7 681
Accumulated impairment	-22	0	-66	-28	-51	-167
Carrying amount at 31.12.	**333**	**129**	**2 252**	**2 895**	**1 953**	**7 563**
Carrying amount of finance lease included above	**0**	**0**	**34**	**907**	**219**	**1 160**
Depreciation on finance lease included above	**0**	**0**	**3**	**153**	**17**	**174**

NOTE 11 TANGIBLE FIXED ASSETS CONT.

2018	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Balance sheet value at 01.01.	333	129	2 252	2 895	1 953	7 563
Currency translation differences	3	2	13	51	38	108
Reclassification	-4	-181	-55	58	154	-29
Acquisitions through business combinations	1	0	0	0	0	1
Tangible fixed assets acquired	25	815	118	990	490	2 438
Tangible fixed assets sold/scrapped	0	-5	-35	-287	-143	-471
Depreciation	0	0	-112	-635	-175	-921
Disposals acc. depreciation	0	0	6	271	0	277
Reclassifications acc. depreciation	0	0	83	0	-55	29
Impairment *	0	0	0	0	-166	-165
Reversal of impairments	4	0	9	9	0	21
Reversal of impairment by sale/demerge	0	0	0	3	0	3
Carrying amount at 31.12.	**361**	**760**	**2 280**	**3 355**	**2 097**	**8 851**
Per 31.12.						
Acquisition cost	380	759	3 228	8 556	4 549	17 473
Accumulated depreciation	0	-1	-888	-5 185	-2 240	-8 313
Accumulated impairment	-19	0	-60	-16	-212	-307
Carrying amount at 31.12.	**361**	**759**	**2 280**	**3 355**	**2 097**	**8 851**
Carrying amount of finance lease included above	**0**	**0**	**34**	**987**	**177**	**1 198**
Depreciation on finance lease included above	**0**	**0**	**3**	**154**	**21**	**178**

** Impairment is related to a total loss of one fishing vessel in Norway at the end of 2018.*

Br. Birkeland AS's vessel, the "Northguider" ran aground during fishing for shrimp on 28 December 2018. The vessel has been declared a total loss and has therefore been written down in the consolidated income statement and statement of financial position. The insurance amount for the vessel has correspondingly been reported in the consolidated income statement with the same class as the write-down for the vessel, but on a separate line in the income statement.

NOTE 12 FINANCIAL INSTRUMENTS

Financial risk factors

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

Market risk

(i) Foreign currency risk

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

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

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

At 31.12.2018, if NOK had weakened/strengthened by 10% against the USD with all other variables held constant, before-tax profit for the year would have been MNOK 48 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of USD denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

At 31.12.2018, if NOK had weakened/strengthened by 10% against the EUR with all other variables held constant, before-tax profit for the year would have been MNOK 42 higher/lower. The sensitivity is calculated based on foreign exchange gains/losses on translation of EUR denominated trade receivables and other receivables, trade payables, cash in bank and interest bearing debt.

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

(ii) Price risk

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

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

(iii) Interest rate risk

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

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

As at 31.12.2018, the Group has a total unrealised loss of MNOK 39 (after tax) attached to interest rate swaps.

If the interest rate level had been 0.5% higher (lower) throughout the year, all other variables held constant, profit before income taxes would have decreased (increased) by MNOK 8 in 2018 and MNOK 5 in 2017 through the impact of floating rate borrowings and deposits. The sensitivity analysis is based on the level of net interest bearing debt (NIBD) by year end 2018 and 2017, allowed for entered interest rate swaps.

Amounts in MNOK	Increase/reduction in basis points	2018	2017
Impact on profit before tax	+/- 50	-/+ 8	-/+ 5

NOTE 12 FINANCIAL INSTRUMENTS CONT.

Credit risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

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

31.12.2018	Less than 1 year	1-2 years	3-5 years	Over 5 years
Borrowings (excl. finance liabilities)	1 313	2 521	2 082	2 029
Financial lease liabilities	330	452	354	171
Trade and other payables (excl. Statutory liabilities)	2 451	2	4	21

31.12.2017	Less than 1 year	1-2 years	3-5 years	Over 5 years
Borrowings (excl. finance liabilities)	2 105	1 007	3 406	2 758
Financial lease liabilities	291	266	335	330
Trade and other payables (excl. Statutory liabilities)	2 198	1	1	25

Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For further information on the dividend policy, see note 5.

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

NOTE 12 FINANCIAL INSTRUMENTS CONT.

The gearing ratios at 31.12.2018 and 31.12.2017 were as follows:

	2018	2017
Total borrowings (note 17)	8 375	9 213
Less: liquid assets	4 393	5 075
Less: other interest bearing assets	1	0
Net interest bearing debt	3 982	4 138
Total equity	22 454	19 172
Capital employed	**26 436**	**23 309**
Gearing ratio	**15 %**	**18 %**

Fair value estimation

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

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

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

FINANCIAL INSTRUMENTS BY CATEGORY

31.12.2018 Assets	**Amortised cost**	**Fair value through P&L**	**Fair value through OCI**	**Total**
Investments in other shares	0	0	33	33
Derivate financial instruments (Interest swap contracts)	0	0	0	0
Trade and other receivables excl. prepayments*	2 975	6	0	2 981
Financial assets at fair value through profit or loss	0	0	0	0
Liquid assets	4 393	0	0	4 393
Total assets	**7 368**	**6**	**33**	**7 407**

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

31.12.2018 Liabilities	**Amortised cost**	**Fair value through P&L**	**Fair value through OCI**	**Total**
Borrowings excl. finance lease liabilities	7 160	0	0	7 160
Finance lease liabilities	1 216	0	0	1 216
Derivate financial instruments (Interest swap contracts)	0	0	55	55
Trade and other payable excl. statutory liabilities	2 451	80	8	2 538
Total	**10 826**	**80**	**63**	**10 969**

NOTE 12 FINANCIAL INSTRUMENTS CONT.

31.12.2017 Assets as per balance sheet	Amortised cost	Fair value through P&L	Fair value through OCI	Total
Investments in other shares	0	31	0	31
Trade and other receivables excl. prepayments *	2 637	0	32	2 670
Liquid assets	5 075	0	0	5 075
Total assets	**7 712**	**31**	**32**	**7 776**

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

31.12.2017 Liabilities as per balance sheet	Amortised cost	Fair value through P&L	Fair value through OCI	Total
Borrowings excl. finance lease liabilities	8 077	0	0	8 077
Finance lease liabilities	1 135	0	0	1 135
Derivate financial instruments (Interest swap contracts)	0	0	97	97
Trade and other payable excl. statutory liabilities	2 183	10	0	2 194
Total	**11 396**	**10**	**97**	**11 504**

FINANCIAL INSTRUMENTS BY VALUATION METHOD

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31.12.2018.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
- Investment in shares	0	0	33
Derivatives used for hedging			
-Cash flow hedging - fair value through OCI	0	6	0
Total assets	**0**	**6**	**33**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
-Fair value hedging - fair value through P&L	0	80	0
-Cash flow hedging - fair value through OCI	0	63	0
Total liabilities	**0**	**143**	**0**

NOTE 12 FINANCIAL INSTRUMENTS CONT.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31.12.2017.

Assets measured at fair value through profit or loss	Level 1	Level 2	Level 3
Financial assets available for sale			
- investment in shares	0	0	31
Total assets	**0**	**0**	**31**

Liabilities measured at fair value through profit or loss	Level 1	Level 2	Level 3
Derivatives used for hedging			
-Fair value hedging - fair value through P&L	0	10	0
-Cash flow hedging - fair value through OCI	0	120	0
Total liabilities	**0**	**130**	**0**

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

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

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

CURRENCY FORWARD CONTRACTS

The value of the Norwegian krone is one of many parameters that have an effect on the Group's competitiveness. The Group has at all times a substantial biomass in the sea that represents future sales. A significant share of the Group's revenue is generated in currencies other than NOK. Revenue by currency is presented in the note on operating segments, and trade receivables by currency is presented in the note on receivables.

In order to minimise the currency risk the Group uses currency forward contracts to hedge both net receivables and signed sales contracts in foreign currency. Thus the Group recognises the currency forward contracts as fair value hedging, also for the signed sales contracts, which are off-balance items.

At 31.12.2018 the Group has currency forward contracts with a net negative fair value of NOK 80 million. The currency forward contracts are classified as other short-term debt at 31.12.2018. NOK 73 million of the net negative value is offset against the off-balance item signed sales contracts, and is classified as a short-term receivable.

NOTE 12 FINANCIAL INSTRUMENTS CONT.

The net currency gain in 2018 is NOK 65 million, which is recognised in cost of materials in the income statement, as it relates to the inventory cycle.

Interest swap contracts
Contracts with expiration later than one year:

- Contract from 2011: MNOK 500, Start date on time of contract, duration 10 year, Closing date 16.11.2021, Interest 3.55%, LSG ASA
- Contract from 2012: MNOK 500, Start date on time of contract, duration 10 year, Closing date 16.01.2022, Interest 3.29%, LSG ASA
- Contract from 2016: MNOK 323.5, Start date: 05.10.2018, duration 2.5 year, Closing date 06.04.2021, Interest 1.01%, Havfisk AS
- Contract from 2016: MNOK 323.5, Start date: 05.10.2018, duration 2.5 year, Closing date 06.04.2021, Interest 1.02%, Havfisk AS

The fair value of the swap agreements has been estimated using market inputs per 31.12. As at 31.12.2018, a total unrealised loss of MNOK 39 was included in equity.

Interest swap contracts	Nominal value	Interest rate/ average rate	Liabilities recognised	Correspon-ding deferred tax	Effect on equity
Fair value at 31.12.2017	3 130	3.09 %	97	22	-75
Fair value adjustment 31.12.2018	1 647	2.48 %	-48	-11	36
31.12.2018			**50**	**11**	**-39**

Fair value of the interest swap contracts (gross liability) is recognised as "other long term liabilities". The effective part of the fair value adjustment is recognised in other comprehensive income (cash flow hedge). The deferred tax effect is also recognised in other comprehensive income, and is thus not part of current tax income in profit and loss.

NOTE 13 GUARANTEE OBLIGATIONS

	2018	2017
Letters of guarantees held by subsidiary	150	112
Total	**150**	**112**

The guarantees provided by subsidiaries includes tax deductions issued, guarantees for Norges Råfisklag and other external suppliers.

NOTE 14 RESTRICTED BANK DEPOSITS

	2018	2017
Restricted deposits related to employee tax deduction	86	65
Other restricted deposits	48	35
Total	**135**	**100**

NOTE 15 EVENTS AFTER REPORTING PERIOD

Fire at Lerøy Seafood Group`s smolt facility in Laksefjord in Finnmark

On the 27.01.2019, a fire broke out at the Group`s smolt facility in Laksefjord in Finnmark, resulting in a tragic event. An employee of a firm which was performing maintenance work died. The Group assists the police and other public bodies in conducting an enquiry into what has happened. The facility was insured, and the process with rebuilding the facility is assumed to be completed in second quarter. As a consequence of the fire, 2.6 million salmon smolt between 50 and 60 grams, which were planned for release in April 2019, was lost. The Group has initiated a plan for replacement of the smolt and expects the total number to be replaced. However, the time for release to the sea is likely to be a little bit delayed. This incident had no effect on status as of 31.12.2018, and the values in the statement of financial positions for 2018.

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

NOTE 16 SHARE CAPITAL AND SHAREHOLDERS

Share capital

As of 31.12.2018, the Company has 202 717 374 shares at nominal value of NOK 0.50 per share.

Date of registration	Type of change	Nominal value per share (NOK)	Total share capital	No. of ordinary shares
01.01.2008/31.09.2009	Capital increase	0.50	101 358 687	202 717 374
2010 - 2018	No changes			
31.12.2018		**0.50**	**101 358 687**	**202 717 374**

Notes to the accounts

NOTE 16 SHARE CAPITAL AND SHAREHOLDERS CONT.

The shareholders in Austevoll Seafood ASA were as of 31.12.	2018 Number of shares	2018 Share holding	2017 Number of shares	2017 Share holding
Laco AS	112 605 876	55.55 %	112 605 876	55.55 %
State Street Bank and Trust Comp, A/C Client Fund Number: OM80	5 182 415	2.56 %	5 724 829	2.82 %
Folketrygdfondet	4 899 739	2.42 %	1 938 691	0.96 %
State Street Bank and Trust Comp, A/C Client Omnibus F, Ref: OM06	3 554 180	1.75 %	3 838 198	1.89 %
State Street Bank and Trust Comp, S/A SSB Client Omni E, Fund OM06	2 541 309	1.25 %	1 314 864	0.65 %
OM Holding AS	1 916 850	0.95 %	1 911 850	0.94 %
Mitsui and Co., Ltd	1 782 236	0.88 %	1 782 236	0.88 %
Pareto Aksje Norge Verdipapirfond	1 718 876	0.85 %	2 164 373	1.07 %
The Northern Trust Comp, London Br	1 664 933	0.82 %	0	0.00 %
JPMorgan Chase Bank, N.A., London, A/C Vanguard BBH Lending account	1 378 886	0.68 %	1 230 818	0.61 %
J.P. Morgan Bank Luxembourg S.A.	1 278 135	0.63 %	1 310 044	0.65 %
State Street Bank and Trust Comp, SSB LUX OBO ITS Clients: OY59	1 216 857	0.60 %	1 386 329	0.68 %
JPMorgan Chase Bank, N.A., London, Nordea Re:Non-treaty account	1 128 238	0.56 %	0	0.00 %
State Street Bank and Trust Comp, A/C West Non-treaty account	1 109 657	0.55 %	0	0.00 %
Danske Invest Norske Instit.	1 013 029	0.50 %	2 034 329	1.00 %
Euroclear Bank S.A./N.V.	1 008 688	0.50 %	0	0.00 %
Pareto Invest AS	921 000	0.45 %	0	0.00 %
RBC Investor Services Trust	897 074	0.44 %	0	0.00 %
Austevoll Seafood ASA	893 300	0.44 %	893 300	0.44 %
Old Westbury Large Cap Strats FD	878 961	0.43 %	0	0.00 %
Six Sis AG	0	0.00 %	1 372 100	0.68 %
JPMorgan Chase Bank, N.A., London S/A Escrow Account	0	0.00 %	1 210 100	0.60 %
Danske Invest Norske Aksjer Inst	0	0.00 %	1 081 824	0.53 %
Arctic Funds PLC	0	0.00 %	1 038 089	0.51 %
MP Pensjon PK	0	0.00 %	1 007 294	0.50 %
Citibank, N.A.	0	0.00 %	994 791	0.49 %
The Bank of New York Mellom SA/NV	0	0.00 %	941 975	0.46 %
JPMorgan Chase Bank, N.A., London JPMCB RE HB Swed Funds Lend AC	0	0.00 %	925 108	0.46 %
Total number owned by top 20	**147 590 239**	**72.81 %**	**146 707 018**	**72.37 %**
Total number owned by other shareholders	55 127 135	27.19 %	56 010 356	27.63 %
Total number of shares	**202 717 374**	**100.00 %**	**202 717 374**	**100.00 %**

SHARES CONTROLLED BY BOARD MEMBERS AND MANAGEMENT:

Directors' ownership of shares

Helge Singelstad owns 50 000 shares in the company.
Oddvar Skjegstad owns, through Rehua AS, 55 000 shares in the company.
Helge Møgster owns shares indirectly through Laco AS.
Lill Maren Møgster owns shares indirectly through Laco AS.
Eirik Drønen Melingen owns shares indirectly through Laco AS.

Managements' ownership of shares

Arne Møgster owns shares indirectly through Laco AS.
Britt Kathrine Drivenes owns, through Lerkehaug AS, 50 367 shares in the company.

THE GROUP

NOTE 17 INTEREST BEARING DEBT

	2018	2017
Non-current		
Bank borrowings	5 042	5 455
Bond loan	1 007	1 007
Other loans	28	29
Leasing liabilities	916	870
Total non-current	**6 993**	**7 361**
Current		
Bank overdrafts	441	450
Bond loans	0	500
Bank borrowings	641	639
Leasing liabilities	300	264
Total current	**1 382**	**1 852**
Total non-current and current	**8 375**	**9 213**
Net interest-bearing debt		
Liquid assets	4 393	5 075
Other interest-bearing assets - non current	1	0
Net interest-bearing debt	**3 982**	**4 138**

Repayment profile interest bearing debt	2019*	2020	2021	2022	2023	Deretter	Total *
Bank borrowings *	641	675	1 952	596	565	1 253	5 683
Bank overdraft	441	0	0	0	0	0	441
Bond loan	0	0	500	0	500	7	1 007
Leasing liabilities	300	289	156	116	197	157	1 216
Other non-current liabilities	0	1	1	1	4	21	28
Total	**1 382**	**965**	**2 609**	**714**	**1 267**	**1 438**	**8 375**

** Repayments of non-current liabilities which mature in 2019 are classified as current liabilities in the balance sheet.*

Liabilities secured by mortgage	2018	2017
Current liabilities	1 382	1 105
Non-current liabilities	5 993	6 355
Liabilities to credit institutions incl. leasing liab.	**7 375**	**7 460**
Assets provided as security		
Non-current assets	6 798	5 670
Licences *	919	909
Inventory	1 060	756
Biological assets	5 775	4 643
Shares	1 054	968
Trade receivables	680	727
Total assets provided as security	**16 287**	**13 673**

** Licence value ex. price purchase allocation.*

AUSS has pledged as security the shares in Br. Birkeland AS (BRBI) and 8 066 500 shares in Pelagia AS for the bank loans of AUSS of MNOK 251. Assets owned by LSG and BRBI are also placed as security directly to their separate and individual loans, and are included in the figures presented above.

NOTE 17 INTEREST BEARING DEBT CONT.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows	2018	2017
6 months or less	5 803	6 600
6 - 12 months	25	24
1-5 years	1 874	1 885
Total	**7 702**	**8 509**

	Carrying amount		Carrying amount	
The carrying amounts and fair value of the non-current liabilities are as follows	**2018**	**2017**	**2018**	**2017**
Bank borrowings	5 042	5 455	5 092	5 548
Bond loan	1 007	1 007	1 024	1 022
Leasing liabilities	916	870	916	870
Other non-current liabilities	28	29	28	29
Total	**6 993**	**7 361**	**7 059**	**7 470**

Based on contractual terms the fair value of non-current borrowings (excl. bond loan) are estimated to be equal to book value as of 31.12.2018, adjusted for fair value of interest swap contracts.

The bond loans are listed on Oslo Stock Exchange, and fair value is calculated using the last traded rates in 2018 for the bonds. The carrying amounts of short-term borrowings approximate their fair value. Next repayment of bond loan is in May 2021.

The carrying amounts of the Group's borrowings are denominated in the following currencies	2018	2017
NOK	6 869	7 563
USD	1 021	1 080
GBP	0	0
EUR	296	453
Other currencies	189	117
Total	**8 375**	**9 213**

Financial "covenants"

There are several financial covenant requirements for the companies in the Group. The Group has not been in breach of any covenants during the financial year 2018, and is not in breach as of 31.12.2018.

Bank overdrafts	2018	2017
Bank overdrafts	441	297
Bank overdrafts undrawn	3 511	2 659
Bank overdrafts limit	**3 953**	**2 956**

NOTE 17 INTEREST BEARING DEBT CONT.

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2018	2017
Cash and cash equivalents	4 393	5 075
Liquid investments	1	0
Current liabilities	-1 382	-1 852
Non-current liabilities	-6 993	-7 361
Net debt	**-3 982**	**-4 138**
Cash and liquid investments	4 393	5 075
Gross debt - fixed interest rates	-2 321	-3 133
Gross debt - variable interest rates	-6 055	-6 080
Net debt	**-3 982**	**-4 138**

	Other assets		Liabilities from financing activities				
	Cash/bank overdraft	Liquid investments	Finance leases due within one year	Finance leases due after one year	Current liabilities	Non-current liabilities	Total
Net debt as at 01.01.2017	3 745	0	-238	-772	-1 901	-6 327	-5 493
Cash flows	1 339		-26	-0	314	-188	1 325
Acquisitions - finance leases and lease incentives	0	0	0	-114	0	0	-114
Foreign exchange adjustments	-9			14		25	30
Net debt as at 31.12.2017	**5 075**	**0**	**-264**	**-872**	**-1 587**	**-6 490**	**-4 138**
Cash flows	-688	0	236	0	144	-139	-448
Acquisitions - finance leases and lease incentives	0	0	-31	-295	0	0	-326
Foreign exchange adjustments	6	0	0	0	-4	-4	-2
Other non-cash movements	0	0	-177	203	621	285	931
Net debt as at 31.12.2018	**4 393**	**0**	**-236**	**-964**	**-826**	**-6 348**	**-3 982**

NOTE 18 CONTINGENCIES AND PROVISIONS

Cormar
The Group has recognised a provision related to the acquisition of Cormar in 2007. The Group will have reimbursement rights for some of the liabilities, if the liabilities materialises. A provision of MNOK 21 has been recorded for this contingent liability, ref note 22.

Austral Group S.A.A
The subsidiary Austral Group S.A.A (Peru) has certain court actions pending resolution for a total of MNOK 87 as of 31.12.2018 mainly related to its business activities. It is considered unlikely that the prosecutor will succeed with the claims in full. Based on specific assessments of each case, a provision of MNOK 11 relating to these suits, which is considered to be the best estimate.

NOTE 19 FINANCIAL INCOME AND EXPENSES

	2018	2017
Interest income	57	50
Net currency gains (unrealised and realised)	118	135
Other financial income	7	8
Total financial income	**182**	**193**
Interest expenses	334	333
Net currency losses (unrealised and realised)	191	126
Other financial expenses	14	27
Total financial expenses	**539**	**486**
Net financial cost	**-357**	**-293**

NOTE 20 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2018	2017
Salary and holiday pay	2 507	2 305
Hired personnel	139	122
Other remunerations	77	90
National insurance contribution	221	203
Pension costs (incl. national insurance contribution)	106	86
Remuneration to the members of the board	1	1
Other personnel costs	143	97
Total payroll expences	**3 195**	**2 905**
Average man-labour year	6 490	6 229

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

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

NOTE 20 PAYROLL, FEES, NO. OF EMPLOYEES ETC. CONT.

Some few of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The new AFP scheme which came into effect on 01.01.2011, is to be considered as a defined contribution scheme until reliable and sufficient information has been provided so that the Group can book its proportionate share of the pension cost, pension liability and pension funds in the scheme. However, a provision has been carried to cover the estimated payments related to undercoverage in the former AFP scheme.

Moreover, a limited part of the Group companies have defined benefit schemes with life insurance companies, with pension funds placed in a portfolio of investments by insurance companies. The insurance company administers all transactions related to the pension scheme. Estimated return on pension funds is based on marked prices on balance sheet date and projected development during the period in which the pension scheme is valid. The calculation of pension liabilities is based on assumptions in line with the recommendations of Norsk Regnskapsstiftelse (NRS) per 31.12.2018. Change in the benefit obligations as a result of actuarial gains and losses are booked as comprehensive income.

Pension costs	2018	2017
Pension costs related to defined contribution plan	92	77
Sosial security on defined contribution plan	12	10
Total pension costs related to defined contribution plan	**104**	**87**
Net pension cost related to defined benefit plan	2	-1
Total pension costs	**106**	**86**
Pension obligations and other obligations		
Pension and pension commitments	10	9
Fair value of interest swapcontracts (ref. note 12)	50	93
Other obligations	13	8
Total	**73**	**110**

Guidelines for remuneration to executive management

The main principles of the remuneration policy to executive management are based on the policy that the members of executive management shall have a competitive pay program, with respect to salary, bonuses, pensions and other remuneration. Austevoll Seafood ASA shall offer a total remuneration to its executive management that is on level with comparable companies. However, the Company's need for well qualified personnel should always be considered.

For further information see own paragraph in the annual report regarding the board`s statement about salary and other remuneration to executive management.

Remuneration to executives and members of the parent Company's Board are reported exclusive employer's contribution and in amounts TNOK and were:

2018 - Remuneration to the company's officers (amounts in NOK 1 000)	CEO	CFO	Chairman of the board *	Other members of the board	Total
Salary	3 543	2 722	0	0	6 265
Bonus payment based on results for the year 2017	2 700	1 000	0	0	3 700
Pension scheme payments	107	110	0	0	217
Other remunerations	201	213	0	0	414
Director's fee/Other remunerations	0	0	3 267	1 196	4 463
Total	**6 552**	**4 046**	**3 267**	**1 196**	**15 059**

THE GROUP

NOTE 20 PAYROLL, FEES, NO. OF EMPLOYEES ETC. CONT.

2017 - Remuneration to the company's officers (amounts in NOK 1 000)	CEO	CFO	Chairman of the board *	Other members of the board	Total
Salary	3 543	2 632	0	0	6 175
Bonus payment based on results for the year 2016	2 000	800	0	0	2 800
Pension scheme payments	71	64	0	0	135
Other remunerations	214	208	0	0	422
Director's fee/Other remunerations	0	0	2 945	1 225	4 170
Total	**5 828**	**3 704**	**2 945**	**1 225**	**13 702**

** The annual Directors' Fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity Laco AS, with which company the Chairman is employed. The total amount paid in 2018 and 2017 includes board remuneration of TNOK 300.*

The Group management takes part in the Groups collective pension schemes.

No loans or securities have been issued in 2018 or 2017 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 70 years, and the CEO takes part in the defined contribution scheme.

Options

There are as of 31.12.2018, no on-going option program in the Group.

Specification of auditor's fee	2018	2017
Audit fee	11	11
Audit from other auditors	1	3
Tax advice	2	1
Tax advice from other auditors	0	1
Other services	3	5
Total	**18**	**20**

NOTE 21 OTHER GAINS AND LOSSES

	2018	2017
Gains and losses on sale of property, plant and equipment	49	8
Gain on sale of subsidiary (ref. note 27)	158	0
Other gains and losses	0	-6
Total other gains and losses	**207**	**2**

Notes to the accounts

NOTE 22 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2018	2017
Salary and other personell expenses	366	297
Public taxes payable	294	275
Accrued expenses	268	315
Currency forward contracts/ Effect of fair value hedging	87	10
Provisions from acquisition Cormar (cf note 18)	21	20
Provisions for pending litigation Austral (cf note 18)	11	37
Provisions trade receivables	51	0
Unrealised loss on Fish pool contracts	16	22
Other short-term liabilities	105	67
Total other current liabilities	**1 219**	**1 044**

THE GROUP

NOTE 23 LEASE CONTRACTS - GROUP COMPANY AS LESSEE

Overview of future minimum operating leases	Within 1 year	1-5 years	Subsequent	Total
Minimum lease amount, operating leasing contracts maturing	291	919	571	1 780
Present value of future minimum lease (discount rate 5%)	235	776	469	1 480

Overview of future minimum financial leases	Within 1 year	1-5 years	Subsequent	Total
Minimum lease amount, financial leasing contracts maturing	321	868	167	1 356
Interest	28	55	11	93
Present value of future minimum lease	306	761	158	1 225

Leased assets booked as finance lease is specified in note 11, whilst maturities and balances of financial leases are specified in note 17.

NOTE 23 LEASE CONTRACTS - GROUP COMPANY AS LESSEE CONT.

As of 01.01.2019, IFRS 16 current lease agreements are implemented by the Group. The table below shows the effect if implementation had taken place as of 31.12.2018.

	31.12.2018
Non-current assets	
Deferred tax asset	57
Licences, rights and goodwill	11 435
Land, buildings, project in progress, plant equipment, vessels	8 851
Shares in associates and joint ventures	2 204
Other shares	33
Long-term receivables	156
Total non-current assets	**22 736**
Fixed assets according to balance sheet 31.12.2018	8 851
Of which non-current assets on financial lease	-1 198
Own fixed assets as of 31.12.2018	**7 653**
Calculation of right-to-use assets	
Financial leases (reclassified from fixed assets)	1 198
Operational leases	1 439
Leased assets as of 31.12.2018	**2 638**

After implementation of IFRS 16 - leases	**31.12.2018**
Non-current assets	
Deferred tax assets	57
Licences, rights and goodwill	11 435
Leased assets	2 638
Fixed assets	7 653
Shares in associates	2 204
Other shares	33
Long-term receivables	156
Total non-current assets	**24 176**
Calculation of implementation effect of IFRS 16	
Total non-current assets before implementation	22 736
Total non-current assets after implementation	24 176
Effect	**1 439**

NOTE 24 INVESTMENTS IN OTHER SHARES

2018 Company	Business location	Ownership/voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16.70%	22	26
Bulandet Eiendom AS	Bulandet, Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	5	5
Other shares		minor	2	2
Total non-current			**30**	**33**

2017 Company	Business location	Ownership/voting share	Acquisition cost	Fair value
Euro-Terminal AS	Bergen, Norway	16.70%	22	26
Bulandet Eiendom AS	Bulandet, Norway	minor	1	1
DNB - Private Equity fund	Norway	minor	5	5
Other shares		minor	2	2
Total non-current			**30**	**31**

Reconciliation of the carrying amount of investments in other shares	2018	2017
Per 01.01.	31	34
Acquired/sold	2	-3
Per 31.12.	**33**	**31**
Less: non-current portion	-33	-31
Current portion	**0**	**0**

NOTE 25 RELATED PARTIES

The Group is controlled by Laco AS which owns 55.55% of the company's shares. The remaining 44.45% of the shares are widely held. The ultimate parent of the Group is Laco AS.

The majority of transactions with related parties are carried out through;

- Lerøy Seafood Group ASA (LSG) sale and purchase of goods to/from LSG associated companies.

In addition, the Group had some minor transactions with related parties such as the associated companies Pelagia AS and Marin IT AS (ownership directly by parent Company).

The following transactions were carried out with related parties:

a) Sales of goods and services	**2018**	**2017**
Sales of goods		
- associates	165	126
Sales of services		
- associates	1	0
- the ultimate parent and its subsidiaries	9	63
Total	**175**	**189**

Group companies have sold services as slaughtering, packaging and storage of salmon, and goods as filleted salmon to associated companies. The Group has also sold administrative services to associated companies.

b) Purchase of goods and services	**2018**	**2017**
Purchase of goods		
- associates	379	530
Purchase of services		
- associates	191	0
- the ultimate parent and its subsidiaries	14	128
Total	**584**	**659**

All goods and services are bought based on the market price and terms that would be available for third parties.

The Group has bought fish and fish products from associated companies. The Group has bought administrative services such as IT, reception, catering, accounting and secretary- and financial from associated companies.

c) Year-end balances arising from sales/purchase of goods/services	**2018**	**2017**
Receivables from related parties		
- the ultimate parent and its subsidiaries	0	5
- associates	30	49
Payable to related parties		
- the ultimate parent and its subsidiaries	1	15
- associates	42	46

NOTE 25 RELATED PARTIES CONT.

The receivables from related parties arise mainly from sale transactions and are due one month after date of sale. The receivables are unsecured in nature and bear no interest.

The payable to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payable bear no interest.

d) Loans to related parties	2018	2017
Total loans to related parties:		
- associates	22	30
- minority interests/other	20	0
Interest income	1	0

NOTE 26 TAX

	2018	2017
Specification of the tax expense		
Tax payable	854	910
Change in deferred tax liabilities and assets	107	-572
Adjustment previous year	0	31
Taxes	**962**	**369**
Tax reconciliation		
Profit before tax	5 192	2 200
Tax calculated with the nominal tax rates	1 225	529
Change in tax rate *	-110	-107
Income from associated companies	-108	-117
Tax-free gain on sale of shares	-36	-2
Other differences	-18	56
Change in deferred tax asset not recognised	9	10
Taxes	**962**	**369**
Weighted average tax rate	**18.5 %**	**16.8 %**

** Tax rate is reduced from 23% to 22% in Norway from 01.01.2019. For the Norwegian companies in the Group, deferred tax asset and deferred tax liability is calculated with the reduced tax rate as of 31.12.2018.*

The gross movement on the deferred income tax account is as follows	2018	2017
Opening balance 01.01.	3 346	3 911
Booked to income in the period	207	-494
Booked as OCI in the period	6	6
Currency translation differences	10	29
Effect of business combinations	-9	0
Reclassification	-83	0
Change in tax rate	-110	-107
Balance sheet value (net) 31.12.	**3 367**	**3 346**
Balance sheet value of deferred tax assets	-57	-86
Balance sheet value of deferred tax liabilities	3 425	3 432
Balance sheet value (net) 31.12.	**3 367**	**3 346**

NOTE 26 TAX CONT.

The movement in deferred income tax assets and liabilities during the year is as follows:

Change in deferred tax liabilities/assets	Non current assets	Curent assets	Biological assets	Liabilities	Pensiones	Loss carried forwards	Other	Total
Opening balance 01.01.2017	**2 424**	**39**	**1 620**	**-16**	**0**	**-37**	**-117**	**3 911**
Booked to income in 2017	-49	-5	-531	-3	1	-24	12	-600
Booked as OCI in the period	0	0	0	0	0	0	6	6
Currency translation differences	25	0	0	1	0	0	2	29
Effect of business combinations	0	0	0	0	0	0	0	0
31.12.2017	**2 400**	**34**	**1 088**	**-18**	**1**	**-61**	**-96**	**3 346**
Booked to income in the period	-242	2	200	-31	-3	43	128	97
Booked as OCI in the period	0	2	0	5	0	0	0	6
Currency translation differences	14	21	-21	-2	0	0	-2	10
Effect of business combinations	0	-1	0	0	0	-8	0	-9
Reclassification	-83	0	0	0	0	0	0	-83
31.12.2018	**2 088**	**58**	**1 267**	**-46**	**-2**	**-26**	**29**	**3 367**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Specification of temporary differences not included in deferred taxes	2018	2017
Non-current assets	-43	-43
Current assets	-700	-663
Loss carried forwards	-94	-65
Liabilities	-100	-60
Other	114	109
Total temporary differences not included in deferred tax	**-823**	**-722**
Including net deferred tax(+)/tax benefit(-) which is not capitalized	-181	-166

Notes to the accounts

NOTE 27 GROUP COMPANIES

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

Company	Comments of change	Country	Parent company	Ownership %
Lerøy Seafood Group ASA		**Norway**	**Austevoll Seafood ASA**	**52.69 %**
Aker Seafoods AS		Norway	Havfisk AS	100.00 %
Bulandet Fiskeindustri AS		Norway	Lerøy Seafood AS	79.06 %
Eurosalmon SAS		France	SAS Lerøy Seafood France	100.00 %
Finnmark Havfiske AS		Norway	Havfisk Båtsfjord AS	13.34 %
Finnmark Havfiske AS		Norway	Havfisk Finnmark AS	78.45 %
Finnmark Havfiske AS		Norway	Havfisk Nordkyn AS	5.84 %
Fishcut SAS		France	SAS Lerøy Seafood France	100.00 %
Hammerfest Industrifiske AS		Norway	Havfisk Finnmark AS	60.00 %
Hardanger Skjell AS	4)	Norway	Lerøy Ocean Harvest AS	100.00 %
Havfisk AS		Norway	Lerøy Seafood Group ASA	100.00 %
Havfisk Båtsfjord AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Finnmark AS		Norway	Havfisk AS	100.00 %
Havfisk Management AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Melbu AS		Norway	Havfisk AS	100.00 %
Havfisk Nordkyn AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Stamsund AS		Norway	Havfisk AS	100.00 %
Laks- & Vildtcentralen AS		Norway	Lerøy Seafood Group ASA	100.00 %
Leroy Processing Spain S.L.		Spain	Lerøy Seafood Group ASA	100.00 %
Lerøy & Strudshavn AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Alfheim AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Alt i Fisk AB		Sweden	Lerøy Sverige AB	100.00 %
Lerøy Aurora AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Culinar B.V.		Holland	Rodè Retail B.V.	100.00 %
Lerøy Delico AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Finland OY		Finland	Lerøy Seafood Group ASA	100.00 %
Lerøy Fossen AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Germany GmbH		Germany	Rodè Beheer B.V.	50.00 %
Lerøy Germany GmbH		Germany	Lerøy Seafood AS	50.00 %
Lerøy Laksefjord AS		Norway	Lerøy Aurora AS	100.00 %
Lerøy Midt AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Nord AS		Norway	Lerøy Seafood Group ASA	51.00 %
Lerøy Nordhav AB		Sweden	Lerøy Sverige AB	100.00 %
Lerøy Norway Seafoods AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Ocean Harvest AS	3)	Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Portugal Lda		Portugal	Lerøy Seafood Group ASA	100.00 %
Lerøy Quality Group AS		Norway	Lerøy Seafood AS	100.00 %

THE GROUP

NOTE 27 GROUP COMPANIES CONT.

Company	Comments of change	Country	Parent company	Ownership %
Lerøy Seafood AS		Norway	Lerøy Seafood Group ASA	100.00 %
Lerøy Seafood France SAS		France	Lerøy Seafood AS	100.00 %
Lerøy Seafood USA Inc		USA	Lerøy Seafood AS	100.00 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Delico AS	17.50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Alfheim AS	23.75 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Trondheim AS	7.50 %
Lerøy Sjømatgruppen AS		Norway	Lerøy Nord AS	2.50 %
Lerøy Sjømatgruppen AS		Norway	Laks- & Vildtcentralen AS	25.00 %
Lerøy Sjøtroll Kjærelva AS		Norway	Sjøtroll Havbruk AS	50.00 %
Lerøy Sjøtroll Kjærelva AS		Norway	Lerøy Vest AS	50.00 %
Lerøy Smögen Seafood AB		Sweden	Lerøy Sverige AB	100.00 %
Lerøy Sommarøy AS	4)	Norway	Lerøy Norway Seafoods AS	100.00 %
Lerøy Stockholm AB		Sweden	Lerøy Sverige AB	100.00 %
Lerøy Sverige AB		Sweden	Lerøy Seafood Group ASA	100.00 %
Lerøy Trondheim AS		Norway	Lerøy Seafood Group ASA	100.00 %
Leröy Turkey Su Űrűnleri San. Ve Tic A.S.		Turkey	Lerøy Seafood Group ASA	100.00 %
Lerøy Vest AS		Norway	Lerøy Seafood Group ASA	100.00 %
Melbu Fryselager AS		Norway	Lerøy Norway Seafoods AS	67.10 %
Nordland Havfiske AS		Norway	Havfisk Melbu AS	47.07 %
Nordland Havfiske AS		Norway	Havfisk Stamsund AS	52.93 %
Norsk Oppdrettservice AS		Norway	Lerøy Seafood Group ASA	51.00 %
Norway Seafoods S.A.S.		France	Lerøy Norway Seafoods AS	100.00 %
Preline Fishfarming System AS		Norway	Lerøy Seafood Group ASA	96.00 %
Rodè Beheer B.V.		Holland	Lerøy Seafood Group ASA	100.00 %
Rodè Retail B.V.		Holland	Rodè Beheer B.V.	100.00 %
Rodè Vastgoed B.V.		Holland	Rodè Beheer B.V.	100.00 %
Rodè Vis B.V		Holland	Rodè Beheer B.V.	100.00 %
Rodè Vis International AS		Norway	Rodè Beheer B.V.	100.00 %
Royal Frozen Seafood B.V.		Holland	Rodè Beheer B.V.	100.00 %
Senja Akvakultur Senter AS		Norway	Lerøy Aurora AS	100.00 %
Sirevaag AS		Norway	Lerøy Delico AS	100.00 %
Sjømathuset AS		Norway	Lerøy Seafood Group ASA	100.00 %
Sjøtroll Havbruk AS		Norway	Lerøy Seafood Group ASA	50.71 %
Sørvær Kystfiskeinvest AS		Norway	Lerøy Norway Seafoods AS	51.00 %

Notes to the accounts

NOTE 27 GROUP COMPANIES CONT.

Company	Comments of change	Country	Parent company	Ownership %
AUSS Shared Service AS		Norway	Austevoll Seafood ASA	100.00 %
Austevoll Laksepakkeri AS		Norway	Austevoll Seafood ASA	100.00 %
AUSS Laks AS		Norway	Austevoll Laksepakkeri AS	100.00 %
Austevoll Eiendom AS		Norway	Austevoll Seafood ASA	100.00 %
Austevoll Pacific AS		Norway	Austevoll Seafood ASA	100.00 %
Gateport Overseas Inc.*		Panama	Austevoll Pacific AS	100.00 %
Andean Oportunities Funds Ltd.*		Caymen Island	Gateport Overseas Inc.	100.00 %
Dordogne Holdings Ltd.*		Panama	Gateport Overseas Inc.	66.67 %
Dordogne Holdings Ltd.*		Panama	Andean Oportunities Funds Ltd.	33.33 %
Austral Group S.A.A		Peru	Dordogne Holdings Ltd.	89.35 %
Alumrock Overseas S.A		Peru	Austral Group S.A.A	98.27 %
A-Fish AS		Norway	Austevoll Seafood ASA	100.00 %
Beechwood Ltd.**		Panama	A-Fish AS	100.00 %
Foodcorp Chile S.A		Chile	A-Fish AS	73.61 %
Foodcorp Chile S.A		Chile	Austevoll Seafood ASA	26.39 %
Foodcorp Peru S.A		Peru	Foodcorp Chile S.A	99.99 %
Br. Birkeland AS	2, 7)	Norway	Austevoll Seafood ASA	42.92 %
Bjånesøy Eiendom AS	7)	Norway	Br. Birkeland AS	0.00 %
Birkeland Fiskebåtrederi Holding AS	7)	Norway	Br. Birkeland AS	0.00 %
Br. Birkeland Fiskebåtrederi AS		Norway	Br. Birkeland AS	100.00 %
Opilio AS		Norway	Br. Birkeland AS	100.00 %
Talbor AS		Norway	Br. Birkeland AS	100.00 %
Maron AS	5)	Norway	Br. Birkeland AS	0.00 %
Br. Birkeland Farming AS	2)	Norway	Austevoll Seafood ASA	55.24 %
Kobbevik og Furuholmen Oppdrett AS		Norway	Br. Birkeland Farming AS	100.00 %

Comments on changes
1) Business combination
2) Transactions with non-controlling interests
3) Foundation of a new company
4) Intragroup purchase/sale of company/shareholding
5) Sale of shares to external
6) Private placement (with change in shareholding)
7) Parent - subsidiary business combination
8) Merger between associated companies
9) The company is dissolved

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

Notes to the accounts

NOTE 27 GROUP COMPANIES CONT.

2018
The shares in Maron AS were sold to external parties. The gain on the sale of shares totalled NOK 157 million and has been recognised in the consolidated financial statements.

A total 516,742 shares (3.55%) in Br. Birkeland Farming AS have been purchased from minority shareholders. At 31.12.2018, AUSS owns 55.24% of the shares in Br. Birkeland Farming AS.

In connection with the business combination between Br. Birkeland AS and Birkeland Fiskebåtrederi Holding AS, the share capital in Br. Birkeland AS was increased by 2 210 774 shares. These shares were a contribution in kind from the minority shareholders in Birkeland Fiskebåtrederi Holding AS. As a result of the transaction, the existing shareholders had their shareholdings diluted. This represented a reduction in shareholding of 6.83% for AUSS. In addition to this transaction, AUSS sold 324 742 shares (1.94%) in Br. Birkeland AS to minority shareholders. At 31.12.2018, AUSS owns 42.92% of the shares in Br. Birkeland AS.

2017
The Group has bought 2.72% of the shares in Bulandet Fiskeindustri from minority.

The effect of changes in the ownership interests is summarized as follows:

Amounts in MNOK	2018	2017
Carrying amount of non-controlling interests acquired	7	77
Consideration paid to non-controlling interests	-7	-77
Excess of consideration paid recognised in parent`s equity	**0**	**0**

Transactions with non-controlling interests in EQ statement	2018	2017
Sale of 324,742 shares in Br. Birkeland AS	-37	0
Transactions with non-controlling interests	0	-1
Purchase of 516,742 shares in Br. Birkeland Farming AS	37	0
Total	**0**	**-1**

NOTE 28 ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by:

- Biological assets, onerous contracts related to biological assets are estimated at fair value through profit and loss in accordance with IAS 41. Reference is made to further description in this note.
- Fish Pool contacts, financial assets and financial liabilities (including derivative instruments) are estimated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

(a) New and amended standards implemented in 2018
The Company has implemented the following new IFRS standards with effect from 01.01.2018:
– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES CONT.

The implementation of these amendments had no material impact on the financial statements for this year or previous periods. Nor are they expected to have any significant impact on subsequent periods.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaces IAS 39 and relates to the classification, measurement and derecognition of financial assets and financial liabilities, new provisions for hedge accounting and new impairment model for financial assets. The standard provides three categories of classification of financial instruments: amortised cost, fair value over other comprehensive income (FVOCI), and fair value over profit and loss (FVPL).

The implementation of IFRS 9 Financial Instruments resulted in changes in the Group's accounting policies. The modified retrospective method has been used, where any impact as a consequence of the implementation of IFRS 9 are recognised in equity in the opening balance sheet on 01.01.2018. The new accounting policies, however, did not result in any changes of the amounts in the financial statements. Additional disclosures have been added to note 12 (Financial Instruments) compared to previous years.

IFRS 9 requires that provisions are made for losses on trade receivables based on expected future credit loss. The Group has revised its impairment methodology in accordance with IFRS 9 and applies the simplified approach, which measures expected credit loss by using lifetime expected credit loss for all trade receivables. This did not result in any adjustments to the loss provision amount.

The Group has entered into interest rate swaps, forward contracts and bunker derivatives as hedging instruments. Hedge accounting was applied in the 2017 financial statements for the instruments qualified in accordance with IAS 39. The Group's risk management strategies and hedge documentation are in accordance with the requirements in IFRS 9 and these relations are therefore treated as continuous hedge accounting under IFRS 9 in the 2018 financial statements. No additional hedging instruments have been identified that qualify to hedge accounting in 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 01.01.2018. The new standard replaces IAS 11 Construction Contracts and IAS 18 Income recognition.

Under IAS 11/IAS 18 the time for recognition of revenue was based on transfer of risk and rewards. IFRS 15 defines the time for recognition of revenue as the time/the times for transfer of control of the goods or services from seller to buyer, which among other things involve that the dating of revenue can be different under IFRS 15 compared to IAS 11/IAS 18. Control is generally transferred when the goods are delivered to the customer in accordance with agreed upon Incoterms, and this is the point in time when the sale is recognised as revenue. Expected volume discounts are deducted from sales revenue and are subject to provision for each sale based on the agreed contractual terms and are presented as other current liabilities.

The Group has chosen to use the modified retrospective model which involves that any impact of the implementation of IFRS 15 is recognised over equity in the opening balance sheet on 01.01.2018 without revision of comparative figures. As it appears below, the company assesses, however, that the implementation of IFRS 15 does not result in any adjustments to the amounts recognised in the financial statements.

The Group's revenues mainly derive from the following areas:
- Production of atlantic salmon and trout for consumption,
- Wild catching of pelagic- and whitefish (cod, haddock, pollock etc.) for consumption (food) and animal food (feed).

The Group has evaluated the impact of IFRS 15 on the financial statements. The basis for the evaluation is five central elements in IFRS 15. Below is a summary of the evaluation.

1. Identify contracts with customers

A legally binding contract between two or more parties have to exist as basis for the revenue recognition. All the Group's sales and deliveries to customers are executed in accordance with contracts.

2. Identify the separate performance obligations

IFRS 15 requires identification of the separable performance obligations in the contracts to be recognised separately. In order for a delivery obligation to be assessed as separable, the customer must be able to utilize the separable element independent of other goods or services in the contract. It is the opinion of the management and the Board of Directors that the majority of the contracts entered into with customers do not contain separable performance

NOTE 28 ACCOUNTING POLICIES CONT.

obligations. The performance obligation of a contract may still be fulfilled at various periods in time as partial deliveries, the Group, however, does not consider that this results in any changes compared to prevailing accounting treatment.

3. Determine the transaction price of the contract
The transaction price is described in the contracts and is in most cases a function of quantity and price (for example price per kilo). In some cases there are other variable elements outlined in the contracts, for example discounts or returns. When control is transferred the customer, discounts will in most cases already be known and they entail a limited degree of estimation in the financial statements. Returns/complaints can occur, for example due to quality deviation. The Group makes provisions for returns based on historical figures and specific information regarding the respective deliveries. The Group delivers, to a large degree, fresh food and returns will therefore usually be processed shortly after the customer has obtained control of the goods. It is therefore the assessment of the Group that the new standard does not provide any material changes concerning the accounting of variable contract elements.

4. Allocate the transaction price between separate performance obligations
The allocation of the transaction between separate performance obligations is considered irrelevant, cf. item 2 above.

5. Recognise the revenue as each performance obligation is fulfilled.
It is the Group's assessment that revenue shall be recognised at delivery (point-in-time).

(b) New standards where the Group has not chosen early adoption
The following IFRS-standard will be implemented for accounting periods starting on or after 01.01.2019:
- IFRS 16 Leases.

Below is given an account of the new standard and the Group's assessment of what impact this standard will have on next year's financial statements.

There are no other standards not implemented that are expected to have material impact on this or future reporting periods.

IFRS 16 LEASES
IFRS 16 Leases is effective for annual reporting periods beginning on or after 01.01.2019. Earlier adoption is permitted. The Group has decided not to implement the standard before 01.01.2019.

IFRS 16 entails that virtually all lease agreements are to be recognised in the balance sheet as the distinction between financial leases and operational leases will cease to apply. According to the new standard, the asset (right to use) and the liability to pay rent are to be recognised in the financial statements. Exceptions apply for short-term and low value lease agreements.

The accounting by lessors mainly remains unchanged. The Group's activities as a lessor are in any case insignificant and does not have any material impact on the financial statements.

The new standard will have an impact on the recognition of lease objects that are presently accounted for as operational leases. The lease agreements that are presently being accounted for as financial leases will be affected to a lesser extent.

The Group has made a revision of all lease agreements from recent years in accordance with the new accounting standard. The Group expects to capitalize rights of use assets at a total value of approx. NOK 1.4 billion per 01.01.2019 and an equivalent value of liabilities, see note 23. The lease agreements are mainly related to production plants and machines, office building and fish carrier. It is expected that EBITDA will increase by approx. NOK 275 million and EBIT by approx. NOK 30 million in 2019 due to the new leasing standard.

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

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

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

NOTE 28 ACCOUNTING POLICIES CONT.

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

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

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

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

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

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

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

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

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

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group`s financial statement only to the extent of unrelated investor`s interest in the associates. Unrealised losses are also eliminated unless the transaction

NOTE 28 ACCOUNTING POLICIES CONT.

provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

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

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

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing

NOTE 28 ACCOUNTING POLICIES CONT.

rate. Exchange differences arising are recognised in other comprehensive income.

REVENUE RECOGNITION

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

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

Sales of goods

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

Dividend income

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

CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

GOODWILL

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

NOTE 28 ACCOUNTING POLICIES CONT.

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

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

LICENCES/QUOTAS

Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum. Reference is made to the Note 11 on intangible assets for information on impairment tests. All licenses are distributed to the Group companies by the Government, and as such the licenses are at all-time subject to each country's fishing and fish farming quota regulations.

Licence scheme in Norway

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

The aquaculture permit entitles the Group to produce salmon and trout in delimited geographic areas (localities), according to the prevailing limitations established at any given time regarding the scope of the permit. The Ministry may prescribe detailed provisions relating to the content of the aquaculture licences by administrative decision or regulations.

The Aquaculture Act is administered centrally by the Ministry of Trade, Industry and Fisheries, and the Directorate of Fisheries is the supervisory authority. Regionally, there are a number of sector authorities that together represent a complete administrative and supervisory authority within the area governed by the Aquaculture Act. The individual county is the regional administrative body, and the Directorate of Fisheries is the appellate body for issues involving localities and licences.

Principal terms for different types of licences

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

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

Farming licences are limited in number, i.e. the enterprises are only granted new licences or more production volume subsequent to politically adopted allocation rounds. The maximum allowable biomass (MAB) has previously been 780 tonnes of salmon or trout per licence. The maximum allowable biomass (MAB) for the counties of Troms and Finnmark (North Norway) has previously been 945 tonnes of salmon or trout per licence. Following the political decision taken in 2017 that it should be possible to allocate percentage growth per licence based on various conditions, a fixed maximum allowable biomass per licence is no longer specified. North Norway has been allocated percentage growth conditional on a low level of lice. Enterprises in this region that satisfy the specified conditions can purchase increased volume capacity. The Group utilised this option, buying a 5% increase in volume for a total of eight licences in 2017, and a further increase in volume of 2% for all licenses in this region in 2018. There are also some licences that, for historical reasons, have a different MAB limit than 780 tonnes. LSG with its subsidiaries has a sufficient number of locations (location MAB) in the different regions to achieve a satisfactory exploitation of the Group's total MAB. All commercial licences are currently operational.

Green farming licences are licences that were awarded in 2015 via a dedicated licensing round. Special conditions were attached to these licences, mainly concerning environmental improvement measures. The licences were

NOTE 28 ACCOUNTING POLICIES CONT.

awarded via open auctions or competitively, based on environmentally focused technology and operating concepts.

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

Teaching licences are another kind of special-purpose licence and are allocated to disseminate knowledge of the fish farming industry. The licences are linked to specific educational institutions and are thus regulated by the county.

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

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

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

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

Duration and renewal

Section 5, second paragraph of the Aquaculture Act reads: "The Ministry may prescribe detailed provisions relating to the content of the aquaculture licences, including the scope, time limitations, etc., by administrative decision or regulations."

In the legislative background to the Aquaculture Act, White Paper no. 61 2004-2005, the following statement can be found on page 59: "It will remain the case that licences are normally allocated without any specific time limitation. Implementation of such limitations should be reserved for those issues where a time limitation, based on the specific situation, provides for a more complete fulfilment of the Act than if the licence were to be allocated without a time limitation."

The duration of licences is also specified by the Aquaculture Act, which in its most recent revision underlined ownership of licences by allowing the licences to be mortgaged to the benefit of the lender.

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

As the licences are not bound by a time-limited period, there is no need to apply for their renewal. The licences are deemed to be valid pursuant to the Aquaculture Act, unless they are revoked in accordance with the Act. Section 9 of the Aquaculture Act describes the grounds for revocation of a licence. Section 9 states that licences may be revoked due to gross contravention of the provisions of the Act. We can confirm that no operative licences for salmon and trout have been revoked in Norway.

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

The parent fish licences are granted for 15 years at a time, and applications have to be submitted for their renewal – provided that the licence holder is still involved in production of brood stock for salmon or trout.
Parent fish production is an integral part of the Group's value chain (parent fish production takes place before production of roe and juvenile fish in the value chain), and is therefore closely linked to the breeding system for salmon and trout. The Group's applications for renewal of parent fish licences have always been approved, in line with the prevailing practice in the industry.

NOTE 28 ACCOUNTING POLICIES CONT.

The licences for slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licences provided that they are attached to an approved slaughtering plant and only utilised to keep fish ready for slaughter in immediate proximity to the slaughtering plant.

The Group's demonstration licences are granted with a duration of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act.

The Group's teaching licences have been allocated for 10 years. Applications can be submitted for renewal of teaching licences provided that the terms for the licence are met pursuant to the Aquaculture Act.

Regulations relating to right of use: transfer, lease, moving etc.
All licences can be transferred pursuant to section 19 of the Aquaculture Act, and can be mortgaged pursuant to section 20 of the Act. An aquaculture register is kept of all aquaculture licences where transfers and mortgaging are registered. The leasing of aquaculture licences or licence capacity is not permitted. Grow-out licences and parent fish licences can be linked to different locations, but there are certain limitations on moving of licences between the regions defined by the Directorate of Fisheries. In practice, this means that licences cannot be moved between defined regions, which typically follow county borders. Juvenile fish licences are attached to one locality – the locality for which the licence applies.

Costs related to licences
Payment has been required for new licences granted during more recent allocation rounds. The amount of the payment depends on the allocation criteria, including for example a fixed price versus the auction principle. Given that there is no requirement to apply for renewal of licences, then there are no costs involved in licence renewal.

The costs of maintaining aquaculture licences in Norway are insignificant. There are no annual fees or other types of duties linked to the actual licence. However, there are certain fees to be paid for inspection and control of the licences. Fees also have to be paid to establish new localities and/ or to extend/amend localities. As a main rule, an amount of NOK 12 000 is paid per licence covered by an application for amendment at locality level, cf. section 2 of the Regulation relating to fees and duties for aquaculture activities. All fees and costs are immediately recognised as an operating expense.

Assessment of economic life
According to past and present legislation and the general interpretation and practice in the industry, Norwegian fish farming licences are not a time-limited right, and licences should therefore not be subject to amortisation. Where time-limited R&D licences, demonstration licences and educational licences are concerned, these are awarded free of charge so amortisation is normally not relevant. However, in cases where related acquiring or renewing costs are capitalized, they will be subjected to depreciation over the economic life.

Grow-out licences and juvenile fish licences
The following factors played a key role in the assessment of whether licences have an indefinite useful life, with reference to the description of the licence types above:

(1) No time limitation on the licences
(2) Extremely low expenditure involved in maintaining the licences
(3) High threshold for revocation of licences; this has never happened in Norway

It has also been noted that the licences are registered in the public aquaculture register as being without time limitation.

On this basis, the economic life is assessed to be indefinite for the grow-out licences and juvenile fish licences, in accordance with IAS 38.90.

Parent fish licences
As mentioned above, these licences are granted for 15 years at a time, and applications can be submitted for renewal. In 2007, the duration of parent fish licences was amended from 10 years to 15 years (amendment to regulation dated 14.08.2007 no. 986). In the consultation document dated 07.06.2007, the Ministry stated the following regarding time limitation for parent fish licences in item 3.3: *"The recommendation implies that the licences shall be time-limited for a period (...) with clearly defined predictability for extension of new periods. Time-limited licences may however result in less predictability for the entities than licences without time limitations. Predictability is key as breeding and parent fish production is a time-consuming and resource-intensive activity, but this is provided for by (...) a fixed-term period with clearly defined predictability for extension."*

IAS 38.94 states that if the contractual or legal rights are assigned for a limited period of time that can be renewed,

NOTE 28 ACCOUNTING POLICIES CONT.

the useful life of the intangible asset should include the renewal period(s) only if there is documented evidence to support that the cost of the renewal for the entity is not significant. IAS 38.96 provides guidelines describing factors that can be included in this assessment. The following factors have been central to LSG's assessment of indefinite useful life for the parent fish licences:

a. The entity's licences have always been renewed. Renewal does not require third-party consent, but is based on factors that are under the control of the entity, i.e. the terms of the licence are met and an application for renewal has been submitted before the expiry of the 15-year period. The main condition for renewal is that parent fish production is carried out in connection with a breeding system. Parent fish production will continue to be an integral part of LSG's value chain, and as such this requirement will be met.
b. The entity can document fulfilment of the licence conditions,
c. The cost to the entity for renewal is not significant, when compared with the future economic benefits expected to flow to the entity from renewal.

Demonstration licences
The Group's demonstration licences are allocated for a period of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act. As with parent fish licences, this type of licence is defined as being for special purposes. Both parent fish and demonstration licences are a type of activity without any clear time limitation. In principle, the same factors as for parent fish licences will apply to demonstration licences.

Teaching licences
With one exception, the Group's teaching licences have been allocated for 10 years. Applications can be submitted for renewal of teaching licences provided that the terms for the licence are met pursuant to the Aquaculture Act. The Group has also taken over one teaching licence pursuant to an open-ended agreement with an educational institution. Since the agreement has a limited undefined useful life, its duration has been estimated at one year.

The licence scheme for fishing rights in Norway
The licence scheme for fishing rights in Norway has been implemented by the Storting (the Norwegian Parliament) and adopted in the Norwegian Act relating to the right to participate in fishing and catches (Participation Act) dated 26.03.1999, no. 15. The Ministry of Trade, Industry and Fisheries is responsible for allocation of the right to participate in Norwegian fisheries.

Section 2 of the Participation Act describes the scope of the Act; *"The Act governs entitlement to take part in commercial fishing and catches and other harvesting of wild live marine resources by utilising ships that are Norwegian pursuant to the provisions in sections 1 and 4 of the Norwegian Maritime Code and ships that are owned by a foreign national who is resident in Norway, when the overall length of the ship is less than 15 metres. However, ships that are Norwegian pursuant to section 1 third paragraph of the Norwegian Maritime Code are not governed by the Act, unless the ship is owned by a person resident in Norway and the overall length of the ship is less than 15 metres. This Act defines ships that are governed by the first and second paragraphs as Norwegian ships. The Act does not however cover harvesting of anadromous salmon fish as defined in the Act dated 15.05.1992 no. 47 relating to Salmonids and Fresh-Water Fish etc. section 5 letra a. The Ministry is entitled to issue regulations stipulating that all or parts of the Act shall not apply to harvesting of one or more species that are not fish, crustaceous animals, molluscs or sea mammals."*

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

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

NOTE 28 ACCOUNTING POLICIES CONT.

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

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

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

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

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

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

Special permits pursuant to sections 12 of the Participation Act
In order to participate in most types of fisheries, a permit or participation entitlement is required, if the party involved does not intend to participate in an open group, cf. section 12 of the Participation Act relating to the requirement for a special permit, cf also the regulation of 13.10.2006 no. 1157 (the Licence regulation) and regulation of 13.12.2018 no. 1911 (the Participation regulation). The licence scheme currently comprises vessels commonly known as the oceangoing fishing fleet. An oceangoing fishing vessel is a vessel that exceeds the general size limit for coastal fishing vessels as defined at any time in the Participation regulation.

These licences have no predetermined time limit. Although licences do not have a predetermined time limit, section 18 of the Participation Act stipulates that they shall be retracted or are annulled if the commercial permit for the vessel is annulled or retracted. Sections 10 and 11 of the Participation Act apply correspondingly to special permits.

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

Fisheries permits within pelagic fisheries
The fishing permits (licenses) are valued at cost less any accumulated depreciation and impairment losses. There are no predetermined time limitations specified in the Group's conditions for licences that apply to basic quotas within pelagic fishery, and they are therefore deemed to be time-indefinite rights according to the prevailing regulations.

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

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

Fisheries permit within whitefish
The fisheries licences within whitefish comprise basic quotas with no time limit and structural quotas with a time limit of 20 and 25 years respectively. The structural quotas have a definite useful life and are amortised over the length of the structural period. The basic quotas have an indefinite useful life and are not amortised, but are

NOTE 28 ACCOUNTING POLICIES CONT.

tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with predetermined time limits after expiry of the allocation period will be redistributed among the “cod trawler” group of vessels, thereby becoming part of the vessels’ basic quota. This implies that if a vessel has structures that are in accordance with the average for the Group of vessels, a vessel will be able to maintain practically the same catch volume once the period for the structural quotas has expired. More detailed information on licences/fishing rights is provided in the note on intangible assets.

Licence scheme for fishing rights in Peru

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

The Article 44 of the General Law of Fisheries (Decreto Ley N° 25977) says:

“Article 44: Concessions, authorizations and licenses mean specific rights that the Production Ministry grants for an established term for the development of fisheries activities, pursuant to the provisions of this Law and under the conditions determined by its Regulations”

Also, the Article 33 of the Regulation for the General Law of Fisheries (Decreto Supremo N° 012-2001-PE) and its modifications establish:

“Article 33: Term of Fishing Licenses

33.1 In accordance with Article 44 of the Fisheries Law, the determinate term of fishing licenses for large-scale fishing vessels with national flag, applies since the time that such rights are granted until its expiration in accordance with this regulation.

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

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

The Supreme Decree N° 017-2017 (Regulations of control and sanction of fisheries and aquaculture activities) establish the limitations that fleet must fulfil during its operations.

Following, we list the main restrictions that the industry have:

- Catch or process hydrobiological resources without license or percentage assigned, operation license or without assignation of maximum limit of catch per vessel. (Cod. 5)
- Catch restricted to authorized fishing seasons as announced by the Production Ministry (Cod. 7)
- Catch, process or sell hydrobiological resources with smaller sizes as established (anchoveta 12 cm, mackerel 29 cm, jack mackerel 31 cm) (Cod. 11)
- Catch hydrobiological resources in larger volumes to the hold capacity authorized in the fishing license (Cod. 29)
- Execute more than one fishing trip in a term of 24 hours (Cod. 31)
- Catch exceeding the season assigned quota (Cod. 33)
- Exceed the maximum limit of catch per vessel (Cod. 32)
- By catch is limited to 5%

The indeterminate life of fishing license is also subject to lack of severe penalties (maximum four allowed in one year). The main severe penalties are:

- Block the labour of the inspectors.
- Catch or process hydrobiological resources without license or percentage assigned, operation license or without assignation of maximum limit of catch per vessel.
- Catch resources out of the authorized fishing seasons as announced by the Production Ministry or in unauthorized zones.
- Exceed the maximum limit of catch per vessel.
- Not to have the satellite tracking system or have it in inoperative state.

Licence scheme for fishing rights in Chile

Fishing and aquaculture activities are ruled by the “General Fishing and Aquaculture Act N° 18.892 of 1989” (“Ley

NOTE 28 ACCOUNTING POLICIES CONT.

General de Pesca y Acuicultura" or LGPA), which has received several modifications during its life, being the latest in Law Nº 20.657 of 09.02.2013. This modification made important amendments to the fishing system in Chile, with the main objective of ensuring the sustainability of fish resources, introducing a ecosystemic view of the marine environment and by improving the fish management, such as adding transferability to the existing individual quota system for industrial fleet and creating a mandatory scientifically supported quota management system.

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

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

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

However, main commercial species caught by the industrial fleet moved under the LTP system, which was granted using the same individual quota set by the previous modification established by the fishing law Nª 19.713 of 2001 (due for modification after 12 years in 2013), which was based on 50/50 allocation of historical catches between the years 1997 to 2000 and by vessel hold capacity. This new license system grants industrial shipowner a "LTP-A" fishing license type, which is automatically renewed every 20 years, provided that owner has had a good behaviour in environmental and labour regulations. These LTPs are divided by fish species and macro-regions (grouped according to the geographical administrative area division of the country - regions). The Fishing Act of 2013 also establishes that 15% of the LTPs will be auctioned when the fisheries reaches 90% of the Maximum Sustainable Yield ("MSY"or "RMS" in Spanish) or after 3 years after the Law came into full effect, in 5% annual allocations. The new quotas will be deducted from the LTP-A, creating a "LTP-B" license valid for 20 years for each of the auctioned lots. After this period, a new auction process is required.

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

Fishing permits for the non-LTP species remain link to a physical fishing vessel are permanent. Fishing licenses for the LTP-A are granted for 20 years with automatic renewal for same period of time, provided that the license holder has complied with labour and environmental regulations, therefore are considered a permanent license system. LTP-B is a 20-year non-renewable fishing license.

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

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

BRAND/TRADEMARKS

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

NOTE 28 ACCOUNTING POLICIES CONT.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

FINANCIAL ASSETS

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the

NOTE 28 ACCOUNTING POLICIES CONT.

purpose of selling in the short term. Derivatives are classified as held for trading (see section 'Derivative financial instruments and hedging activities'). Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (note 9).

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

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

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

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence

NOTE 28 ACCOUNTING POLICIES CONT.

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

INVENTORIES

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

BIOLOGICAL ASSETS, LOSS-MAKING CONTRACTS AND MORTALITY EXPENSES

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

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

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

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

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

The cash flow-based present value model, is independent of historical and company-specific factors. On a hypothetical market with perfect competition, a hypothetical buyer of live fish would be willing to pay as a maximum the present value of the estimated future profit from the sale of the fish when it is ready for slaughter. The estimated future profit, taking into account all price adjustments and payable fees until 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.

NOTE 28 ACCOUNTING POLICIES CONT.

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

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

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

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

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

Fish Pool contracts are not utilised to any significant extent by the Group as a price-hedging instrument, as the sale of such contracts with Fish Pool remains limited and volumes are low. When utilised, the Fish Pool contracts

NOTE 28 ACCOUNTING POLICIES CONT.

are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

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

ACCOUNTS RECEIVABLE

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

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

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

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

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

EMPLOYEE BENEFITS

Pension obligations

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

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting period date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries

NOTE 28 ACCOUNTING POLICIES CONT.

using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

Termination benefits

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

BORROWINGS

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

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

LEASES

Finance leases

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

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

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

PROVISIONS

Provisions (for e.g. environmental improvements, restructuring and legal claims) are recognised when:
- a legal or self-imposed liability exists as a result of previous events;
- it is more likely than not that the liability will be settled in the form of a transfer of economic resources;
- the size of the liability can be estimated with a sufficient level of reliability.

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

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

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

DIVIDEND DISTRIBUTION

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

NOTE 28 ACCOUNTING POLICIES CONT.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are defined as

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

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

Notes to the accounts

NOTE 28 ACCOUNTING POLICIES CONT.

of the liability occurring is remote.

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

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

CASH FLOW STATEMENT

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

EVENTS AFTER THE REPORTING PERIOD

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

EARNINGS PER SHARE

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

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

Parent Company

Statement of comprehensive income

Amounts in NOK 1 000	Note	2018	2017
Sales revenue	3,16	2 089	2 116
Total income		**2 089**	**2 116**
Salaries and personnel expenses	4,15	-19 274	-16 446
Other operating expenses	4,16	-19 507	-15 140
Operating expences		**-38 781**	**-31 586**
Depreciation	6	-4	-21
Operating profit		**-36 697**	**-29 491**
Financial income	5	1 077 316	657 471
Financial expenses	5	-70 580	-69 834
Profit before taxes		**970 039**	**558 146**
Income tax expense	13	0	0
Net profit for the year		**970 039**	**558 146**
Total comprehensive income in the period		**970 039**	**558 146**
Average no. of outstanding shares		201 824 074	201 824 074
Earnings per share from continued operation (NOK)		4.81	2.77
Suggested dividend per share (NOK)		3.50	2.80

Statement of financial position

Amounts in NOK 1 000	Note	2018	2017
Assets			
Fixed assets	6	18	22
Shares in subsidiaries	7,14	3 760 098	3 744 023
Shares in associates and joint ventures	8	811 427	811 427
Shares in other companies	9	25 736	25 736
Long term receivables on Group companies	16	74 943	57 622
Total non-current assets		**4 672 223**	**4 638 830**
Trade receivable	11,14,16	94	2 144
Short term receivable on Group companies	14,16	985 940	636 830
Other current receivables	10	365	280
Liquid assets	12,14	582 095	1 064 757
Total current assets		**1 568 494**	**1 797 349**
Total assets		**6 240 717**	**6 436 178**
Equity and liabilities			
Share capital	16 CFS*	101 359	101 359
Treasury shares		-447	-447
Share premium		3 147 600	3 147 600
Retained earnings and other reserves		995 223	732 233
Total equity		**4 243 735**	**3 980 745**
Borrowings	14	1 211 551	1 241 996
Total non-current liabilities		**1 211 551**	**1 241 996**
Borrowings	14	64 790	533 000
Trade payable	16	799	4 943
Accrued salary expense and public tax payable		3 504	4 861
Dividends	17	709 511	567 609
Other current liabilities	15,16	6 827	9 687
Total current liabilities		**785 430**	**1 213 437**
Total liabilities		**1 996 982**	**2 455 433**
Total equity and liabilities		**6 240 717**	**6 436 178**

** If note reference contains the characters CFS, it refers to notes in the consolidated financial statement.*

Storebø, 12 April 2019
Board of Directors in Austevoll Seafood ASA

Helge Singelstad
Chairman

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman

Hege Charlotte Bakken
Board member

Siren M. Grønhaug
Board member

Lill Maren Møgster
Board member

Erik Drønen Melingen
Board member

Arne Møgster
CEO & President

PARENT COMPANY

Statement of changes in equity

Amounts in NOK 1 000	Note	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
Equity 01.01.2017		**101 359**	**-447**	**3 147 600**	**739 463**	**3 987 975**
Profit for the year		**0**	**0**	**0**	**558 146**	**558 146**
Total recognised income		**0**	**0**	**0**	**558 146**	**558 146**
Dividends	17	0	0	0	-567 609	-567 609
Reversed dividends payable on treasury shares		0	0	0	2 233	2 233
Total equity to/from shareholders		**0**	**0**	**0**	**-565 375**	**-565 375**
Total change of equity		**0**	**0**	**0**	**-7 229**	**-7 229**
Equity 31.12.2017		**101 359**	**-447**	**3 147 600**	**732 233**	**3 980 745**
Profit for the year		**0**	**0**	**0**	**970 039**	**970 039**
Total recognised income		**0**	**0**	**0**	**970 039**	**970 039**
Dividends	17	0	0	0	-709 511	-709 511
Reversed dividends payable on treasury shares		0	0	0	2 461	2 461
Total equity to/from shareholders		**0**	**0**	**0**	**-707 049**	**-707 049**
Total changes in equity		**0**	**0**	**0**	**262 989**	**262 989**
Equity 31.12.2018		**101 359**	**-447**	**3 147 600**	**995 223**	**4 243 735**

Cash flow statement

Amounts in NOK 1 000	Note	2018	2017
Profit before income taxes		970 039	558 146
Depreciation and amortisation	6	4	21
Dividends and Group contributions	5	-1 045 189	-639 307
Gain on sale of shares	5	-16 076	0
Change in accounts receivable and other receivables		8 776	-33 447
Change in accounts payable and other payables		-5 501	2 571
Change in other accruals		-2 860	11 389
Net interest		50 830	47 976
Net cash flow from operating activities		**-39 975**	**-52 651**
Change in non-current receivables		-17 322	15 173
Dividends and Group contributions received		689 268	549 457
Interest received		15 925	18 153
Net cash flow from investing activities		**687 872**	**582 782**
Net change in long-term interest bearing debt		-30 445	87 669
Net change in short-term interest bearing debt		-561 547	-19 076
Interest paid		-66 756	-66 129
Dividends paid	17	-565 147	-504 560
Net cash flow from financing activities		**-1 223 895**	**-502 096**
Net change in cash and cash equivalents		**-575 999**	**28 036**
Liquid assets at 01.01.		**1 158 094**	**1 130 058**
Liquid assets at 31.12.		**582 095**	**1 158 094**

Notes to the accounts

NOTE 1 GENERAL

The separate financial statements of Austevoll Seafood ASA (parent company) have been prepared in accordance with simplified IFRS. Preparation of separate financial statements is required by law.

NOTE 2 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses to some degree derivative financial instruments to reduce certain risk exposures.

Market risk

(i) Price risk

The Company is exposed to price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The company do not use financial instruments to manage its financial risk for non-current liabilities.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk mainly arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash flow.

For information of the Company`s financial liabilities see note 14.

Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Amounts in NOK 1 000	**2018**	**2017**
Total borrowings (note 14)	1 282 290	1 783 500
Minus liquid assets and interest-bearing assets	748 431	1 215 570
Net debt	533 859	567 930
Total equity	4 243 735	3 980 745
Capital employed	**4 777 594**	**4 548 675**
Gearing	**11%**	**12%**

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

Notes to the accounts

NOTE 3 INCOME

Amounts in NOK 1 000	2018	2017
Rendering of services	2 089	2 116
Total sales revenue	**2 089**	**2 116**
Geographical allocation of revenues:		
Norway	75	305
Peru	1 860	1 661
Chile	154	150
Total geographical allocation	**2 089**	**2 116**

NOTE 4 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

	2018	2017
Salary and holiday pay	13 364	12 099
Hired personnel	3 267	2 945
National insurance contribution	2 022	1 816
Pension costs	467	-493
Other personnel costs	154	79
Total	**19 274**	**16 446**
Average man-labour year	3	3

All employees have a defined contribution pension scheme.

Accumulated expenses for wages, pension premiums and other remuneration to CEO, other executives and members of the parent company's board is presented in the consolidated financial statements.

The annual Director's fee to the Chairman of the Board is not paid as taxable remuneration. Austevoll Seafood ASA is invoiced for the Chairman's services and for consultancy fees by Group head entity, Laco AS, where the company's Chairman is employed.

No loans or securities have been issued in 2018 or 2017 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 70, and the CEO takes part in the defined contribution scheme.

See note 20 in Group notes for guidelines to executive management and remunerations to the company`s officers.

Specification of auditor's fee excl. VAT	2018	2017
Audit fee	1 479	1 560
Other services	95	731
Tax advice	0	4
Total	**1 574**	**2 295**

Notes to the accounts

NOTE 5 FINANCIAL INCOME AND FINANCIAL EXPENSES

	2018	2017
Interest income from companies within the same Group	2 068	2 277
Other interest income	13 858	15 877
Dividends and Group contributions	1 045 189	639 307
Gain sale shares	16 076	0
Currency gains	126	11
Total financial income	**1 077 316**	**657 471**
Interest expenses to companies within the same Group	1 242	1 561
Other interest expenses	65 514	64 568
Currency losses	136	55
Other financial expenses	3 689	3 651
Total financial expenses	**70 580**	**69 834**
Net financial items	**1 006 735**	**587 637**

NOTE 6 TANGIBLE FIXED ASSETS

2017	**Office equipment**	**Total**
Per 01.01.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 278	-2 278
Balance sheet value at 01.01.	**43**	**43**
Depreciation	-21	-21
Balance sheet value at 31.12.	**22**	**22**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 299	-2 299
Balance sheet value at 31.12.	**22**	**22**

NOTE 6 TANGIBLE FIXED ASSETS CONT.

2018	Office equipment	Total
Balance sheet value at 01.01.	**22**	**22**
Depreciation	-4	-4
Balance sheet value at 31.12.	**18**	**18**
Per 31.12.		
Acquisition cost	2 321	2 321
Accumulated depreciation	-2 302	-2 302
Balance sheet value at 31.12.	**18**	**18**

NOTE 7 SHARES IN SUBSIDIARIES

2018 - Subsidiaries		**Gross numbers (100%)**				
Company name		**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Austevoll Eiendom AS		1 212	9 370	Storebø	56 627	100.00%
AUSS Shared Service AS		583	2 548	Storebø	1 010	100.00%
Lerøy Seafood Group ASA	Group values	3 597 959	17 134 290	Bergen	2 783 350	52.69%
A-Fish AS		-2 266	95 236	Storebø	660 100	100.00%
Austevoll Pacific AS		57 455	416 186	Storebø	25 336	100.00%
Austevoll Laksepakkeri AS		3 939	13 437	Storebø	100	100.00%
Br. Birkeland Farming AS	Group values	89 220	453 121	Storebø	123 101	55.24%
Br. Birkeland AS	Group values	148 709	453 257	Storebø	110 475	42.92%
Total					**3 760 098**	

2017 - Subsidiaries		**Gross numbers (100%)**				
Company name		**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Austevoll Eiendom AS		4 288	9 370	Storebø	56 627	100.00%
AUSS Shared Service AS		1 550	3 201	Storebø	1 010	100.00%
Lerøy Seafood Group ASA	Group values	1 749 483	14 482 121	Bergen	2 783 350	52.69%
A-Fish AS		-2 728	97 502	Storebø	660 100	100.00%
Austevoll Pacific AS		-4 649	569 760	Storebø	25 336	100.00%
Austevoll Laksepakkeri AS		5 728	17 569	Storebø	100	100.00%
Br. Birkeland Farming AS	Group values	30 066	395 290	Storebø	85 956	51.69%
Br. Birkeland AS	Group values	-22 017	339 309	Storebø	131 544	51.69%
Total					**3 744 022**	

All subsidiaries follow the same accounting year as Austevoll Seafood ASA.

Notes to the accounts

NOTE 8 SHARES IN ASSOCIATED COMPANIES

2018		**Gross numbers (100%)**				
Company name	**Classification of investment**	**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Marin IT AS	Associated company	-2 205	24 147	Storebø	4 003	25.00%
Pelagia group	Joint venture	357 382	2 315 487	Bergen	748 715	50.00%
Foodcorp Chile group *	Associated company	51 963	841 130	Chile - Santiago	58 709	26.39%
Total					**811 427**	

2017		**Gross numbers (100%)**				
Company name	**Classification of investment**	**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Marin IT AS	Associated company	413	26 294	Storebø	4 003	25.00%
Pelagia group	Joint venture	376 553	2 248 755	Bergen	748 715	50.00%
Foodcorp Chile group *	Associated company	-13 419	739 560	Chile - Santiago	58 709	26.39%
Total					**811 427**	

** The remaining 73.61% shares of Foodcorp Chile S.A are held by the subsidiary A-Fish AS. In the Group accounts Foodcorp Chile S.A is consolidated as a wholly owned subsidiary.*

Shares in associated companies and joint ventures are estimated to original cost price in Parent company. In the Group these shares are estimated to equity method.

NOTE 9 INVESTMENTS IN OTHER SHARES

2018				
Company name	**Business location**	**Number of shares**	**Owner-/ voting shares**	**Fair value**
Euro-Terminal AS	Bergen	4 897 290	16.7%	25 711
Other shares				24
Total				**25 735**

2017				
Company name	**Business location**	**Number of shares**	**Owner-/ voting shares**	**Fair value**
Euro-Terminal AS	Bergen	4 897 290	16.7%	25 711
Other shares				24
Total				**25 735**

Notes to the accounts

NOTE 10 OTHER RECEIVABLES

Other non-current receivables	**2018**	**2017**
Intragroup non-current receivables	74 943	57 622
Other non-current receivables 31.12.	**74 943**	**57 622**
Other current receivables		
Prepayments	365	280
Other current receivables 31.12.	**365**	**280**

NOTE 11 TRADE RECEIVABLE

	2018	**2017**
Trade receivable at nominal value	94	2 144
Accounts receivable 31.12.	**94**	**2 144**
The ageing of these trade receivables are as follows		
0 to 3 months	94	2 144
Total	**94**	**2 144**
The carrying amounts of the trade receivables are denominated in the following currencies		
Currency		
NOK	94	503
USD	0	1 641
Total	**94**	**2 144**

NOTE 12 RESTRICTED BANK DEPOSITS

	2018	**2017**
Restricted deposits related to employee` tax deduction	2 591	1 838
Total	**2 591**	**1 838**

Notes to the accounts

NOTE 13 TAX

	2018	2017
Specification of the tax expense		
Change in deferred tax	7 328	10 086
Deferred tax asset not recognised	-7 328	-10 086
Taxes	**0**	**0**
Tax reconciliation		
Profit before tax	970 039	558 146
Taxes calculated with the nominal tax rate	223 109	133 955
Other differences - including dividends	-230 770	-144 478
Effect of change in tax rate	333	439
Deferred tax benefit not recognised	7 328	10 086
Taxes	**0**	**0**
Weighted average tax rate	**0,00 %**	**0,00 %**
Change in book value of deferred tax		
Opening balance 01.01.	**0**	**0**
Booked to income in the period	7 328	10 086
Other differences	0	0
Deferred tax benefit not recognised	-7 328	-10 086
Balance sheet value 31.12.	**0**	**0**

Change deferred tax	Non-current assets	Liabilities	Pensions	Loss carried forward	Other differences	Total
2017						
Opening balance 01.01.	**0**	**0**	**0**	**0**	**0**	**0**
Booked to income in the period	-162	-160	187	-11 763	1 375	-10 524
31.12. (tax rate 24%)	**-162**	**-160**	**187**	**-11 763**	**1 375**	**-10 524**
Effect of change in tax rate	7	7	-8	490	-57	439
31.12. (tax rate 23%)	**-155**	**-154**	**179**	**-11 273**	**1 318**	**-10 086**
Valuation allowance deferred tax benefit	155	154	-179	11 273	-1 318	10 085
31.12.	**0**	**0**	**0**	**0**	**0**	**0**
2018						
Booked to income in the period	-123	0	0	-8 053	514	-7 661
31.12. (tax rate 23%)	**-123**	**0**	**0**	**-8 053**	**514**	**-7 661**
Effect of change in tax rate	5	0	0	350	-22	333
31.12. (tax rate 22%)	**-117**	**0**	**0**	**-7 703**	**492**	**-7 328**
Valuation allowance deferred tax benefit	117	0	0	7 703	-492	7 328
31.12.	**0**	**0**	**0**	**0**	**0**	**0**

Notes to the accounts

NOTE 13 TAX CONT.

Specification of temporary differences	2018	2017	Changes
Non-current assets	2 210	2 744	**-534**
Shares	113 679	108 888	**4 791**
Liabilities	5 949	8 504	**-2 555**
Loss carried forward	-473 632	-438 620	**-35 012**
Total temporary differences	**-351 795**	**-318 484**	**-33 310**
Including net tax benefit which is not capitalized	-77 395	-73 251	**-7 328**

NOTE 14 INTEREST BEARING DEBT

Austevoll Seafood ASA and some subsidiaries are part of a cash pool agreement.

Net interest-bearing assets/debt (-)	2018	2017
Liabilities to financial institutions - non-current	217 500	250 500
Bond loan - non-current*	1 000 000	1 000 000
Liabilities to financial institutions - current	33 000	533 000
Liabilities to financial institutions - overdraft	31 790	0
Total interest-bearing debt	**1 282 290**	**1 783 500**
Liquid assets	582 095	1 064 757
Other interest-bearing assets - non-current	166 337	150 813
Net interest-bearing assets/debt (-)	**-533 859**	**-567 930**
Bank overdrafts limit	50 000	50 000
Average interest bond loan	4.06%	4.11%
Quarterly regulation of interest rates of bond loans		

Repayment profile debt	2019	2020	2021	2022	2023	Subsequent	Total *
Mortgage loan	33 000	133 000	13 000	71 500	0	0	250 500
Bond loan	0	0	500 000	0	500 000	0	1 000 000
Total	**33 000**	**133 000**	**513 000**	**71 500**	**500 000**	**0**	**1 250 500**

** Non-current liabilities are reduced with provision paid with loan rising. The provision is accrued between the term of loans, and is per 31.12.2018 TNOK 5 949.*

FINANCIAL ”COVENANTS”

Financial covenant requirements for Austevoll Seafood ASA (the parent company) are measured on the Group`s consolidated level, and requires a minimum book equity ratio of 30% and a debt service ratio not less than 1.05.

The booked equity ratio as at 31.12.2018 was 59% and at 31.12.2017 it was 54%.

NOTE 14 INTEREST BEARING DEBT CONT.

Liabilities secured by mortgage	2018	2017
Current liabilities	64 790	126 337
Non-current liabilities	217 500	250 500
Liabilities to credit institutions incl. leasing liab.	**282 290**	**376 837**
Assets provided as security		
Shares in Br. Birkeland AS and Br. Birkeland Farming AS *	233 576	217 500
Trade receivables and other receivables	75 037	59 765
Total assets provided as security	**308 613**	**277 265**

**) In addition 8 066 500 number of shares in Pelagia AS provide as security.*

FAIR VALUE OF NON-CURRENT LIABILITIES

Based on contractual terms of non-current borrowings (excl. bond loan), the fair value of the loans is estimated to be equal to book value as of 31.12.2018.

For further information about the bond loan, please refer to note 15 in the consolidated financial statement.

NOTE 15 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2018	2017
Salary and other personnel expenses	2 838	876
Accrued interests	3 981	8 807
Other short-term liabilities	8	4
Total other current liabilities	**6 827**	**9 687**

Notes to the accounts

NOTE 16 RELATED PARTIES

	Sales revenue		Operating expences	
Affiliation	**2018**	**2017**	**2018**	**2017**
Subsidiaries	2 014	2 041	4 569	4 668
Associated	75	75	518	0
Owners and it's related parties	0	0	4 285	6 095
Total	**2 089**	**2 116**	**9 372**	**10 762**

	Trade receivable		Trade payable	
Affiliation	**2018**	**2017**	**2018**	**2017**
Subsidiaries	0	2 022	-336	-352
Associated	0	94	-42	-52
Owners and it's related parties			-82	-3 959
Total	**0**	**2 116**	**-460**	**-4 363**

	Other current receivables		Long term receivables	
Affiliation	**2018**	**2017**	**2018**	**2017**
Subsidiaries	985 940	636 791	74 943	57 622
Total	**985 940**	**636 791**	**74 943**	**57 622**

Møgster Management AS is owned by the company's major shareholder, Laco AS, and delivers administrative services (legal advice, catering, secretary, accounting) to the company. Marin IT AS delivers IT services, and is owned 75% by DOF ASA and 25% by Austevoll Seafood ASA.

In 2018 the company paid TNOK 4 592 (2017: TNOK 4 668) to subsidiaries mainly for administrative services.

NOTE 17 EARNINGS PER SHARE AND DIVIDEND PER SHARE

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

Basis for calculation of earnings per share	2018	2017
The year's total result	970 039	558 146
No. of shares at the balance sheet date (thousands)	202 717	202 717
Average no. of shares less treasurey shares (thousands)	201 824	201 824
Earnings per share - all shares (NOK)	**4.79**	**2.75**
Earnings per share from continued operation (NOK)	**4.81**	**2.77**
Suggested dividend per share (NOK)	**3.50**	**2.80**

NOTE 18 ACCOUNTING PRINCIPLES

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

BASIS OF PREPARATION

The statutory accounts have been prepared in accordance to the Regulations of 21.01.2008 regarding "simplified" IFRS as determined by the Ministry of Finance. The separate financial statements of Austevoll Seafood ASA (Company) were approved by the Board of Directors of Austevoll Seafood ASA 12.04.2019. Preparation of separate financial statements for the parent company is required by law.

The separate financial statements have been prepared under the historical cost convention, with the following modification below:

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 2 in the consolidated financial statements.

For a description of new standards and interpretations and amendments to existing standards, please refer to note 28 in the consolidated financial statements.

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

Investment in subsidiaries, joint ventures and associates are accounted for at cost.

The fair value of the company's investments in subsidiaries, joint ventures and associated companies may vary over time, and is therefore reviewed for potential impairment. Fair value assessment will be affected by many factors, such as expectations of future earnings, specific branch conditions, owner shares, shareholder structure, but also macro conditions which are not directly related to the individual company. For quoted investments, current bid prices will be considered as one of several objective criteria in the fair value assessment. If the impairment test indicates that fair value is significantly lower than carrying amount and the situation is expected to persist, an impairment loss is recognised for the amount the carrying value exceeds the recoverable amount. Impairments may be reversed at a later reporting date.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The separate financial statements are presented in Norwegian Kroner (NOK), which is the functional and presentation currency of Austevoll Seafood ASA.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing

NOTE 18 ACCOUNTING PRINCIPLES CONT.

at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of fixed assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

FINANCIAL ASSETS

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'other receivables' in the balance sheet (note 10).

ACCOUNTS RECEIVABLE

Account receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

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

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences

NOTE 18 ACCOUNTING PRINCIPLES CONT.

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

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

EMPLOYEE BENEFITS

Pension obligations

All employees have a defined contribution pension scheme.

PROVISIONS

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

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely that not that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

REVENUE RECOGNITION

The company's revenue consists of sale of administrative services to related parties. These services are based on accrued time.

Revenues comprise the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.

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

The Company uses the right to derogate from the regulations in IAS 10 no. 12 and 13 in simplified IFRS, according to which dividend may be recognised as income in accordance with Norwegian Accounting Act. Dividends from subsidiaries are recognised in the period they relate to. Dividends from other companies are recognised when the right to receive payment is established.

BORROWING COSTS

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

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are defined as

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

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

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

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

CASH FLOW STATEMENT

The Company must apply IAS 7 even though the financial statements are prepared according to simplified IFRS. The Company's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow statement illustrates

Notes to the accounts

NOTE 18 ACCOUNTING PRINCIPLES CONT.

the effect of the various activities on cash and cash equivalents.

EVENTS AFTER THE BALANCE SHEET DATE

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

EARNINGS PER SHARE

The Company must apply IAS 33 even though the financial statements are prepared according to simplified IFRS. Earnings per share are calculated by the profit attributable to equity holders of the company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

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

Financial calendar 2019

Please note that the dates might be subject to changes.

14.05.2019	Report Q1 2019
24.05.2019	Annual General Meeting
21.08.2019	Report Q2 2019
07.11.2019	Report Q3 2019
25.02.2020	Preliminary annual results 2019

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable account standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Storebø, 12 April 2019
Board of Directors in Austevoll Seafood ASA

Helge Singelstad
Chairman of the Board

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman of the Board

Siren M. Grønhaug
Board member

Eirik Drønen Melingen
Board member

Lill Maren Møgster
Board member

Hege Charlotte Bakken
Board member

Arne Møgster
CEO

To the General Meeting of Austevoll Seafood ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Austevoll Seafood ASA. The financial statements comprise:

- The parent company financial statements, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, 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, which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying parent company financial statements give a true and fair view of the financial position of Austevoll Seafood ASA as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group Austevoll Seafood ASA as at 31 December 2018, and its financial performance and 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 for 2018. 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 Groups business activities are largely unchanged compared to last year. In 2017 we focused on the valuation of assets related to the acquisition of Havfisk AS. Due to the positive market and profit developments within wild catch, we have focused less on this matter in this year's audit. In 2017 we also focused on valuation of licences and goodwill in South America. Due to the positive market and profit developments in these segments, we have focused less on this matter in this year's audit. Measurement and valuation of biological assets contain approximately the same complexity and risks as previous year and have been in focus for the audit also this year.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report – Austevoll Seafood ASA

Key Audit Matters	How our audit addressed the Key Audit Matters
Measurement and valuation of biological assets	
As described in the financial statements Austevoll Seafood ASA values biological assets to their fair value according to IAS 41. At the balance sheet date the fair value of biological assets was MNOK 5,869, of which MNOK 4,234 is historical cost and MNOK 1,635 is adjustment to fair value. Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage), and relate to the segment Farming. Measured in fair value biological assets constitute approximately 15 % of the balance sheet as at 31 December 2018. When auditing substantial inventories the auditing standards require that the auditor attends the physical inventory counting when practically possible. The biological assets are by nature difficult to count, observe and measure due to lack of measuring techniques that are sufficiently accurate and at the same time do not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the sea. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes which constitutes the main part of the Group's biological assets. The fluctuations in fair value estimate that arise for instance due to change in market prices may have a significant impact on the operating result for the period.	The Group's biomass system include information about number of fish, average weight and biomass per site. We reconciled the movement in the inventory of fish held for harvesting purposes (in number and biomass) for the farming units in the period. The movement in number of fish is the total of smolt stocked, mortality, other loss and harvested fish whereas the movement in biomass is the total of stocked biomass, net growth in the period and harvested biomass. We focused particularly on number of smolt stocked and net growth in kilo. This has the most significant impact on the measuring at the balance sheet date. We reviewed the Group's routines connected to recording of number of smolt stocked. In order to assure the accuracy of the number of fish registered in the biomass system we have tested a selection of recorded smolt stocked from the production system to the number of fish according to supporting documentation. Supporting documentation may for instance be invoice from smolt supplier, vaccination report or wellboat count. We have also tested and reviewed the Group's routines for continous registration of mortality. The period's net growth corresponds to the feed used in the period divided by the feed conversion rate. The feed consumption is again closely related to the purchase of feed in the period. In order to estimate the feed consumption and the feed purchase in the period we reviewed the Group's routines for reconciliation of feed inventory and controlled a sample of feed purchase throughout the year against incoming invoice from the feed suppliers. Furthermore, we compared the accumulated feed conversion rate of the inventory against our expectation based on historic figures for the individual region. Where the feed conversion rate was significantly higher or lower than expected we obtained further documentation and explanations. Our work substantiated that the net growth had been reasonably assessed. In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between actually harvested biomass (in kilos and numbers) and estimated biomass according to

(2)

Independent Auditor's Report – Austevoll Seafood ASA

Austevoll Seafood ASA therefore presents the effect of value adjustments connected to biological assets as a separate line item before the operating result.

We focused on the valuation of biological assets due to the size of the amount, the complexity and the judgement involved in the calculation and the impact of the value adjustment on the result for the year.

See the description of the measurement and valuation of biological assets in note 2 about significant accounting estimates and judgements, note 7 about biological assets and note 28 about accounting policies.

the Group's biomass systems. We also reviewed harvest deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31.12.2018. We found the deviations to be relatively insignificant and in accordance with expectations.

We reviewed the Group's structuring of calculation model for valuation by comparing it against the criteria in IAS 41 and IFRS 13 and found no obvious deviations. Furthermore, we examined whether the biomass and number of fish used in the Group's model for calculation of fair value of biological assets corresponded with the Group's biomass systems and tested that the model made mathematic calculations as intended.

After having ensured that these basic elements were in place, we assessed whether the assumptions used by the Group in the model, were reasonable. We did this by discussing the assumptions with the Group and comparing them to among other things, historical data, available industry data and observable prices. We found the assumptions to be reasonable.

We ensured that disclosures in notes appropriately explained the valuation method and that the information was in accordance with the requirements in the accounting standards.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, 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.

(3)

Independent Auditor's Report – Austevoll Seafood ASA

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the 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, 12 April 2019
PricewaterhouseCoopers AS

Hallvard Aarø
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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