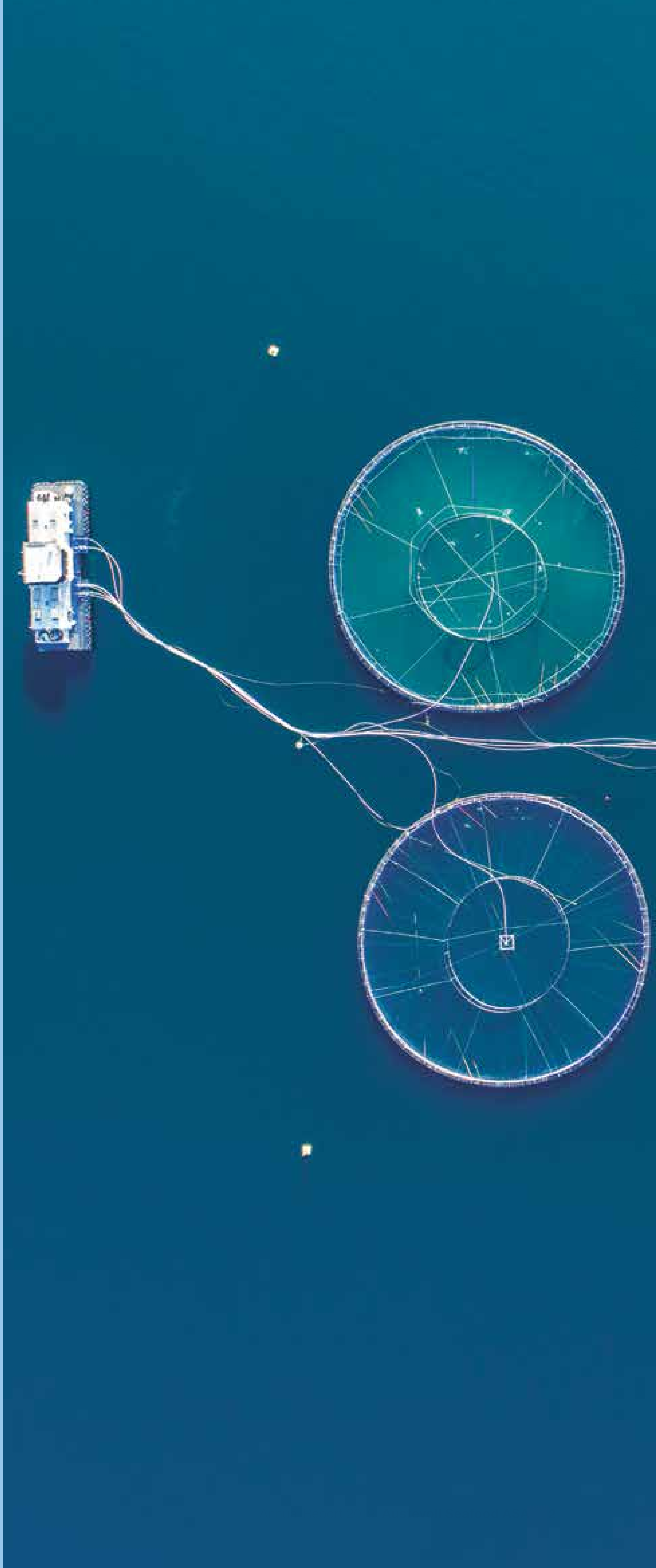
Austevoll Seafood ASA

2019
Annual report

Content



Key figures Austevoll Seafood ASA

Amounts in MNOK		2019	2018	2017
Profit and loss account				
Operating income		23,342	22,837	20,799
Operating expenses		-19,081	-17,598	-16,052
EBITDA		**4,261**	**5,239**	**4,747**
Depreciation, amortisation, impairment and depreciation of excess value		-1,337	-960	-920
EBIT (before fair value adj. biological assets)		**2,924**	**4,279**	**3,827**
Fair value adjustment of biological assets		-306	798	-1,832
OPERATING PROFIT		**2,617**	**5,077**	**1,995**
Income from associated companies		451	472	499
Net financial items		-312	-357	-293
Profit before tax		**2,756**	**5,192**	**2,200**
Profit after tax		2,197	4,231	1,831
Net profit after discontinued operations		**2,197**	**4,231**	**1,831**
Profit to minority interests		942	1,932	821
Balance sheet				
Intangible assets		11,487	11,492	11,698
Vessels, other property, plant and equipment		10,954	8,851	7,563
Other non current assets		2,531	2,393	2,306
Current assets		14,859	15,219	13,743
Total assets		**39,831**	**37,955**	**35,309**
Equity		23,331	22,454	19,172
Long term liabilities		11,122	10,491	10,903
Short term liabilities		5,378	5,010	5,235
Total equity and liabilities		**39,831**	**37,955**	**35,309**
Net interest bearing debt		**4,074**	**3,983**	**4,138**
Net interest bearing debt incl. IFRS 16		**5,352**		
Cash flow				
Net cash flow from operating activities		**3,172**	**3,162**	**4,220**
Key ratios				
Liquidity ratio	1)	2.76	3.04	2.63
Equity-to-asset ratio	2)	59 %	59 %	54 %
EBITDA margin	3)	18 %	23 %	23 %
Return on equity	4)	10 %	20 %	10 %
Average no. of shares (thousands)*		**201,824**	**201,824**	**201,824**
Earnings per share	5)	6.22	11.39	5.00
Paid out dividend		3.50	2.80	2.50
Proposed dividend payout 2020		2.50		

1) Current assets/short term liabilities
2) Equity/total capital
3) Operating profit/loss before depreciation expressed as a percentage of operating income
4) Net profit after tax (incl. discontinued operations) expressed as a percentage of average equity
5) Net profit after tax (incl. discontinued operations)/average no. of shares

** Ex. own shares (893,300) from July 2016*

DIRECTORS OF THE BOARD

Helge Singelstad (1963)
Chairman
Helge Singelstad has been member of the Board since 2008, and has been the Chairman of the Board since 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. Helge Singelstad owns 50,000 shares in Austevoll Seafood ASA.

Oddvar Skjegstad (1951)
Deputy Chairman
Oddvar Skjegstad has been member of the Board since 2006 and has served as the Deputy Chairman since 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. Oddvar Skjegstad owns, through Rehua AS, 55,000 shares in Austevoll Seafood ASA.

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. She is educated Bachelor of Management from the Norwegian Business School (BI) and holds a Master of Strategy and Management (NHH). Ms. Møgster is experienced within sales and finance after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies. Lill Maren Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.

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 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. Helge Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.

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. Eirik Drønen Melingen owns shares in Austevoll Seafood ASA indirectly through Laco AS.

Board of Directors' report

BOARD OF DIRECTORS' REPORT 2019 FOR AUSTEVOLL SEAFOOD ASA

Since it was established in 1981, Austevoll Seafood ASA (AUSS) has remained loyal to its strategic foundations of "long-term value creation via sustainable, competent use of freshwater resources and the oceans, in thriving local communities". The Group's foundations have been strengthened in 2019, and are manifest in the company's principles for sustainable management, control and reporting in the company's annual report for 2019.

VISION

"Passionate owner of globally leading seafood companies"

VALUES

Look to the future // Act with integrity // Enhance knowledge // Strive for excellence

Since its foundations, AUSS has developed into a global seafood corporation. AUSS has world-leading operations 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. The Group is also a significant actor within fisheries, processing and sale of whitefish. AUSS has pelagic operations within fisheries, production of fishmeal and fish oil, and production of pelagic products for human consumption. The Group has sales operations in Norway, Europe, Asia, the USA and South America.

Operations, or the value chain, in the Group's portfolio companies "originate" from the use of fresh water and the sea, and the Group's growth has been and shall continue to be sustainable. Sustainable growth places stringent requirements on the Group within finance, the climate and environment and social issues. Sustainability is essential for gaining access to capital, and is of decisive importance for the Group's survival and continued development. We are therefore proud to confirm that the Group's food production is globally competitive, according to the UN's sustainability criteria. Social sustainability is important for sustaining viable local communities and access to the Group's most important resource, people. In its sustainability reports, the company has therefore focused on four main areas; Protect our Oceans, Improve our Climate, Strengthen our Communities and, not least, Empower our People.

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

THE GROUP'S ACTIVITIES

The Group's activities are classified according to 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 joint venture Pelagia Holding AS (Europe).

Given the prevailing framework conditions, in particular the limited fisheries in Peru and unforeseen incidents in the Farming segment, the Board of Directors is essentially satisfied with the Group's results for 2019. As in previous years, the Board of Directors would like to take this opportunity to thank all the Group's employees for their hard work in 2019.

LERØY SEAFOOD GROUP ASA (EUROPE)

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

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.

LSG has three farming regions in Norway: Lerøy Aurora located in Troms and Finnmark, Lerøy Midt located in

Nordmøre/Trøndelag, and Lerøy Sjøtroll located in Vestland. These companies harvested a total of 158,000 tonnes salmon and trout in 2019, down from 162,000 tonnes in 2018.

In addition, LSG owns the Scottish fish-farming company, Scottish Sea Farms Ltd. via its 50% shareholding in Norskott Havbruk AS. In 2019, Scottish Sea Farms Ltd. harvested 26,000 tonnes of salmon (2018: 27,000 tonnes).

Potential acquisitions are assessed on a consecutive basis, although the last acquisitions within the redfish segment date back some time, with the acquisition of shares in Villa Organic in 2013 the last major move. In 2016, LSG executed the largest acquisition in terms of value in the Group's history, with the acquisition of Havfisk and Lerøy Norway Seafood (LNWS). This allowed LSG to claim the position as the largest actor within catches and processing of whitefish. LSG's investments in whitefish mean that the Group is now also a significant global player in this segment. The increase in resource base lays the foundations for the Group's unique product range, and makes LSG an attractive seafood supplier.

Lerøy Havfisk's (Havfisk) primary business is wild catches of whitefish. Havfisk has licence rights to harvest just above 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. Havfisk currently has a total of 10 trawlers in operation. The most recent trawler, "Kongsfjord" was delivered and started operations at the at the beginning of 2020. This is a trawler designed with several innovations to optimise the quality of catches.

Havfisk also 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. Havfisk's catch volume in 2019 was approx. 62,000 tonnes, down from around 66,000 tonnes in 2018. The reduction is attributed to lower quotas. A reduction in the volume available together with good growth in demand resulted in higher prices for key species in 2019 and when compared with 2018.

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 Norway's largest purchaser of whitefish from third parties, including from the coastal fleet. The processing of whitefish in Norway has been extremely challenging for several decades. As a result of high demand for seafood and lower quotas, the raw material prices increased throughout 2018 and early 2019. This situation always presents a short-term challenge for processing, but good prices have resulted in satisfactory earnings for the catch segment. The onshore industry for whitefish in Norway, however, bears the brunt of the evident catch trends resulting in significant excess capacity for large parts of the year. As a result of seasonal fluctuations in catch figures, combined with low quotas for key species and new businesses increasing capacity in the onshore industry, 2019 was a very difficult year.

LSG sells seafood in most categories to an increasing number of global markets. Over the past decade, there has been a particular focus on developing a more efficient value chain for distribution of seafood by building a number of distribution centres for seafood in a higher number of central seafood markets. These centres are secured a supply of raw materials via local sourcing and raw materials in the form of fillets produced at the Group's facilities in Norway. Having facilities close to the markets allows the Group to provide a high level of service, extensive interaction and innovation with customers on each specific market. The Group is also gradually building up capacity for sushi and so-called "ready-meals". One important premise for the further development of profitable, conceptual trading is having stable access to raw materials with the right quality.
At the start of 2020, LSG has unique access to raw materials via their Farming operations, catches and purchases from third parties. Access to raw materials, in combination with the Group's processing plants in Norway and factories worldwide in close proximity to the markets, represent in our opinion a strong platform for continued commercial development with strategic customers.

LSG reported revenue of NOK 20,454 million in 2019 (2018: NOK 19,880 million). This is the highest revenue ever reported by the Group.

EBITDA in 2019 amounted to NOK 3,746 million (2018: NOK 4,228 million), and EBIT before fair value adjustment related to biological assets was NOK 2,734 million (2018: NOK 3,569 million). The Group's earnings in 2019 were slightly lower than in 2018. This is principally due to poorer earnings in the Farming segment and, in part, Havfisk/LNWS, while developments for the VAP, Sales & Distribution segment have been positive. Accounting standard IFRS 16 regarding leases was implemented on 1 January 2019. Some of the figures on the income statement are therefore not directly comparable with the corresponding figures from former periods. The prices for Atlantic salmon and trout remained strong in 2019, but with a high level of volatility in price developments throughout the year. Prices realised for trout were somewhat weaker than prices realised for salmon. In total, the reduction in prices realised for salmon and trout from 2018 to 2019 was in the range of NOK 2 per kilo. Prices realised for trout were NOK 8 per kg lower than for salmon. LSG's contract share for salmon in 2019 was 37%.

Release from stock costs fell slightly from 2017 to 2018, while the results of developments in 2019 unfortunately indicate slightly higher release from stock costs. In 2019, LSG's Farming operations were impacted by several unforeseen incidents. These incidents had an effect on both harvest volume and production volume throughout the year. The lower volume has a strong impact on cost levels per kilo slaughtered fish. LSG's release from stock costs have shown a downwards trend throughout the year, and release from stock costs in Q4 2019 were the lowest ever reported in any quarter in 2019, although they remain higher than in Q4 2018.

As also reported in the interim reports in 2019, several unforeseen incidents have affected Lerøy Aurora's figures in 2019, including a fire in the smolt facility in Laksefjord and the outbreak of toxic algae, obstructing production in the sea. The smolt facility has been re-established and work on extending the facility is under way. However, the smolt release in 2019 was affected in that it had to be postponed. Growth returned to normal in the third and fourth quarters. This resulted, as expected, in significantly lower release from stock costs in Q4 2019 when compared with Q3 2019. However, the start of 2020 has unfortunately been dominated by a higher number of winter ulcers on fish than in the previous winter. This has a negative impact on production at the start of the present year. At the time of writing, release from stock costs for Q1 2020 are therefore expected to be slightly higher than in Q4 2019. Lerøy Aurora is expected to continue to play a leading role cost-wise in 2020.

Release from stock costs for Lerøy Midt in Q4 2019 were higher than in Q3 2019. Growth at the start of 2020 has been good, and release from stock costs are expected to be lower for Q1 2020 and for the year as a whole. Costs for Lerøy Sjøtroll in Q4 2019 were lower than in Q3 2019. This is a positive development, but the costs remain at a significantly higher level than indicated by the Group's level of ambition. We expect to see a substantial improvement in so-called "smolt yield" in the years to come. Trout costs saw a significant improvement in relation to salmon costs. In 2020, a large share of released smolt will come from the new plant in Fitjar. These will therefore be larger smolt with better quality than before. It is our experience and expectation that these factors will help improve production in the sea in 2020. Release from stock costs in Q1 2020 are expected to be in line with the figures reported in Q4 2019. Release from stock costs are expected to fall throughout 2020, partly also due to an increase in harvest volume, but the full effect of this will not be evident until 2021.

In total, the negative difference from estimated production volume for the year as a whole was approx. 15,000 LWT. Implemented measures are described earlier in the Group's interim reports, illustrating LSG's ambition to increase harvest volume and reduce release from stock costs in the years to come.

Viewed against the background of LSG's many years of investments in sustainable production methods, developing alliances and quality products, new markets, brand building and value chain quality assurance, the Board feels that the outlook for generating increased value is good.

Investigation by the competition authorities in the EU and USA

On 20 February 2019, the EU's competition authorities initiated investigations relating to the suspicion of restrictive practices involving collaboration on the salmon market. This involved an investigation of the premises owned by the associated company Scottish Sea Farms Ltd.

The US Department of Justice (DOJ) initiated investigations of the Norwegian salmon industry in November 2019. In that regard, Lerøy Seafood USA Inc., an indirectly owned subsidiary of LSG, received a writ of summons from the DOJ, with a request for information. LSG is assisting the authorities by facilitating an efficient execution of the proceedings. Case proceedings for this type of issue normally take up to several years, and it remains too early to say whether the issues may result in sanctions or other negative consequences for the companies.

It is unclear precisely what the above-mentioned authorities believe has occurred in the way of any illegal collaboration, when this may have occurred and any negative consequences. LSG is of the opinion that there are no grounds for the implemented investigation.

In the wake of the European Commission's investigations, LSG and a number of other Norwegian-owned aquaculture companies have been sued by customers in the USA and Canada. Several class actions have been issued, some of which overlap and compete with each other. The class actions are in the early stages, and it remains too early to say whether these issues may result in legally binding claims or other negative consequences for the companies.

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 below 7% of the total quota for anchoveta in Central/North Peru, and just below 4% of the quota 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 2019 in Central/North Peru was 2.1 million tonnes (2018-I: 3.3 million tonnes). The season started on 28 April and closed on 31 July, by which time almost 100% of the total quota had been caught. The quota for the second season of 2019 in Central/North Peru was 2.78 million tonnes (2018-II: 2.1 million tonnes). The second fishing season started on 6 November. Fisheries at the start of the season were good, but worsened in December due to challenging conditions with a large volume of fish smaller than the minimum size for catches. As a result, fishing zones in large parts of Central/North Peru were closed. By the end of 2019, only 35.8% of the total quota for the season had been caught.

Due to this situation, IMARPE carried out a new measurement/study in January 2020. Based on this, fisheries for the season were stopped on 15 January 2020. For Peru as a whole, 36% of the quota had been caught by the end of the season. In the corresponding season in 2018, almost 100% of the quota had been caught.
In 2019, total landings of anchoveta in Peru (for production of fishmeal and fish oil) were just under 3.5 million tonnes, down 43% from 6.1 million tonnes in 2018.

In 2019, the company caught 64% of its total quota for the first and second seasons. The company's total volume of raw materials, both own catches and purchases from third parties, amounted to 331,000 tonnes in 2019. This is a significant reduction from the corresponding figure of 602,000 tonnes in 2018. Due to the high opening inventory in 2019, and despite lower production volume in 2019, the company has sold 113,000 tonnes of fishmeal and fish oil, slightly up from 111,000 tonnes in 2018. The prices realised for fishmeal were down 6% from 2018 to 2019. 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 12% from 2018 to 2019.

As a result of the low catch volume in Q4 2019, the company started 2020 with a significantly lower inventory of fishmeal and oil, at 17,000 tonnes. In Q4 2018, the company had good fisheries and therefore started 2019 with an inventory of 43,000 tonnes of fishmeal and fish oil.

Austral reported revenue of NOK 1,700 million in 2019 (2018: NOK 1,640 million), EBITDA of NOK 305 million (2018: NOK 619 million), and EBIT of NOK 109 million (2018: NOK 453 million).

Peru is usually the largest producer of fishmeal and fish oil in the world. Production volumes in Peru are therefore of critical importance for 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. It was therefore important for the industry in Peru that the total quota in 2018 was in total 5.4 million tonnes. Both the first and second seasons in 2018 were successful, with close to 100% of the annual quota caught. The quota for the first season of 2019 was significantly lower than in the same season of 2018, but fisheries were relatively successful. It was therefore disappointing that the second fishing season was so challenging. As normal, IMARPE carries out measurements in the period from February to April, prior to the first season of 2020. At the time of writing, the authorities have not provided any form of indications or estimates relating to biomass size, quota sizes or start-up date for the first fishing season of 2020.

FOODCORP CHILE S.A. (CHILE)

Foodcorp Chile S.A. (FC)'s fully integrated value chain comprises businesses involved in fisheries, production for consumer products and production of fishmeal and fish oil. From 2018, the regulation of fisheries in Chile has allowed 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 84,000 tonnes of raw materials in 2019, against 95,000 tonnes in 2018. There has been a change in the raw material mix in 2019, with a considerable decline in the volume of squid and a minor decline in horse mackerel/mackerel when compared with 2018. In addition to the company's own quota of 30,100 tonnes for horse mackerel, it also purchased a quota of 20,800 tonnes from a third party. The total volume for 2019 was therefore 50,900 tonnes of horse mackerel, compared with 52,700 tonnes in 2018. This decline is attributed to a lower volume of quota purchased from third parties when compared with 2018. The company fished the purchased quota using their own vessels in both 2019 and 2018.

In addition to horse mackerel, the company has also purchased raw materials from the coastal fleet. In 2019, the raw materials from this fleet were squid and anchoveta. Supplies of squid were considerably lower in 2019 when compared with 2018. The total purchased volume in 2019 was 3,700 tonnes, down from 10,900 tonnes in 2018. Moreover, the raw materials have been smaller in size, which in turn has resulted in much lower prices on the market. The company's fall in earnings is mainly attributed to lower raw material volumes for squid and lower prices realised for this product.

The company reported revenue of NOK 555 million in 2019 (2018: NOK 603 million), EBITDA of NOK 47 million (2018: NOK 90 million), and EBIT of NOK 12 million (2018: NOK 80 million).

Chile has seen a significant decline in horse mackerel fishing since 2008/2009. Fortunately, this has resulted in joint international fish stock management, introduced in 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 again, allowing the organisation to recommend an increase of 17% in the quotas for 2018. The increase in the quotas for 2019 was just below 3%, while the increase in the quota for 2020 was 15%.

BR. BIRKELAND AS/BR. BIRKELAND FARMING AS (NORWAY)

Br. Birkeland AS (BRBI) was demerged at the end of 2017, so that the farming operations were transferred to the new company Br. Birkeland Farming AS (BFARM), while fishery operations remained in Br. Birkeland AS. At the end of December 2019, AUSS owned 55.2% of the shares in Br. Birkeland Farming AS and 42.9% of the shares in Br. Birkeland AS.

BRBI owns and operates two pelagic ring net vessels, each with a 681 basic tonne quota for ring nets and 1.425 trawler quota for blue whiting. BRBI also owns and operates one vessel that fishes for snow crab.

The companies involved in pelagic fisheries have once again reported a good year in terms of operations. Earnings are affected by the persistent challenges within the company's snow crab fishing initiatives.

The snow crab fishing vessel has once again had a difficult year of operations, despite slightly better catch volumes when compared with 2018. Fisheries take place in the waters surrounding Spitzbergen. Ice in this area represented major problems for fisheries again in the winter of 2019. In 2019, catches of snow crab were stopped for the season from July to September during the period of ecdysis. The company sold approx. 413 tonnes of snow crab in 2019, compared with 254 tonnes in 2018. The Norwegian vessels had caught their entire quota before fishing was stopped on 31 October 2019.

With the exception of the quotas for spring-spawning herring, all quotas are up in 2020 when compared with 2019.

Total revenue for BRBI in 2019 was NOK 230 million (2018: NOK 407 million), EBITDA of NOK 73 million (2018: NOK 213 million), and EBIT of NOK 28 million (2018: NOK 129 million). The gain on the sale of Maron AS, totalling NOK 157 million, is included in the figures for 2018.

BFARM owns seven licences for farming Atlantic salmon in the region of Vestland. The Farming segment harvested 7,318 tonnes gutted weight of Atlantic salmon in 2019 compared with 5,727 tonnes gutted weight in 2018.

Total revenue for BFARM in 2019 was NOK 392 million (2018: NOK 320 million), EBITDA of NOK 78 million (2018: NOK 91 million), and EBIT before fair value adjustment related to biological assets of NOK 50 million (2018: NOK 70 million).

Despite an increase in sales volume, the company's earnings are down from 2018, mainly due to increased release from stock costs and slightly lower prices realised when compared with 2018.

The company sells its entire volume on the spot market. Salmon prices remained good in 2019, although impacted by high volatility throughout the year and particularly in the second half of 2019. The timing of the sales was therefore an important factor, again in 2019, in relation to the total prices realised.

PELAGIA HOLDING AS (EUROPE)

Pelagia Holding AS (Pelagia) is defined as a joint venture and accounted for according to the equity method.

The company's operations comprise receipt of raw materials for production of fishmeal and fish oil as well as production of 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, a company that 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.

Pelagia purchased more than 1.2 million tonnes of raw materials in 2019, including the volume in the protein concentrate business. The corresponding purchase of raw materials in 2018 was approx. 1.3 million tonnes.

The company reported revenue of NOK 6,986 million in 2019 (2018: NOK 6,369 million), EBITDA of NOK 871 million (2018: NOK 645 million), and EBIT of NOK 650 million (2018: NOK 443 million). A gain on sales of NOK 105 million is included in the figures for 2019.

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

SHAREHOLDERS

At year-end 2019, AUSS had 5,517 shareholders. Correspondingly, the company had 4,728 shareholders at the end of 2018. The share price at 31 December 2019 was NOK 90.05 per share. The share price at the end of 2018 was NOK 106.80 per share. The company's share capital at 31 December 2019 was NOK 101,358,687 divided among 202,717,374 shares, each with a nominal value of NOK 0.50. AUSS owned 893,300 treasury shares of the above figure.

In the period leading up to the annual general meeting in 2020, 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 2020 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 2020 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 annual profit (excluding the fair value adjustment related to biological assets) as dividends.

Due to the spread of COVID-19, the global economy is impacted by increased uncertainty and reduced predictability. On this basis, the Board of Directors has adjusted its reported proposal for allocation of the profit for 2019. The Board of Directors intends to propose a dividend of NOK 2.50 per share to the Annual General Meeting. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 2.00 per share in dividends before the end of the present year. The dividend payment for financial year 2018 was NOK 3.50 per share.

The shareholders shall feel confident that the Board of Directors' management of profit allocation is appropriate at all times and during this current and other periods of uncertainty. After careful consideration, the Board of Directors has weighed up the shareholders' need for predictability, reallocation of capital and the need to take into account the increased level of risk currently dominating the global economy. The Board of Directors' proposal is a reflection of the Group's dividend policy, financial strength, strong financial position and projected profit performance in the years to come.

The dividend payment proposed for resolution by the Annual General Meeting on 28 May 2020 for financial year 2019 therefore totals NOK 506,793,435 million, if adopted. Of this amount, NOK 2,233,250 is dividends to treasury shares. The distribution date is stipulated as 12 June 2020, and the shares will be traded ex. dividend from and including 29 May 2020.

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 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 the chapter on Corporate Governance in the company's annual report. For Corporate Governance reporting, please refer to the annual report for 2019, 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 event was the result of an accident in which the employee was crushed when climbing aboard a transport vessel. After the incident, Foodcorp has provided assistance to the employee's relatives and has assisted the public agencies in identifying the sequence of events leading up to the accident.

On 27 January 2019, a fire started in the smolt facility in Laksefjord, Finnmark, resulting in a fatality. An employee of the company carrying out maintenance work died.

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 2019 was 6,507, of whom 1,877 were in South America. The corresponding figures for 2018 were 6,490 full-time equivalents with 1,629 in South America.

Female employees are under-represented in the Group's fishing activities and over-represented within processing. In recent years, however, there has been an increasing percentage of women in what has traditionally been predominantly male professions, for example within fisheries and farming. At the end of 2019, 71% of the Group's employees were men and 29% women. Of a total of seven board members on the company's Board of Directors, three are women.

Sick leave in 2019 was 4.6% against a comparative figure for 2018 of 3.9%. 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 occurred during the year resulting in personal injuries and absence from work, including the two accidents with the worst possible outcome.

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 personal philosophy. The Group also aims to be a workplace where there is no discrimination on grounds of disability. The Group also emphasises the importance of preventing harassment, and practices a zero-tolerance policy against harassment. The most recognised features of harassment are behaviour that is undesired, unsolicited and one-way. Harassment can come in many forms, with bullying and sexual harassment the most common.

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 can only be awarded after a comprehensive 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 April 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 has its basis in the fact that the recommended quota for mackerel, published by the ICES in October 2018, projects a downwards trend in spawning stock biomass for mackerel. The Norwegian fisheries for Norway pout, sand eel and ocean sprat gained MSC certification in January 2018. 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 natural conditions 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. We also make reference to the chapter dedicated to sustainability reporting in the company's annual report.

CORPORATE SOCIAL RESPONSIBILITY

For many years, AUSS has worked actively to follow-up its corporate social responsibility 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 annual report.

The Board of Directors and management maintain a constant focus on 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 good social responsibility in their daily work, and that the Group's corporate social responsibility is made apparent in the local communities in which it operates. For AUSS, corporate social responsibility consists in achieving commercial profitability without compromising on fundamental ethical values and requirements concerning environmentally and climate-related 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 the Group's 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 2019, 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 Austral in Peru, for example, we have been involved in courses and activities within education and training, nutrition and health, and environmental activities.

AUSS has zero tolerance for violations of fundamental human rights and social dumping. The management of the portfolio companies shall follow up to ensure that the companies, by means of their operations, offer terms to the employees that as a minimum satisfy local minimum requirements. We also take active measures to ensure this together with our business associates and partners. 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
Please refer to the presentation in the annual report concerning the impact of operations on the external environment and the Group's work to mitigate any adverse effects and footprint.

Anti-corruption
The Code of Conduct, mentioned above, forbids any employee, directly or through intermediaries, to offer, pay, invite or receive benefits 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 23,342 million in 2019, compared with NOK 22,837 million in 2018. Of this figure, other gains and losses amounted to NOK 30 million in 2019, compared with NOK 207 million in 2018. In 2018, gains for the Group were mainly from the sale of one fishing vessel, with related fishing rights.

The Group's operating profit before depreciation and fair value adjustment related to biological assets in 2019 came to NOK 4,261 million compared with NOK 5,239 million in 2018.

Operating profit (EBIT) before fair value adjustment related to biological assets in 2019 amounted to NOK 2,924 million, against NOK 4,279 million in 2018.

The Group's earnings in 2019 were lower than in 2018. This is mainly attributed to weaker earnings from Farming and in Peru, due to a substantial fall in raw material volumes.

Operating profit after fair value adjustment related to biological assets in 2019 amounted to NOK 2,617 million, against NOK 5,077 million in 2018. In 2019, the fair value adjustment of biological assets was negative and amounted to NOK 306 million. In 2018, the fair value adjustment of biological assets was positive and amounted to NOK 798 million.

In 2019, profit from associates totalled NOK 451 million, compared with NOK 472 million in 2018. The largest associates are Pelagia and Norskott Havbruk AS (owner of the Scotland-based fish farming company Scottish Sea Farms Ltd.).

Net financial expenses were NOK -312 million in 2019, against NOK -357 million in 2018. The annual profit after tax in 2019 was NOK 2,197 million. The corresponding figure for 2018 was NOK 4,231 million.

The Group implemented accounting standard IFRS 16 regarding leases with effect from 1 January 2019. Some of the figures on the income statement are therefore not directly comparable with the corresponding figures from former periods. Please refer to note 28 for a more detailed description of the impact on the accounts.

Net cash flow from operating activities for the Group amounted to NOK 3,172 million in 2019, compared with NOK 3,162 million in 2018. Tax payments totalled NOK 882 million in 2019, compared with NOK 948 million in 2018. Tied-up working capital was significantly lower at the end of 2019 when compared with 2018. This is mainly due to the low catches in the last season in Peru when compared with Q4 2018.

Net cash flow from investing activities was negative and amounted to NOK -1,059 million in 2019. Net cash flow from investing activities in 2018 was negative and amounted to NOK -1,606 million. As previously reported, the Group has invested substantial sums in its core operations, and this was also the case in 2019. In addition, dividends from associates of NOK 391 million were received in 2019, compared with NOK 395 million in 2018.

Net cash flow from financing activities in 2019 was negative at NOK -2,256 million. The Group paid dividends of NOK 1,416 million in 2019, compared with NOK 1,081 million in 2018. Net cash flow from financing activities in 2018 was negative and amounted to NOK -2,253 million. The parent company redeemed a NOK 500 million bond loan in October 2018.

The Group had bank deposits of NOK 4,251 million at year-end 2019, down from NOK 4,393 million at year-end 2018.

At year-end 2019, total assets amounted to NOK 39,831 million, against NOK 37,955 million at the close of 2018. The increase in total assets is in principle attributed to the implementation by the Group of IFRS 16 relating to leases from and including 1 January 2019. See note 28 for more detailed information on implementation effect.

The Group is financially sound. Equity at 31 December 2019 totalled NOK 23,331 million. This constitutes an equity ratio of 59%. Equity at year-end 2018 was NOK 22,454 million, also representing an equity ratio of 59%.

At the end of 2019, the Group had net interest-bearing debt of NOK 4,073 million, while the corresponding figure at year-end 2018 was NOK 3,982 million. Including lease liabilities to others than credit institutions, and the effect of IFRS 16 of NOK 1,279 million in net interest-bearing debt at the end of 2019, the total amount is NOK 5,352 million. The Group has good access to external financing at good terms. Moreover, Austevoll Seafood ASA has built up a high level of trust over the years as an issuer of bond loans. The company aims to be an attractive choice also for investors who prefer to invest in fixed-income funds.

Events after the date on the statement of financial position

A respiratory disease of unknown origin was reported by China to the WHO (World Health Organization) on 31 December 2019. On 30 January 2020, the WHO declared that this virus outbreak was a public health emergency of international concern (PHEIC). On 11 February 2020, the WHO named the virus COVID-19. The virus has spread worldwide, and the WHO classified the outbreak as a global pandemic on 11 March 2020. As a result, national and global authorities have laid down extensive restrictions in an attempt to prevent uncontrolled spread.

COVID-19 is having an impact on global value chains in that the necessary measures taken by the public authorities, illness and fear worldwide have a significant effect on how we live our lives. The Group is a part of the seafood industry and is also noting a substantial impact. This is in the form of changes in demand, access to workforce both in the Group and outside, other input factors and credit risk.

The COVID-19 outbreak has resulted in substantial uncertainty and unpredictability. The Board of Directors and corporate management do not have the expertise to assess all possible consequences of COVID-19 and neither to determine how long the outbreak may last. At the time of writing, it is extremely difficult to make any proper assessment of the ultimate economic consequences of the pandemic. There is, however, little doubt that the situation is challenging, and that the outbreak has a notable negative impact. Nonetheless, the Board of Directors has continuously focused on building a strong Group. Moreover, the Group is an organisation with plenty of training in solving challenges related to flow of goods, and the Board of Directors is confident that the Group will survive this global crisis by maintaining a strong focus on fulfilling our underlying social mission. The global demand for food has not changed, and parts of the Group are classified as being part of a critical sector in Norway. The Board of Directors, corporate management and all Group employees are doing their utmost to ensure that the Group's value chain and food deliveries remain operative throughout this challenging time.

KEY RISK FACTORS

AUSS is exposed to risk associated with the value of investments in the portfolio companies in the event of price changes in the markets for raw materials and finished goods, in so far as these changes bring about changes in the companies' competitiveness and earnings potential over time. Operational conditions and developments in the Group's input factor prices are also key parameters. At the start of 2020, we have also observed how pandemics and the fear of pandemics can negatively affect demand and operations in the value chains.

The Group's activities are essentially global and will always be impacted to varying degrees by developments in the global economy. Although this 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 sustained 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 the end of 2019, the Group had live fish worth around NOK 5.9 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 2019, the Group had fixed-rate agreements for 22 % of its interest-bearing debt incl. right-of-use liabilities. 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 in EUR, USD, Chilean Peso and Peruvian Soles. 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's portfolio companies 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 2019, the company had three employees, with sick leave of 1.0% in 2019, compared with 0% in 2018. The company's activities mainly 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 2.3 million in 2019, compared with NOK 2.1 million in 2018. The company reported an operating loss of NOK -33.1 million in 2019, compared with NOK -36.7 million in 2018. In 2018, the company paid NOK 5 million to socially beneficial initiatives, and this figure is included in the operating expenses for 2018.

Net financial items returned a positive result of NOK 662 million in 2019. The corresponding figure for 2018 was also positive at NOK 1,007 million. Financial income is mainly dividends from subsidiaries and associates. Financial expenses mainly involve interest on external financing. Profit for the year amounted to NOK 629 million in 2019, with a comparison figure for 2018 of NOK 970 million.

Net cash flow from operating activities for the parent company amounted to NOK -45.9 million in 2019, compared with NOK -40 million in 2018. Net cash flow from investing activities in 2019 was positive and amounted to NOK 1,016 million. Net cash flow from investing activities in 2018 was NOK 688 million.

In 2019, the parent company reported a negative net cash flow from financing activities of NOK -824 million, mainly comprising dividend payments of NOK 706 million and ordinary instalments on company debt. In 2018, the parent company reported a negative net cash flow from financing activities of NOK -1,224 million, mainly comprising dividend payments of NOK 565 million, ordinary instalments on the company's debt and the fact that the company redeemed a bond loan of NOK 500 million in October 2018. No new bond loan was taken up in this connection.

At the start of 2019, the parent company had cash and cash equivalents totalling NOK 582 million. At the end of the 2019, this figure was NOK 729 million.

The parent company has total assets of NOK 6,104 million (2018: NOK 6,241 million). Book equity is NOK 4,369 million (2018: NOK 4,244 million) reflecting an equity ratio of 72% (2018: 68%). The value-adjusted equity and equity ratio are substantially higher.

The parent company's external net interest-bearing debt at year-end 2019 was NOK 403 million (2018: NOK 609 million). The parent company has net interest-bearing receivables from subsidiaries of NOK 93 million (2018: NOK 75 million).

The parent company's financial statements show a profit of NOK 629 million. The Board of Directors proposes allocation of NOK 507 million to dividend payments (with NOK 2.2 million of this being dividends for treasury shares) and transfer of NOK 122 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

Reference to previous mention of COVID-19 under incidents after the date on the statement of financial position.

Atlantic salmon and trout, and whitefish

Price developments for Atlantic salmon have been very volatile once again in 2019, partly influenced by major variations in weekly harvest volumes. If we look past the short-term disturbances, the Group confirms that the underlying demand for red fish remains good. Price trends for whitefish in 2019 were affected by lower quotas combined with increased demand – resulting in a strong increase in prices.

Currently, the Group's production of red fish takes place mainly in Norway. Norwegian and global salmon and trout production are experiencing a relatively limited growth. This factor, combined with a weaker Norwegian krone, has resulted in very high prices. This represents incentives to start production of salmon in new areas using new, alternative technologies. These incentives have existed for several years now, but partly due to long lead times in the industry, Norwegian production in marine fish farms has maintained its predominant position. However, it must be noted that the market share for Norwegian Atlantic salmon could be threatened by the introduction of salmon and trout production in new regions. In our assessment, there are grounds to assume that the Group's value chain will maintain a relatively strong position competition-wise in the years to come.
The requirements for change and adaptation also apply to global salmon production. LSG is developing its existing business by investing in knowledge, facilities, methods etc. to ensure global competitive strengths. The Group shall seek new knowledge and expertise within existing operations, onshore and offshore salmon production.

The Board of Directors is not satisfied with the Group's performance within Farming in 2019, but feels increasingly confident that the initiatives taken and the investments made will provide a positive development in the form of increased volume and improved competitiveness in the years to come. Lerøy Sjøtroll's new facility in Fitjar in Vestland, with a capacity of around 4,000 tonnes biomass production, has now been completed and will contribute to the company's production with larger and more robust smolt from and including release in 2020. The Group is also in the final stage of a three-stage development project for Lerøy Aurora's plant in Laksefjord, Finnmark, increasing capacity at the plant to approx. 4,500 tonnes biomass production. The project is scheduled for completion in December 2020, but those parts of the plant already completed in previous development stages will already be supplying a substantial volume of large smolt earlier in the year. Work has started on the development of the last stage, production of post smolt, in Belsvik. On completion, the plant will have capacity for around 5,000 tonnes biomass production. These plants already represent substantial assets for the Group, but the most recent building developments are expected to contribute to higher production and lower release from stock costs in the years to come.

With time, the new facilities will increase the average smolt size for the Group. For Lerøy Aurora and Lerøy Sjøtroll, the average size of released salmon smolt will be around 300 grams in 2020. Both the corporate management and the Board of Directors expect the implemented and completed investments in the smolt plants to provide considerable growth in production in the sea in 2020 and the years to come. From 2020 and onwards, this increase in production will gradually result in higher harvest volumes every year over the next four to five years. Estimated harvest volume for 2020, including the share from associates, is currently 183,000-188,000 tonnes salmon and trout. The Group's target is for the corresponding figures in 2021 to be between 200,000 and 210,000 tonnes.

The Group has made substantial investments in whitefish in recent years. One new vessel was added to the fleet in 2018 – Nordtind – and another in early 2020 – Kongsfjord. Fish quality was an important design criterion for Kongsfjord. Consumers' expectations and quality requirements continue to increase, making high quality and competitiveness key factors for success when competing to attract consumers.

For the onshore industry, where operations are based on whitefish, 2019 has been extremely difficult. Lower quotas, along with a number of large new operations opening in an industry that already had excess capacity, have resulted in challenging framework conditions. The industry is exposed to extremely strong seasonal fluctuations, and LSG is of the opinion that profitability for the industry will depend on innovation and opportunities for specialisation. In recent years, LSG has started the process of facilitating the above by making substantial investments. A new processed fish factory opened in Stamsund in 2019, and a major conversion of the filleting plant in Melbu is expected to be completed in early 2020. Considerable investments have also been made in other facilities. The Board of Directors and the Group expect these investments, together with diligent, organised improvement measures in each factory, to gradually generate results.

LSG has spent many years developing an efficient and sustainable value chain for seafood. This not only provides cost-efficient solutions, but also quality, availability, a high level of service, traceability and competitive climate-related and environmental solutions. At the start of 2020, the corporate management and Board of Directors are confident that Lerøy has a good starting point for continued profitable growth and development of Group operations.

Fishmeal and fish oil

According to the trade organisation IFFO*, fishmeal production is down 30.7% in 2019 when compared with 2018. This decline is mainly attributed to the 43% reduction in production in Peru, caused by the lower quota in the first season of 2019, and less successful fisheries in the second season of 2019 when compared with the same season in 2018. The quota for the first season of 2019 was set at 2.1 million tonnes, down from 3.3 million tonnes for the corresponding season in 2018. The total quota for the second season of 2019 was set at 2.8 million tonnes, up from 2.1 million tonnes for the corresponding season in 2018. Challenging conditions with a large share of fish smaller than the minimum size for catches resulted in closure of fishing zones in large areas of Central/North Peru. At the end of 2019, 35.8% of the total quota for the season had been caught. At the end of the season, on 15 January 2020, a total 36% of the total quota had been caught.
The main market for fishmeal produced in Peru is Asia, with China firmly at the top in terms of purchases and consumption. There has also been a fall in fishmeal production in Europe in 2019. The European quotas for catches of fish species primarily used for production of fishmeal and fish oil were lower in 2019 when compared with the quotas in 2018. The quota recommended by the ICES for the most important species, blue whiting, in 2020 is up 2% on the quota for 2019.

** Source: IFFO, week 52, 2019 (Regions Chile, Peru, Denmark/Norway, Iceland/North Atlantic)*

Consumer products (pelagic)

The Group's production of consumer products takes place in Europe and South America. In Europe, the herring fishing season 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. The ban on imports to Russia has significantly complicated marketing work for a number of the Group's products in recent years. We find nonetheless that the Group's products are faring well in global competition when compared with alternative sources of protein. The ICES' recommended quotas for catches in the North Atlantic in 2020 show an increase of 20% for mackerel and 12% for North Sea herring. The recommendations also show a reduction of 11% in 2020 for spring-spawning herring in relation to 2019. The 2020 quota recommended by SPRFMO for horse mackerel in the South Pacific represents an increase of approx. 15% on the quota for 2019.

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 products are healthy and good, and production is financially, climate and environmentally sustainable. The Board of Directors therefore expects to see good underlying increase in demand in the years to come. The Group's strong position within the global seafood industry gives grounds for a positive outlook for the Group's future development.

Storebø, 23 April 2020
The Board of Directors of 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

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 October 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 2020 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 2020, 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 2019, 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 2019 four out of the seven Board members attended the General meeting. In 2019 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 May 2019 and consists of:

Harald Eikesdal
Harald Eikesdal passed away in December 2019. Mr. Eikesdal was 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 a portfolio manager/analyst for 34 years, including Norwegian fund management companies until 2012. He spent 15 years working as a portfolio manager for ODIN Forvaltning AS. The last 9 years Mr. Hollekim has been working as a portfolio manager in a family office.

Hege Solbakken
Hege Solbakken holds an MSc degree in Comparative Politics from the University in Bergen, specializing in international politics, German and work- and organizational psychology. She has served as Chief of Staff and State Secretary in the Ministry of Transportation and the Ministry of Municipalities and Regions, as State Secretary in the Prime Minister's office, and as political adviser with the Ministry of Fisheries and Coastal Affairs. Ms. Solbakken has been leader of the Maritime Forum Norway and CEO in the Offshore Media Group, and has worked with Board and Executive selection in Visindi. She now heads Experis Southwest and holds board positions in Voss Veksel og Landmandsbank ASA, Children and War Foundation and in other organizations.

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. She is educated Bachelor of Management from the Norwegian Business School (BI) and holds a Master of Strategy and Management (NHH). Ms. Møgster is experienced within sales and finance after having worked in various subsidiaries of Laco AS since 2007. She holds board positions in several companies. Lill Maren Møgster owns shares in Austevoll Seafood ASA indirectly through Laco AS.

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 6 Board meetings have been arranged during 2019. The Board members have attended all meetings during 2019.

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.

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 2019 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

GLOSSARY

AUSS	Austevoll Seafood ASA
Austral	Austral Group S.A.A
BFARM	Br. Birkeland Farming AS
BRBI	Br. Birkeland AS
FC	Foodcorp Chile S.A
Havfisk	Lerøy Havfisk AS
LNWS	Lerøy Norway Seafoods AS
LSG	Lerøy Seafood Group ASA
Pelagia	Pelagia Holding AS

Income statement

Amounts in MNOK	Note	2019	2018
Sales revenue	3,25	23,312	22,630
Other gains and losses	3,21	30	207
Rawmaterials and consumables used		-12,564	-11,302
Salaries and personell expenses	20	-3,449	-3,195
Other operating expenses	20,23,25	-3,067	-3,101
Operating profit before depreciation, amortisation, impairment and fair value adjustment biological assets	**2,3,29**	**4,261**	**5,239**
Depreciation	11	-801	-743
Depreciation right-of-use assets	11,23,28	-487	-178
Amortisation of intangible assets	10	-51	-46
Impairments/reversal of impairments	10,11	2	-143
Insuranse compensation for impairment loss	11	0	150
Operating profit before fair value adjustment biological assets	**29**	**2,924**	**4,279**
Fair value adjustment biological assets	7	-306	798
Operating profit	**3,29**	**2,617**	**5,077**
Income from equity accounted investments	4	451	472
Financial income	19	382	182
Financial expenses	19	-694	-539
Profit before taxes	**29**	**2,756**	**5,192**
Income tax expense	2,26	-558	-962
Net profit		**2,197**	**4,231**
Profit attributable to non-controlling interest	**3**	**942**	**1,932**
Profit attributable to shareholders of Austevoll Seafood ASA	**5**	**1,256**	**2,299**
Average no. of outstanding shares	5	201,824,074	201,824,074
Earnings per share from continued operation (NOK)	5	6.22	11.39
Proposed dividend per share (NOK)	5	2.50	3.50

Statement of comprehensive income

Amounts in MNOK	Note	2019	2018
Profit for the year		**2,197**	**4,231**
Other comprehensive income to be recycled to profit and loss			
Cash flow hedges	12	26	27
Currency translation differences		78	118
Share of other comprehensive income of associated to be recycled		-4	-6
Tax effect on items to be recycled to profit and loss		-5	-13
Other comprehensive income not to be recycled to profit and loss			
Actuarial loss on post employment benefit obligations	20	0	-1
Share of other comprehensive income of associated not to be recycled		0	0
Other comprehensive income net of tax		**96**	**125**
Total comprehensive income for the year		**2,294**	**4,356**
Attributable to			
Non-controlling interest		964	1,998
Shareholders of Austevoll Seafood ASA		1,330	2,358
Total comprehensive income for the year		**2,294**	**4,356**

Statement of financial position

Amounts in MNOK	Note	2019	2018
Assets			
Goodwill	2,10	1,977	1,969
Deferred tax asset	26	57	57
Licences	2,10	9,403	9,414
Brand/trademarks	10	50	52
Vessels	11	1,738	2,097
Property, plants and other operating assets	11	6,282	6,755
Right-of-use assets	11,23,28	2,935	0
Equity accounted investments and joint ventures	3,4	2,355	2,204
Investments in other shares	12,24	40	33
Non-current receivables	9	136	156
Total non-current assets		**24,972**	**22,736**
Inventories	2,8	1,379	1,897
Biological assets	2,7	5,910	5,869
Trade receivables	2,9,12,25	2,468	2,293
Other current receivables	9,12	851	767
Liquid assets	12,14,17	4,251	4,393
Total current assets		**14,859**	**15,219**
Total assets	**3**	**39,831**	**37,955**
Equity and liabilities			
Share capital	16	101	101
Treasury shares		-18	-18
Share premium		3,714	3,714
Retained earnings and other reserves		8,482	7,859
Non-controlling interests		11,053	10,798
Total equity		**23,331**	**22,454**
Deferred tax liabilities	26	3,500	3,425
Pension obligations and other obligations	12,17,20	38	73
Borrowings	12,17	5,568	6,050
Lease liabilities to credit institutions	12,17,23,27	917	915
Lease liabilities to other than credit institutions	17,23,28	1,070	0
Other long-term liabilities	17,25	28	28
Total non-current liabilities		**11,122**	**10,491**
Borrowings	12,17,	1,484	1,083
Lease liabilities to credit institutions	12,17,23,27	328	299
Lease liabilities to other than credit institutions	17,23,28	209	0
Trade payable	12,25	1,704	1,629
Tax payable	26	480	780
Other current liabilities	7,12,18,22	1,173	1,219
Total current liabilities		**5,378**	**5,010**
Total liabilities	**3**	**16,500**	**15,501**
Total liabilities		**39,831**	**37,955**

Storebø, 23 April 2020
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

Eirik Drønen Melingen
Board member

Arne Møgster
CEO & President

THE GROUP

Statement of changes 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 01.01.2018		**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
Business combinations		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**
Profit for the year		**0**	**0**	**0**	**0**		**1,256**	**942**	**2,197**
Other comprehensive income in the year		0		0	74	26	-26	22	96
Total comprehensive income in the period		**0**		**0**	**74**	**26**	**1,229**	**964**	**2,294**
Transactions with shareholders									
Dividends	5	0	0	0	0		-706	-710	-1,416
Transactions with non-controlling interest	27	0	0	0	0	0	0	0	0
Business combinations		0	0	0	0	0	0	0	0
Total transactions with shareholders in the period		**0**	**0**	**0**	**0**	**0**	**-706**	**-710**	**-1,416**
Total change in equity in the period		**0**	**0**	**0**	**74**	**26**	**523**	**254**	**877**
Equity 31.12.2019		**101**	**-18**	**3,714**	**1,241**	**51**	**7,189**	**11,052**	**23,331**

Cash flow

Amounts in MNOK	Note	2019	2018
Profit before income taxes		2,756	5,192
Taxes paid for the period		-882	-948
Depreciation	10,11	1,339	967
Impairments/reversal of impairments	10,11	-2	143
Insuranse compensation for impairment loss	10	0	-150
Loss+/Gain- on sale of property, plant and equipment	21	-28	-49
Loss+/Gain- on investments	21	0	-158
Unrealised exchange gains and losses		-9	17
Share of (profit-/loss+) from associates	4	-451	-472
Interest expense	19	321	334
Interest income	19	-63	-57
Fair value adjustment on biological assets	7	306	-798
Change in inventories		171	-1,067
Change in accounts receivables and other receivables	9	-259	-78
Change in accounts payables		75	139
Change in net pension liabilities		-3	1
Change in other accruals		-90	145
Currency translation differences working capital		-9	0
Net cash flow from operating activities		**3,172**	**3,162**
Proceeds from sale of fixed assets		51	150
Proceeds from sale of shares and other equity instruments		0	391
Purchase of intangible and tangible fixed assets	10,11	-1,545	-2,533
Purchase of shares and equity investments in other companies/business combinations		-40	-145
Cash inflow from business combinations	6	0	27
Dividends received	4	391	395
Interest income		63	57
Movements in long term loans granted		20	48
Currency translation differences investing capital		0	5
Net cash flow from investing activities		**-1,059**	**-1,606**
Proceeds from issuance of long-term interest bearing debt	17	218	1,514
Repayment of long-term interest bearing debt	17	-1,166	-2,402
Movement in short-term interest bearing debt	17	399	-5
Interest paid		-304	-334
Dividends paid	5	-706	-565
Transactions with non-controlling interests		-710	-516
Currency translation differences from financing activities		12	56
Net cash flow from financing activities		**-2,256**	**-2,253**
Net change in cash and cash equivalents		**-143**	**-697**
Liquid assets at 01.01.		**4,393**	**5,075**
Currency exchange gains of cash and cash equivalents		1	15
Liquid assets at 31.12.		**4,251**	**4,393**

See note 17 for further information about bank overdraft undrawn.

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 April 23, 2020.

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 (MNOK), 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 30. 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 fish in sea. 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.

NOTE 2
Critical accounting estimates and judgements cont.

For fish ready for harvest on the balance sheet date, uncertainty mainly involves realised prices and volume. For fish not ready for harvest, 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 harvesting date for this fish.

(1) Price:
One important premise in the valuation of fish both ready for harvest and not yet ready for harvest 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 harvest the forward price for the following month is applied. For fish not ready for harvest, the forward price for the month when the fish is expected to achieve optimal weight for harvest is applied. If it is probable on the balance sheet date that the fish will be harvested before it reaches optimal harvest 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 harvest and not ready for harvest. Further adjustments are necessary for harvesting costs (well boat, harvesting and packaging services), 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 harvesting 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 harvest, an adjustment is also required for the costs necessary to grow the fish to optimal harvest 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 harvest 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 harvest 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 harvest weight. The actual harvest volume may therefore differ from the estimated harvest volume either as a result of changes in biological developments or due to special events, such as abnormal 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 harvest weight (optimal harvest 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 harvested before they reach this weight. If this is the case, the estimated harvest weight is adjusted. Projected mortality during the period from the balance sheet date to the date when the fish reach harvest weight is estimated to be 0.5% to 1.25% of the number of incoming fish per month, depending on region.

(4) Discounting
Every time a fish is harvested 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 harvest 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 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.

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 harvest date, the

NOTE 2
Critical accounting estimates and judgements cont.

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 harvest 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.

The estimated monthly discount rate at 31 December is lowered from 6 % per month for 2018 to 5% per month for 2019. The adjustment increases the calculated value. In the sensitivity analysis below the value is calculated for different discount rates. The change is a result from a periodic review. As mentioned above, the hypothetical licence lease is one of the main elements when setting the discount rate. In the hypothetical licence lease the future expected margins are an important parameter. The price level on atlantic salmon and trout is at a lower level as of 31.12.2019 compared with 31.12.2018. This applies for both spot prices and forward prices. Thus, the level of the hypothetical licence lease as of 31.12.2019 is at a lower level than 31.12.2018. Due to this, the monthly discount rate applied is adjusted accordingly.

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 harvest 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 harvest weight

			Projected harvest weight per fish in kg gwe				
			3.5	**3.75**	**4.0**	**4.25**	**4.5**
			Change in projected harvest weight per kg gwe				
Average price per kg (NOK)	**Change in price per kg (NOK)**		**-0.50**	**-0.25**	**-**	**0.25**	**0.50**
48.3	-5.00		4,176	4,510	4,846	5,191	5,560
51.3	-2.00		4,568	4,922	5,278	5,645	6,036
52.3	-1.00		4,698	5,059	5,423	5,797	6,195
53.3	-		4,829	5,197	**5,567**	5,948	6,354
54.3	1.00		4,959	5,334	5,711	6,100	6,513
55.3	2.00		5,090	5,471	5,855	6,251	6,672
58.3	5.00		5,481	5,883	6,288	6,705	7,148

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 harvest weight per kg gutted weight. For projected harvest weight, the table shows changes in fair value when there is an increase in projected harvest 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 harvest weight will bring about a reduction in cost per kg, while a reduction in projected harvest weight will bring about an increase in cost per kg. For price, the change is per NOK gutted weight. The above price is after deduction for harvesting costs, transport to Oslo, quality, size and exporter margin.

Sensitivity analysis for weighted average price and monthly discount rate applied

		Monthly discount rate (%)				
		3.0 %	**4.0 %**	**5.0 %**	**6.0 %**	**7.0 %**
		Change in monthly discount rate (%)				
Average price per kg (NOK)	**Change in price per kg (NOK)**	**-2.0 %**	**-1.0 %**	**0.0 %**	**1.0 %**	**2.0 %**
48.3	-5.00	5,420	5,118	4,846	4,599	4,375
51.3	-2.00	5,921	5,583	5,278	5,003	4,753
52.3	-1.00	6,087	5,738	5,423	5,138	4,880
53.3	-	6,254	5,893	**5,567**	5,273	5,006
54.3	1.00	6,421	6,048	5,711	5,407	5,132
55.3	2.00	6,588	6,202	5,855	5,542	5,258
58.3	5.00	7,089	6,667	6,288	5,946	5,637

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

		Number of fish in stock (million fish)				
		55.1	**56.8**	**58.0**	**59.2**	**60.9**
		Change in number of fish in stock				
Average price per kg (NOK)	**Change in price per kg (NOK)**	**-5 %**	**-2 %**	**0 %**	**2 %**	**5 %**
48.3	-5.00	4,508	4,711	4,846	4,980	5,183
51.3	-2.00	4,919	5,135	5,278	5,422	5,637
52.3	-1.00	5,056	5,276	5,423	5,569	5,789
53.3	-	5,193	5,417	**5,567**	5,716	5,940
54.3	1.00	5,330	5,559	5,711	5,863	6,092
55.3	2.00	5,467	5,700	5,855	6,011	6,243
58.3	5.00	5,879	6,124	6,288	6,452	6,698

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.

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 in Coischo, Chancay, Pisco and Ilo respectively, 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

Br. Birkeland AS (BRBI) holds pelagic fishing licences which in 2019 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 AS (BFARM) holds seven salmon farming licences in the Western Region of Norway.

PELAGIA HOLDING AS

Pelagia Holding AS (Pelagia) is a private company within the pelagic sector. Pelagia is engaged in production of fishmeal, fish oil, Omega-3 oil and frozen fish for direct human consumption. Pelagia 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.

2019	LSG ASA	Austral Group	Foodcorp Chile	Br. Birkeland	Br. Birkeland Farming	Pelagia Holding AS 50%	Other/ elim.	Group
External income	20,425	1,697	556	225	358	3,441	-3,390	23,312
Inter-segment income	2	0	0	5	34	0	-40	0
Other gains and losses	27	3	-1	0	0	53	-53	30
Total segment income	**20,454**	**1,700**	**555**	**230**	**392**	**3,493**	**-3,483**	**23,342**
Operating expenses	-16,708	-1,396	-508	-157	-314	-3,058	3,060	-19,081
Operating profit before depreciation, amortisation, impairment and fair value adjustment biological assets	**3,746**	**305**	**47**	**73**	**78**	**436**	**-423**	**4,261**
Depreciation and amortisation	-1,012	-197	-34	-45	-28	-111	88	-1,338
Impairment/reversal of impairments*	0	2	0	0	0	0	0	2
Operating profit before fair value adjustment biological assets	**2,734**	**109**	**13**	**28**	**50**	**325**	**-335**	**2,924**
Fair value adjustment biological assets	-334	0	0	0	27	0	0	-306
Operating profit	**2,401**	**109**	**13**	**28**	**77**	**325**	**-335**	**2,618**
Income from associated companies	180	0	0	-1	5	25	243	451
Financial income	55	299	4	8	3	4	8	382
Financial expenses	-270	-338	-6	-11	-5	-41	-22	-694
Profit before tax	**2,365**	**71**	**11**	**24**	**80**	**313**	**-107**	**2,756**
Income tax expense	-496	-29	-3	-5	-16	-45	35	-558
Net profit	**1,870**	**42**	**7**	**19**	**63**	**269**	**-72**	**2,198**
Profit attributable to non-controlling interest	897	5	0	11	28	0	0	942
Profit attributable to Austevoll Seafood ASA shareholders	**973**	**36**	**7**	**8**	**35**	**269**	**-72**	**1,256**
Share of dividend recognised in the parent company, Austevoll Seafood ASA.	**471**	**40**	**0**	**17**	**0**	**125**	**0**	**923**

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

NOTE 3
Segment information cont.

2018	LSG ASA	Austral Group	Foodcorp Chile	Br. Birkeland	Br. Birkeland Farming	Pelagia Holding 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
Financial income	38	115	4	9	1	30	-15	182
Financial expenses	-199	-226	-9	-25	-4	-69	-6	-539
Profit before tax	**4,449**	**342**	**75**	**113**	**112**	**184**	**-81**	**5,193**
Income tax expense	-851	-115	-19	14	-22	-19	50	-962
Net profit	**3,598**	**227**	**56**	**127**	**89**	**165**	**-31**	**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**	**199**	**56**	**53**	**46**	**165**	**-31**	**2,299**
Share of dividend recognised in the parent company, Austevoll Seafood ASA.	**628**	**180**	**0**	**17**	**19**	**150**	**0**	**994**

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

NOTE 3
Segment information cont.

Segment	Non-current assets 2019	Non-current assets 2018	Total investments in non-current assets 2019	Total investments in non-current assets 2018
Lerøy Seafood Group ASA	15,866	13,936	1,230	2,275
Pelagia Holding AS	IA	IA	IA	IA
Br. Birkeland AS	918	914	10	3
Br. Birkeland Farming AS	284	247	9	22
Other	4,692	4,537	29	7
Total for Norway	**21,760**	**19,634**	**1,277**	**2,307**
Austral Group S.A.A - Peru	2,538	2,428	228	142
Foodcorp Chile S.A - Chile	617	617	40	84
Total	24,915	22,679	**1,545**	**2,533**

Segment	Associated companies and joint venture 2019	Associated companies and joint venture 2018	Total liabilities 2019	Total liabilities 2018
Lerøy Seafood Group ASA	981	1,047	12,743	11,559
Pelagia Holding AS	1,248	1,100	IA	IA
Br. Birkeland AS	39	0	422	533
Br. Birkeland Farming AS	81	50	273	252
Other	5	6	1,302	1,330
Total for Norway	**2,354**	**2,203**	**14,738**	**13,674**
Austral Group S.A.A - Peru	1	1	1,575	1,545
Foodcorp Chile S.A - Chile	0	0	186	282
Total	**2,355**	**2,204**	**16,499**	**15,501**

Sales revenue by geographic areas	2019	2018
Norway	4,581	4,294
EU	11,396	11,825
Eastern Europe	850	646
Africa	275	303
North America	1,024	914
Pacific	4,568	4,188
South America	611	460
Central America	7	0
Total	**23,312**	**22,630**

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

NOTE 4
Associated companies and investments in joint ventures

The amounts recognised in the balance sheet:

	2019	2018
Associates	1,106	1,103
Joint ventures	1,249	1,100
Total per 31.12.	**2,355**	**2,204**

Profit and loss recognised in the income statement:

	2019	2018
Associates	182	287
Joint ventures	269	185
Total per 31.12.	**451**	**472**

Set out below are the major associates of the Group as of 31.12.2019.

Name	Country of incorporation	Voting rights	Measurement metod
2018 and 2019			
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 group		Norskott Havbruk AS group		Seistar Holding AS group	
Year ended	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Statement comprehensive income						
Revenue	1,733	1,739	1,834	2,057	159	171
Pre-tax (loss)/profit	82	64	229	640	110	25
Hereof fair value adjustment biological assets	0	0	-19	-3	0	0
Post-tax (loss)/profit	**64**	**49**	**213**	**523**	**109**	**32**
Other comprehensive income	0	0	-7	-11	0	0
Balance sheet						
Total current assets	350	380	1,048	1,303	171	92
Total current liabilities	-241	-336	-361	-336	-34	-32
Non-current assets	376	379	1,598	1,330	516	428
Non-current liabilities	-100	-85	-1,012	-775	-380	-272
Net assets	**386**	**337**	**1,274**	**1,523**	**274**	**217**
Carrying value in AUSS group	**124**	**112**	**668**	**792**	**157**	**108**

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 group**		**Norskott Havbruk AS group***		**Seistar Holding AS group**	
Year ended	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Carrying value per 01.01.	**112**	**93**	**792**	**778**	**108**	**95**
Acquisitions	0	0	0	0	0	0
Share of profit/(loss)	19	18	106	265	55	16
Exchange differences	-1	1	25	-3	0	0
Dividends	-6	0	-253	-242	-6	-3
Other changes in equity	0	0	-4	-6	0	0
Carrying value per 31.12.	**124**	**112**	**668**	**792**	**157**	**108**

** 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	**2019**	**2018**	**2019**	**2018**
Carrying value per 01.01.	**90**	**46**	**1,103**	**1,013**
Acquisitions	40	21	40	21
Share of profit/(loss)	2	-12	182	287
Exchange differences	0	0	25	-2
Dividends	-1	0	-266	-245
Other changes in equity	26	35	23	29
Carrying value per 31.12.	**158**	**90**	**1,106**	**1,103**

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

Below 100% of assets and liabilities, revenue and profit/loss in Pelagia Holding AS (joint venture) accounted for using the equity method.

	Pelagia Holding AS group	
Assets	**2019**	**2018**
Cash and cash equivalents	181	92
Other curent assets	3,137	2,313
Total current assets	**3,318**	**2,406**
Financial liabilities (excluding trade payables)	-1,839	-1,144
Other current liabilities (including trade payables)	-587	-422
Total current liabilities	**-2,426**	**-1,565**
Non-current assets	3,280	3,007
Non-current financial liabilities	-1,354	-1,474
Other non-current liabilities	-169	-46
Equity-financed fixed assets	**1,757**	**1,487**
Total equity	**2,649**	**2,328**
Minority interests	-42	-42
Net assets	**2,607**	**2,286**
Revenue	6,986	6,369
Depreciation and amortisation	-221	-202
Other expenses	-6,115	-5,724
Net interest expense	-65	-50
Other financial items	42	14
Pre-tax profit	**626**	**406**
Income tax expense	-89	-37
Post-tax profit	**537**	**369**
Other comprehensive income	0	0
Total comprehensive income	**537**	**369**

	Pelagia Holding AS group	
Reconciliation of summarised financial information	**2019**	**2018**
Per 01.01.	**1,100**	**1,061**
Share of profit/(loss)	269	185
Currency exchange	17	2
Dividends	-125	-150
Other changes in equity	-12	3
Carrying value per 31.12.	**1,249**	**1,100**

NOTE 5
Dividends per share

Distributed dividend per share in 2019, based on profit figure for 2018 was NOK 3.50 per share. This amounted to a total of TNOK 709,511. Based on the profit figure for 2019, a dividend payment of NOK 2.50 per share is proposed for 2020. This will in total constitute TNOK 506,793. A final decision will be made by the ordinary shareholders' meeting on 28 May 2020.

Year	Profit after tax to AUSS shareholders	No of shares 31.12.	Average no of outstanding shares	Earnings per share	Proposed dividend
2019	1,256	202,717,374	201,824,407	6.22	507
2018	2,299	202,717,374	201,824,407	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	**11,804**				**5,488**

Year	Proposed dividend per share	Dividends in % of net result ex. fair value biological assets	Dividends paid in mill (from last year)	No. of shares	Distributed dividend per share
2019	2.50	21 %	708	202,717,374	3.50
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
Sum	**27.10**		**4,976**		**24.60**

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 2019

Business combinations in 2019

There has not been any significant business combinations in 2019. In 2019 the group acquired the swedish company Goda Salladsprodukter i Väst AB. The company were producing sallads. Carrying amount of equity was TSEK 50. The consideration, which is based on economic results the next few years, has been calculated to SEK 3.5 million It was not identified any excess values. A goodwill amounting to NOK 3.25 million was recognised. The acquired company was merged into Lerøy Smøgen Seafood AB in August 2019.

Transactions with non-controlling interests in 2019

In 2019 the group acquired the remaining shares in Melbu Fryselager AS from non-controlling interests. Consideration paid was NOK 1.62 million. The transaction is recognised as a reduction in equity, included in the statement of changes in equity.

Transactions in 2018

There have been three business combinations in 2018. LSG acquired all the shares in Laks- & Vildcentralen AS in March 2018. In October 2018 all shares in Hardanger Skjell AS was acquired. In November 2018 the Group increased its ownership in Lerøy Sommarøy AS from 50% to 100%.

AUSS acquired 3.55% ownership in BFARM in 2018, with settlement in 1.94% of the shares in BRBI.

Aggregate considerations related to business combinations	2019	2018
Total considerations made *	3	144
Allocated but not adopted dividends in acquired companies	0	-12
Total	**3**	**132**

** Of the total consideration calculated for 2019 business combinations, only NOK 0.75 million is paid. The remaining amount is estimated, based on future results, and will be paid in 2020 and later*

Aggregate acquisition analysis and estimation of goodwill	2019	2018
Book equity at time of acquisition	0	20
Added value identified	0	0
Elimination between goodwill and other gains on transition from associate to subsidiary *	0	22
Estimated goodwill	3	90
Total	**3**	**132**

** Other gains from new measurement on transition from associate to subsidiary*

Transactions with non-controlling interests	2019	2018
Consideration received from sale of 0.1% of the shares in Preline Fishfarming System AS	0	0
Consideration paid for the remaining 33% of the shares in Melbu Fryselager AS	2	0
Equity impact	**-2**	**0**

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 optimal harvest weight. The cash flow is discounted monthly by a discount rate. Please refer to note 30 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 last mentioned adjustment does only include Fish Pool contracts included in the balance sheet at the beginning of the year. For new contracts entered into in 2019 the change in fair value are recognised as other comprehensive income (OCI) due to cash flow hedging.

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	**2019**	**2018**
Fish in sea at historic cost*	4,279	3,964
Fry, brood, smolt and cleaning fish to cost*	343	270
Total biological assets before fair value adjustment	**4,623**	**4,234**
Fair value adjustment biological assets	1,287	1,635
Total biological assets	**5,910**	**5,869**
Fair value on fish in sea	5,567	5,599
Fair value on fry, brood, smolt and cleaning fish	343	270
Total biological assets	**5,910**	**5,869**

** Historical cost minus expensed mortality*

Carrying amount of loss-making contracts	**2019**	**2018**
Total loss-making contracts 31.12.	**27**	**52**

Recognised fair value adjustment related to biological assets	**2019**	**2018**
Change in fair value adjustment biological assets (fish in sea)	-347	843
Change in onerous contracts	25	-47
Change in fair value Fish Pool contracts	16	1
Total fair value adjustments related to biological assets	**-306**	**798**

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 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 harvest (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 31.12.2018	**270**	**3,964**	**1,635**	**5,869**
Changes in 2019				
Increase from biological transformation (released and net growth)	676	6,555	0	7,231
Reduction due to sale and own consumption (smolt and cleaner fish)	-604	0	0	-604
Reduction due to harvest (salmon and trout)	0	-6,052	0	-6,052
Reduction due to incident-based mortality	0	-188	0	-188
Reduction due to accidental release	0	0	0	0
Net change in fair value (fish in sea)	0	0	-348	-348
Biological assets 31.12.2019	**343**	**4,279**	**1,287**	**5,910**

** Carrying amount before fair value adjustment (historical cost minus charged mortality)*

Reconciliation of volume (LWT) for stock of fish in sea	2019	2018
Life weigt (LWT) on fish in sea per 01.01. (tonnes)	**115,934**	**117,560**
Changes through the year		
Increase from biological transformation (released and net growth)	217,990	203,883
Reduction due to harvesting	-199,434	-200,035
Reduction due to incident-based mortality	-18,193	-5,475
Reduction due to accidental release	0	0
Live weight of fish in sea 31.12. (tonnes)	**116,296**	**115,934**

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 31.12.	2019	2018
Fish in sea, 0 - 1 kg	12,625	14,670
Fish in sea, 1 - 2 kg	11,599	15,911
Fish in sea, 2 - 3 kg	17,499	36,970
Fish in sea, 3 - 4 kg	40,191	26,083
Fish in sea, 4 - 4,8 kg	18,064	15,728
Fish in sea, above 4,8 kg	16,318	6,572
Fish in sea, total salmon and trout	**116,296**	**115,934**

NOTE 7
Biological assets cont.

Distribution according to ready for harvest or not, and by salmon and trout	2019	2018
Fish ready for harvest (fish with live weight > 4.8 kg)	**16,318**	**6,572**
- Salmon	16,318	5,147
- Trout	0	1,425
Fish not ready for harvest (fish with live weight < 4.8 kg)	**99,978**	**109,362**
- Salmon	83,208	93,475
- Trout	16,770	15,887
Total volume fish in sea (LWT)	**116,296**	**115,934**
- Salmon	99,526	98,622
- Trout	16,770	17,312
Number of individuals		
Total number of all groups (in 1,000)	58,009	60,260

Price parameters 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

Price parameters 2019- Estimated forwardprice trough expected harvesting period	Forward-price*	Exporter fee	Clearing cost	Net forward price
1. quarter 2020	66.10	-0.75	-0.185	65.17
2. quarter 2020	66.90	-0.75	-0.185	65.97
3. quarter 2020	55.00	-0.75	-0.185	54.07
4. quarter 2020	56.40	-0.75	-0.185	55.47
1. quarter 2021	59.35	-0.75	-0.185	58.42
2. quarter 2021	59.65	-0.75	-0.185	58.72

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 30.12.*

Adjustments are also made for:	2019	2018
- Price-premium (+) for ASC trout	-3.00	0.00
- Reduction for quality differences salmon	-0.79	-0.25
- Reduction for quality differences trout	-1.68	-0.70
- Reduction for size differences salmon	-0.18	-0.40
- Reduction for size differences trout	-0.80	-0.80

NOTE 7
Biological assets cont.

Deductions are also made for well boat services, harvesting 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 harvest weight), based on projected weight on the date of harvest.

	2019	2018
Calculated average net-prices, all sizes (NOK/kg)	53.26	56.07
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 Mid-Norway	0.67 %	1.00 %
Projected mortality in relation to number of individuals per month in West Norway	1.25 %	1.00 %
Projected harvesting weight (live weight)	4.8 kg	4.8 kg
Discount rate (monthly)	5 %	6 %

ACCIDENTAL RELEASE IN 2019

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. 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 2019. In total only 85 individuals have escaped, from a total stock of approximately 58 million individuals. The accidental release consists of seven different small incidents. These incidents are further described in the annual report, available at www.auss.no.

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 (I).

Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2019 most of the incident-based mortality has been caused by sea lice treatment.

Fish health, including minimising mortality, is the cornerstone of the Group's strategy. The positive trend in the number of sea lice treatments and related mortality, have continued in 2020.

NOTE 8
Inventories

	2019	2018
Raw materials	444	400
Work in progress	25	152
Finished goods	936	1,367
Impairments, including obsoleteness	-25	-22
Total	**1,379**	**1,897**
Obsoletness of inventories expensed during the year	11	6

NOTE 9
Trade and other receivables

	2019	2018
Trade receivables	2,489	2,326
Less: provision for impairment of trade receivables	-21	-33
Trade receivables - net	**2,468**	**2,293**

Other current receivables	**2019**	**2018**
Prepayments	61	79
Loans to third parties	13	0
Public fees and taxes receivable	442	313
Currency forward contracts/Effects of fair value hedging	103	73
Insurance to recover	4	151
Short-term loans	44	52
Balance on sale of equipment	9	16
Other current receivables	174	82
Total other current receivables	**850**	**767**
Total current receivables	**3,318**	**3,060**

Non-current receivables	**2019**	**2018**
Loans to related parties	20	59
Loans to third parties	55	51
Other non-current receivables	61	46
Total non-current receivables	**136**	**156**

NOTE 9
Trade and other receivables cont.

Age distribution for trade receivables past due, but not impaired	2019	2018
0 to 3 months	364	473
3 to 6 months	12	50
Over 6 months	16	19
Total	**391**	**541**

Age distribution for trade receivables past due and impaired	2019	2018
0 to 3 months	3	2
3 to 6 months	0	1
Over 6 months	5	10
Total	**8**	**13**

The Group's trade receivables of MNOK 2,468 are partly covered by credit insurance and other types of security. Trade receivables per 31.12. were nominally MNOK 2,489 while provisions for bad debts were amounted to MNOK 21.

Trade receivables, past due but not impaired was MNOK 391 per 31.12. A major part of the trade receivables, past due but not impaired are related to the subsidiary LSG with MNOK 278 of the amount overdue. Per end of February 2020 more than 90.8% of the customer receivables related to LSG are paid.

Book value of trade receivables and other short-term receivables per currency	2019	2018
USD	483	356
GBP	32	85
EUR	840	888
NOK	1,577	1,360
CLP	32	48
PEN	127	70
SEK	155	183
Other	75	70
Total	**3,319**	**3,060**

Change in provision for bad debts for trade receivables is as follows	2019	2018
Per 01.01.	-33	-46
Change in provisions for the year	15	13
Provisions for bad debts for the year	-3	0
Per 31.12.	**-21**	**-33**

NOTE 10
Intangible assets

2018	Goodwill	Licences fishfarming Norway	Licences white fish and pelagic fisheries Norway	Licences pelagic fisheries South America	Brand/ Trade-marks	Total
Per 01.01.						
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 01.01.	**1,942**	**3,895**	**4,608**	**1,117**	**50**	**11,612**
Balance sheet value at 01.01.	1,942	3,895	4,608	1,117	50	11,612
Currency translation differences	5	0	0	43	0	48
Reclassification	-67	9	-47	0	0	-105
Effect of business combination	90	0	0	0	0	90
Intangible assets acquired	0	92	0	4	2	97
Intangible assets sold/demerged	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	10-15 years			
2019						
Balance sheet value at 01.01.	1,969	3,987	4,267	1,161	52	11,435
Currency translation differences	5	0	2	18	0	24
Effect of business combinations	3	0	0	0	0	4
Intangible assets acquired	0	16	0	3	0	19
Intangible assets sold/demerged	0	0	0	0	-2	-2
Amortisation	0	-11	-37	-3	0	-51
Carrying amount at 31.12.	**1,977**	**3,993**	**4,232**	**1,179**	**50**	**11,430**
Per 31.12.						
Acquisition cost	2,105	4,201	4,444	1,230	50	12,031
Accumulated amortisation	0	-190	-212	-30	0	-433
Accumulated impairment	-128	-18	0	-21	0	-168
Carrying amount at 31.12.	**1,977**	**3,993**	**4,232**	**1,179**	**50**	**11,430**
- of which assets with indefinite lives	1,977	3,971	3,791	1,179	50	10,967
- of which assets with definite lives	0	22	441	0	0	463
- remaining years for assets with definite useful lives (years)		10-12 years	9 -14 years			

NOTE 10
Intangible assets cont.

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	1,499	7,426	50	8,976
Br. Birkeland AS	169	620	0	790
Br. Birkeland Farming AS	21	174	0	195
Austral Group S.A.A	286	831	0	1,117
Foodcorp Chile S.A	0	352	0	352
Total	**1,976**	**9,403**	**50**	**11,430**

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 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 6.8%, and a nominal rate of 1.0-2.0%. LSG's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2019 and 2018. The management's calculations are robust in the face of reasonable changes in conditions in the future, and a change of all essential 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 the growth has been low. 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 (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 LNWS (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 2 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 2019 (2018), each vessel was permitted up to four (four) quota units, including the quota connected to the vessel.

NOTE 10
Intangible assets cont.

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 2019 (2018), one cod licence entitled the holder to fish for 1,109 (1,206) tonnes of cod, 430 (412) tonnes of haddock and 380 (465) tonnes of saithe in the zone north of 62 degrees latitude. When compared with the final licence volumes after re-allocations for 2018 (2017), this is a change of –10% (18%) for cod, +2%((-27%) for haddock and -26% (+20%) 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 distributed among all parties in the regulation group in question, as basic quotas. Basic quotas do not have any time limits.

Havfisk – and LNWS 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 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 LSG’s acquisition of the majority shareholding in Havfisk was granted on the basis of LSG’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, LSG and AUSS provided that LSG continues to own minimum 60% of the shares in Havfisk and that AUSS continues to own minimum 50% of the shares in LSG. 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 AUSS. 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, LSG and AUSS 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 losing its licence rights.

BR. BIRKELAND AS (BRBI)
BRBI had by end of 2019 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.

BR. BIRKELAND FARMING AS (BFARM)
BFARM 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

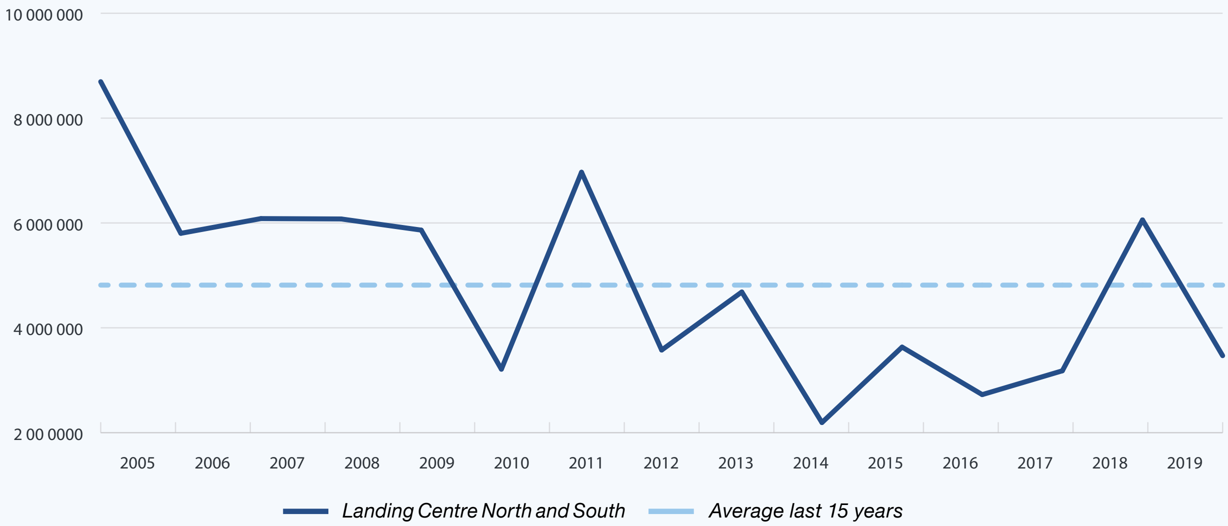
NOTE 10
Intangible assets cont.

7.6%, WACC after tax of 6.8%, and a nominal rate of growth of 1.0-2.0%. BFARM's impairment tests did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2019 and 2018. 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 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 7.0%, 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 2019-2028 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 0.25 million tonnes in South Peru – totaling 4.75 million tonnes. This figure is just below the average catch volumes 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 2019 and 2018. 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 1,756. For comparison, the average price of fishmeal FOB Peru was USD 1,438 in 2019 and USD 1,521 in 2018 (source: SUNAT).

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



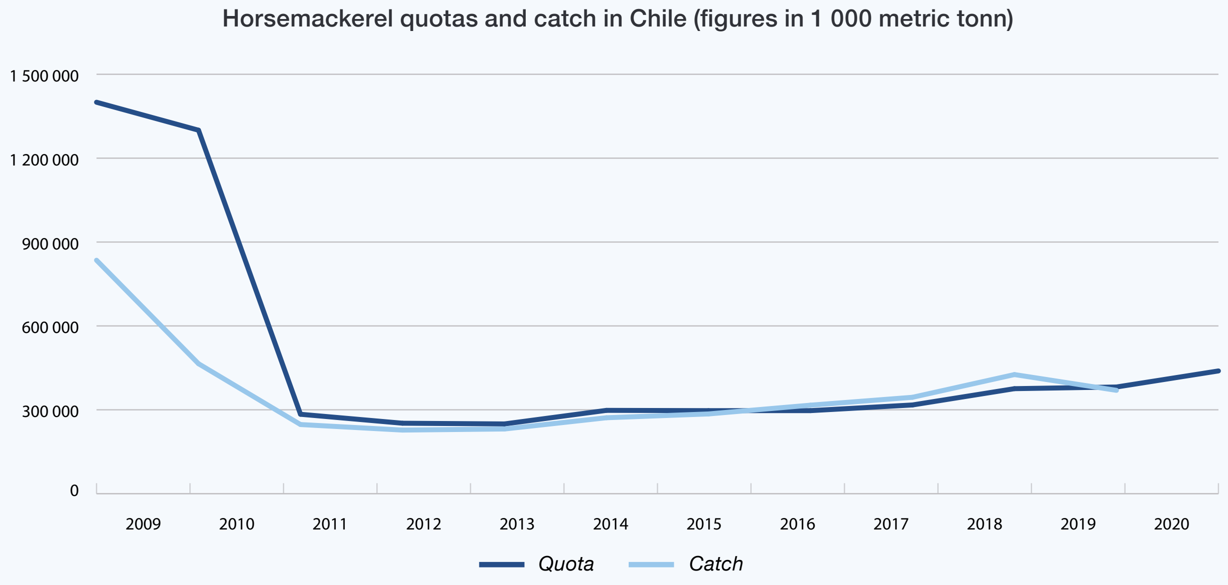
FOODCORP CHILE S.A (FC)

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 2019 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

NOTE 10
Intangible assets cont.

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, 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. In 2019 the growth in quota was 3% and for 2020 the growth in quota is 15%.

Cash flows after tax and an equivalent discount rate (WACC) after tax of 8.0%, 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 2019-2028 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 647,000 tonnes. This volume is still low compared to the historical figures pre 2010 (look at figures below). FC's impairment tests did not produce grounds for write-down of intangible assets with an indefinite useful life in 2019.



THE GROUP

NOTE 11
Tangible fixed assets

2018	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Per 01.01.						
Acquisition cost	355	130	3,173	7,740	4,015	15,413
Accumulated depreciation	0	-1	-855	-4,816	-2,011	-7,682
Accumulated impairment	-22	0	-66	-28	-51	-167
Carrying amount at 01.01.	**333**	**129**	**2,252**	**2,895**	**1,953**	**7,563**
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	-922
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**

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

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**

NOTE 11
Tangible fixed assets cont.

2019	Land	Projects in progress	Buildings	Plant, equipment and other fixtures	Vessels	Total
Balance sheet value at 31.12.2018	361	759	2,280	3,355	2,097	8,851
Implementation IFRS16	49	0	530	122	841	1,541
Balance sheet value at 01.01.	**410**	**759**	**2,810**	**3,477**	**2,937**	**10,393**
Translation differences	2	3	4	11	17	36
Reclassification	-49	-208	-545	730	-766	-838
Acquisitions through business combinations	0	0	0	0	1	1
Tangible fixed assets acquired	47	-57	1,647	435	98	2,170
Tangible fixed assets sold/scrapped	-5	0	-47	-754	-1	-807
Depreciation	0	-6	-382	-678	-222	-1,288
Acc. depreciation on disposals	0	0	22	534	0	556
Reclassification of disposed business	0	0	3	712	3	719
Impairment	0	0	0	0	0	0
Reversal of impairments	0	0	9	1	0	10
Reversal of impairment by sale/demerge	2	0	0	0	0	2
Carrying amount at 31.12.	**407**	**490**	**3,521**	**4,468**	**2,068**	**10,954**
Per 31.12.						
Acquisition cost	425	497	4,822	9,154	4,776	19,674
Accumulated depreciation	0	-7	-1,249	-4,671	-2,496	-8,423
Accumulated impairment	-18	0	-51	-15	-213	-296
Carrying amount at 31.12.	**407**	**490**	**3,521**	**4,468**	**2,068**	**10,954**
Carrying amount of right-of-use assets included above						
Right-of-use-assets from credit institutions	0	0	70	1,213	330	1,613
Right-of-use-assets from others than credit institutions	46	0	489	95	691	1,321
Carrying amount at 31.12.	**46**	**0**	**560**	**1,308**	**1,021**	**2,935**
Depreciation on right-of -use assets included above						
Right-of-use-assets from credit institutions	0	0	3	215	21	239
Right-of-use-assets from other than credit institutions	4	0	60	38	146	248
Total	**4**	**0**	**63**	**254**	**166**	**487**

NOTE 12
Financial risk management

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 31.12.2019, 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 50 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 31.12.2019, 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 44 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 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 31.12.2019, the Group has a total unrealised loss of MNOK 20 (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 12 in 2019 and MNOK 8 in 2018 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 2019 and 2018, allowed for entered interest rate swaps.

Amounts in MNOK	Increase/reduction in basis points	2019	2018
Impact on profit before tax	+/- 50	-/+ 12	-/+ 8

NOTE 12
Financial risk management cont.

CREDIT RISK

Credit risk occurs in transactions involving derivatives, deposits with banks and financial institutions in addition to transactions with wholesalers and customers, including outstanding receivables and fixed agreements. As virtually all the Group's sales to end customers are credit sales, procedures have been established to ensure that the Group companies only sell products to customers with satisfactory credit rating. A credit assessment is performed based on the customer's financial position, history and any other factors of relevance. Individual limits are set for risk exposure, based on internal and external assessments of creditworthiness and guidelines from the Board of Directors. The Group's compliance on these procedures is regularly monitored. For the busuness in Europe, almost all of the Group's trade receivables are covered by credit insurance securing about 90 % of nominal amounts. For the business in South America, credit and prepayment are largely used. The counterparties to derivative contracts and financial placements may only be financial institutions with a high credit rating and other parties who can provide reliable security. See note on receivables for further information on credit 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. 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.

31.12.2019	**Less than 1 year**	**1-2 years**	**3-5 years**	**Over 5 years**
Loan debt	1,709	2,344	2,096	1,922
Lease liability right-of-use assets to credit institutions	363	431	411	146
Lease liability right-of-use assets to others than credit institutions	254	454	294	513
Trade payables and other liabilities, (excl. statutory commitments)	2,552	0	0	0

31.12.2018	**Less than 1 year**	**1-2 years**	**3-5 years**	**Over 5 years**
Loan debt	1,313	3,492	1,832	1,309
Lease liability to credit institutions	330	479	329	167
Trade payables and other liabilities, (excl. statutory commitments)	2,451	2	4	21

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.

The gearing ratios at 31.12.2019 and 31.12.2018 were as follows:

NOTE 12
Financial risk management cont.

	2019	2018
Total loans (note 17)	8,325	8,375
Minus liquid assets	4,251	4,393
Minus other interest-bearing assets	0	1
Net interest bearing debt (ref note 29)	**4,073**	**3,982**
Total equity	23,331	22,454
Capital employed	**27,405**	**26,436**
Gearing ratio	**15 %**	**15 %**

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

31.12.2019 Assets	**Amortised cost**	**Fair value through P&L**	**Fair value through OCI**	**Total**
Investments in shares	0	40	0	40
Derivatives (interest rate swap agreements)	0	0	7	7
Trade receivables and other receivables excl. advance payments*	3,251	0	0	3,251
Financial assets to fair value through profit or loss	0	103	0	103
Liquid assets	4,251	0	0	4,251
Total assets	**7,502**	**143**	**7**	**7,652**

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

31.12.2019 Liabilities	**Amortised cost**	**Fair value through P&L**	**Fair value through OCI**	**Total**
Loans excl. lease liability to credit institutions	7,079	0	0	7,079
Lease liability to credit institutions	1,245	0	0	1,245
Lease liability to other than credit institutions	1,279	0	0	1,279
Derivatives (interest rate swap agreements)	0	0	31	31
Trade payables and other liabilities, excl. statutory commitments	2,516	0	0	2,516
Total	**12,120**	**0**	**31**	**12,151**

NOTE 12
Financial risk management cont.

31.12.2018 **Assets**	**Amortised cost**	**Fair value through P&L**	**Fair value through OCI**	**Total**
Investments in shares	0	33	0	33
Derivatives	0	0	6	6
Trade receivables and other receivables excl. advance payments *	2,975	0	0	2,975
Financial assets to fair value through profit or loss	0	0	0	0
Liquid assets	4,393	0	0	4,393
Total assets	**7,368**	**33**	**6**	**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**
Loans excl. lease liability to credit institutions	7,160	0	0	7,160
Lease liability to credit institutions	1,216	0	0	1,216
Derivatives (interest rate swap agreements)	0	0	55	55
Trade payables and other liabilities, excl. statutory commitments	2,451	80	8	2,538
Total	**10,826**	**80**	**63**	**10,969**

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 measured at fair value at 31.12.2019. There were no transfers between level 1 and 2 during the year.

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	40
Derivatives used for hedging			
-Fair value hedging - fair value through P&L	0	103	0
-Cash flow hedging - fair value through OCI	0	7	0
Total assets	**0**	**110**	**40**

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	0	0
-Cash flow hedging - fair value through OCI	0	31	0
Total liabilities	**0**	**31**	**0**

NOTE 12
Financial risk management cont.

The following table presents the Group's financial assets and liabilities 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**

(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 31.12.2019 the Group has currency forward contracts with a net negative fair value of NOK 36 million (NOK 80 million in 2018). The currency forward contracts are classified as other short-term debt at 31.12.2019. NOK 1 million (NOK 73 million in 2018) of the net negative value is offset against the off-balance item signed sales contracts, and is classified as a short-term receivable.

The net currency loss in 2019 is NOK 2 million (NOK 65 million in 2018), which is recognised in cost of materials in the income statement, as it relates to the inventory cycle.

NOTE 12
Financial risk management cont.

INTEREST SWAP CONTRACTS

Contracts with expiration later than one year:

- Contract from 2011: MNOK 500, start date on time of contract, duration 10 years, closing date 16.11.2021, interest 3.55 %, LSG
- Contract from 2012: MNOK 500, start date on time of contract, duration 10 years, closing date 16.01.2022, interest 3.29 %, LSG
- Contract from 2016: MNOK 323.5, start date: 05.10.2018, duration 2.5 years, closing date 06.04.2021, interest 1.01 %, Havfisk
- Contract from 2016: MNOK 323.5, start date: 05.10.2018, duration 2.5 years, closing date 06.04.2021, interest 1.02 %, Havfisk

The fair value of the swap agreements has been estimated using market inputs per 31 December. As at 31.12.2019, a total unrealised gain of MNOK 20 was included in equity.

Interest swap contracts	Nominal value	Interest rate/ average rate	Liabilities recognised	Corresponding deferred tax	Effect on equity
Fair value at 31.12.2018	1,647	2.48 %	50	11	-39
Fair value adjustment 31.12.2019	1,647	2.48 %	-26	-6	20
31.12.2019			**24**	**5**	**-19**

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

	2019	2018
Letters of guarantees held by subsidiary	152	150
Total	**152**	**150**

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

NOTE 14
Restricted bank deposits

	2019	2018
Restricted deposits related to employee tax deduction	97	86
Other restricted deposits	36	48
Total	**133**	**134**

NOTE 15
Events after reporting period

A respiratory disease of unknown origin was reported by China to the WHO (World Health Organization) on 31.12.2019. On 30.01.2020, the WHO declared that this virus outbreak was a public health emergency of international concern (PHEIC). On 11.02. 2020, the WHO named the virus COVID-19. The virus has spread worldwide, and the WHO classified the outbreak as a global pandemic on 11.03.2020. COVID-19 is having an impact on global value chains in that the necessary measures taken by the public authorities, illness and fear worldwide have a significant effect on how we live our lives. The Group is a part of the seafood industry and is also noting a substantial impact. This is in the form of changes in demand, access to workforce both in the Group and outside, other input factors and credit risk.

The Board of Directors and corporate management do not have the expertise to assess all possible consequences of COVID-19 and neither to determine how long the outbreak may last and, consequently, the ultimate economic consequences. There is, however, little doubt that the situation is challenging, and that the outbreak has a notable negative impact. Nonetheless, the Board of Directors has continuously focused on building a strong Group, ensuring that the Group is an organisation with plenty of training in solving challenges related to flow of goods. The Board of Directors is therefore confident that the Group will survive this global crisis by maintaining a strong focus on fulfilling our underlying social mission. The global demand for food has not changed, and a part of the the Group is classified as being part of a critical sector. The Board of Directors, corporate management and all the Group's employees are doing their utmost to ensure that the Group's value chain and food deliveries remain operative throughout this challenging time.

NOTE 16
Share capital and shareholders

SHARE CAPITAL:

As of 31.12.2019, 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 - 2019	No changes			
31.12.2019		**0.50**	**101,358,687**	**202,717,374**

	2019		2018	
The shareholders in Austevoll Seafood ASA were as of 31.12.	**Number of shares**	**Share holding**	**Number of shares**	**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	5,840,757	2.88 %	5,182,415	2.56 %
Folketrygdfondet	4,899,739	2.42 %	4,899,739	2.42 %
State Street Bank and Trust Comp a/c Client Omnibus F, Ref: OM06	4,896,092	2.42 %	3,554,180	1.75 %
Handelsbanken Nordiska Småbolag	2,955,231	1.46 %	0	0.00 %
Six Sis AG	2,907,656	1.43 %	0	0.00 %
OM Holding AS	2,366,850	1.17 %	1,916,850	0.95 %
Pareto Aksje Norge Verdipapirfond	2,028,255	1.00 %	1,718,876	0.85 %
HSBC Trinkaus & Burkhardt AG	1,882,122	0.93 %	0	0.00 %
Mitsui and Co., Ltd	1,782,236	0.88 %	1,782,236	0.88 %
The Northern Trust Comp, London Br	1,679,785	0.83 %	1,664,933	0.82 %
State Street Bank and Trust Comp a/c Client Omnibus A, Ref: OM01	1,652,220	0.82 %	0	0.00 %
JPMorgan Chase Bank, N.A., London a/c Vanguard BBH Lending account	1,496,849	0.74 %	1,378,886	0.68 %
Clearstream Banking S.A.	1,301,628	0.64 %	0	0.00 %
Danske Invest Norske Instit. II.	1,159,429	0.57 %	1,013,029	0.50 %
State Street Bank and Trust Comp a/c West Non-Treaty Account	1,125,920	0.56 %	1,109,657	0.55 %
JPMorgan Chase Bank, N.A., London GSAM Lending account	1,009,025	0.50 %	0	0.00 %
State Street Bank and Trust Comp SSBI GMBH, Oy59-Exempt Lux Reg Cli	952,161	0.47 %	0	0.00 %
Austevoll Seafood ASA	893,300	0.44 %	893,300	0.44 %
KLP Aksje Norge Indeks	887,882	0.44 %	0	0.00 %
State Street Bank and Trust Comp, S/A SSB Client Omni E, Fund OM06	0	0.00 %	2,541,309	1.25 %
J.P. Morgan Bank Luxembourg S.A.	0	0.00 %	1,278,135	0.63 %
State Street Bank and Trust Comp, SSB LUX OBO ITS Clients: OY59	0	0.00 %	1,216,857	0.60 %
JPMorgan Chase Bank, N.A., London, Nordea Re:Non-treaty account	0	0.00 %	1,128,238	0.56 %
Euroclear Bank S.A./N.V.	0	0.00 %	1,008,688	0.50 %
Pareto Invest AS	0	0.00 %	921,000	0.45 %
RBC Investor Services Trust	0	0.00 %	897,074	0.44 %
Old Westbury Large Cap Strats FD	0	0.00 %	878,961	0.43 %
Total number owned by top 20	**154,323,013**	**76.13 %**	**147,590,239**	**72.81 %**
Total number owned by other shareholders	48,394,361	23.87 %	55,127,135	27.19 %
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.

NOTE 17
Interest bearing debt

Non-current	2019	2018
Mortgage	4,561	5,042
Bond loan	1,007	1,007
Other loans	28	29
Lease liabilities to credit institutions	917	915
Lease liabilities to other than credit institutions	1,070	0
Total non-current	**7,584**	**6,993**

Current	2019	2018
Overdraft facility	255	441
Mortgage	1,229	642
Lease liabilities to credit institutions	328	299
Lease liabilities to other than credit institutions	209	0
Total current	**2,021**	**1,382**
Total non-current and current	**9,604**	**8,375**
Net interest-bearing debt		
Liquid assets	4,252	4,393
Lease liabilities to other than credit institutions	-1,279	0
Other interest-bearing assets - non current	0	1
Net interest-bearing debt (ref note 29)	**4,073**	**3,982**

Downpayment profile for interest-bearing debt	2020*	2021	2022	2023	2024	Subsequent	Total*
Mortgage*	643	875	640	627	772	1,646	5,204
Overdraft facility	840	0	0	0	0	0	840
Bond loan	0	500	0	500	7	0	1,007
Lease liabilities to credit institutions	328	220	167	229	160	141	1,245
Other non-current liabilities	0	1	1	4	6	16	28
Total	**1,812**	**1,597**	**808**	**1,360**	**945**	**1,803**	**8,325**
Downpayment profile on non-current non-interest bearing debt							
Liabilities to credit institutions, including financial lease agreements	209	193	194	183	70	430	1,279
Total	**209**	**193**	**194**	**183**	**70**	**430**	**1,279**
Total	**2,021**	**1,790**	**1,002**	**1,543**	**1,015**	**2,233**	**9,604**

** Repayments of non-current liabilities which mature in 2020 are classified as current liabilities in the balance sheet.*

NOTE 17
Interest bearing debt cont.

Liabilities secured by mortgage	2019	2018
Current liabilities	1,561	1,382
Non-current liabilities	5,480	5,993
Liabilities to credit institutions incl. leasing liab.	**7,041**	**7,375**

Assets provided as security		
Non-current assets	6,196	6,798
Licences*	1,213	919
Inventory	10	1,060
Biological assets	6,544	5,775
Shares	906	1,054
Trade receivables	923	680
Total assets provided as security	**15,791**	**16,287**

** Licence value ex. price purchase allocation.*

AUSS has pledged as security the shares in BRBI and 8,066,500 shares in Pelagia 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.

The Group is exposed to interest rate changes for the loans, based on the following repricing structure	2019	2018
6 months or less	6,443	5,803
6 - 12 months	26	25
1-5 years	1,851	1,874
Over 5 years	6	0
Total	**8,325**	**7,702**

The carrying amounts and fair value of the non-current liabilities are as follows	Carrying amount		Fair value	
	2019	2018	2019	2018
Mortgage	4,561	5,042	4,584	5,092
Bond loan	1,007	1,007	1,026	1,024
Lease liabilities to credit institutions	917	916	917	916
Lease liabilities to other than credit institutions	1,070	0	1,070	0
Other non-current liabilities	28	28	28	28
Total	**7,584**	**6,993**	**7,626**	**7,060**

Based on contractual terms the fair value of non-current borrowings (excl. bond loan) are estimated to be equal to book value as of 31.12.2019, 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 2019 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	2019	2018
NOK	6,970	6,869
USD	1,020	1,021
EUR	201	296
Other currencies	134	189
Total	**8,325**	**8,375**

NOTE 17
Interest bearing debt cont.

FINANSIELLE "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 2019, and is not in breach as of 31.12.2019.

Overdraft facility	2019	2018
Overdraft facility	824	441
Unutilised overdraft facility	2,726	3,511
Limit overdraft facility	**3,550**	**3,953**

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

Net interest bearing debt	2019	2018
Cash and cash equivalents	4,252	4,393
Liquid investments	0	1
Current liabilities	-1,812	-1,382
Non-current liabilities	-6,513	-6,993
Net interest bearing debt (ref note 29)	**-4,073**	**-3,982**
Cash and liquid investments	4,252	4,393
Gross debt - fixed interest rates	-1,851	-2,321
Gross debt - variable interest rates	-6,474	-6,055
Net interest bearing debt (ref note 29)	**-4,073**	**-3,982**

	Other assets	Current liabilities		Non-current liabilities incl. short term debt			
	Cash/Bank	Bank overdraft	Factoring liabilities	Bank liabilities	Leasing from credit institutions	Other liabilities	Total
Net debt 01.01.2018	**5,075**	**-203**	**0**	**-7,845**	**-1,136**	**-29**	**-4,138**
Change in bank deposits	-688	0	0	0	0		-688
Cash flows	0	-239	0	897	236	0	894
Addition of lease from credit institutions and lease incentives	0	0	0	0	-326	0	-326
Translation differences	6	0	0	-4	0	0	3
Other non-cash movements	0	0	0	263	10	0	273
Net debt 31.12.2018	**4,393**	**-441**	**0**	**-6,689**	**-1,216**	**-29**	**-3,982**
Change in bank deposits	-145	0	0	0	0	0	-145
Cash flows	0	-383	-16	621	325	0	548
Addition of lease from credit institutions and lease incentives	0	0	0	0	-313	0	-313
Translation differences	3	0	0	-6	-2	0	-5
Other non-cash movements	0	0	0	-135	-40	0	-176
Net debt 31.12.2019	**4,251**	**-825**	**-15**	**-6,209**	**-1,246**	**-29**	**-4,073**

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

The subsidiary Austral (Peru) has certain court actions pending resolution for a total of MNOK 89 as of 31.12.2019 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 8 relating to these suits, which is considered to be the best estimate.

NOTE 19
Financial income and expenses

	2019	2018
Interest income	63	57
Net currency gains (unrealised and realised)	302	118
Other financial income	17	7
Total financial income	**382**	**182**
Interest expenses	269	310
Interest of financial lease	41	24
Interest expenses on right-of-use-assets	50	0
Net currency losses (unrealised and realised)	304	191
Other financial expenses	29	14
Total financial expenses	**694**	**539**
Net financial cost	**-312**	**-357**

NOTE 20
Payroll, fees, no. of employees etc.

	2019	2018
Salary and holiday pay	2,720	2,507
Hired personnel	145	139
Other remunerations	76	77
National insurance contribution	248	221
Pension costs (incl. national insurance contribution)	143	106
Remuneration to the members of the board	2	1
Other personnel costs	115	143
Total payroll expences	**3,449**	**3,195**
Average man-labour year	6,409	6,490

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.

Some few of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The new AFP scheme which came into effect on 1 January 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 31.12.2019. Change in the benefit obligations as a result of actuarial gains and losses are booked as comprehensive income.

Pension costs	2019	2018
Pension costs related to defined contribution plan	126	92
Sosial security on defined contribution plan	16	12
Total pension costs related to defined contribution plan	**142**	**104**
Net pension cost related to defined benefit plan	1	2
Total pension costs	**143**	**106**

Pension obligations and other obligations	2019	2018
Pension and pension commitments	10	10
Fair value of interest swapcontracts (ref. note 12)	24	2
Other obligations	5	61
Total	**38**	**73**

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. AUSS 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:

NOTE 20
Payroll, fees, no. of employees etc. cont.

2019 - 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	2,733	0	0	6,276
Bonus payment based on results for the year 2018	3,000	1,000	0	0	4,000
Pension scheme payments	142	145	0	0	287
Other remunerations	213	210	0	0	423
Director's fee/Other remunerations	0	0	3,052	1,517	4,568
Total	**6,899**	**4,088**	**3,052**	**1,517**	**15,554**

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	**6,551**	**4,046**	**3,267**	**1,196**	**15,059**

** The annual Directors' Fee to the Chairman of the Board is not paid as taxable remuneration. AUSS 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 2019 and 2018 includes board remuneration of TNOK 375 in 2019 and TNOK 300 in 2018.*

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

No loans or securities have been issued in 2019 or 2018 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 31.12.2019, no on-going option program in the Group.

Specification of auditing fees	**2019**	**2018**
Statutory audit	10	11
Auditing fees, other auditors	1	1
Other certification services	0	0
Other certification services provided by other auditors	0	0
Technical assistance, taxation	1	2
Other services not included in audit	3	3
Total	**16**	**18**

NOTE 21
Other gains and losses

	2019	2018
Gains and losses on sale of property, plant and equipment	30	49
Gain on sale of subsidiary (ref. note 27)	0	158
Total other gains and losses	**30**	**207**

NOTE 22
Other current liabilities

Specification of other current liabilities	**2019**	**2018**
Salary and other personell expenses	397	366
Public taxes payable	299	294
Accrued expenses	378	268
Currency forward contracts/ Effect of fair value hedging	36	87
Provisions from acquisition Cormar (cf note 18)	21	21
Provisions for pending litigation Austral (cf note 18)	8	11
Provisions trade receivables	0	51
Unrealised loss on Fish pool contracts	27	16
Other short-term liabilities	9	105
Total other current liabilities	**1,173**	**1,219**

NOTE 23
Lease contracts

With effect from 1 January 2019, the Group has implemented IFRS 16 Leases. This new standard requires carrying of practically all lease agreements, as operating and financial lease agreements for the lessee are no longer to be differentiated. According to the new standard, the asset (right of use) and the obligation to pay lease are recognised in the financial statements.

The Group has applied the modified, retrospective method for implementation on 1 January 2019. This implies no changes to historic comparative figures and that the value of the lease liability and the right of use are the same at the time of implementation. The new right-of-use assets and lease liabilities are valued at the current value of the future lease payments. The lease payments are discounted by the Group's estimated marginal average interest rate on loans (4%). This is deemed as representative of all leases in the Group, as the majority are in NOK, and the Group principally makes use of the same credit institutions, which provide relatively similar terms. For leases previously classified as financial leasing according to IAS 17, the carried book value of the right-of-use assets and lease liabilities are retained

NOTE 23
Lease contracts

on the implementation date for IFRS 16 (1 January 2019).

The right-of-use assets are depreciated on a straight-line basis from the date of commissioning until the end of the useful life of the right-of-use asset or the end of the lease period, whatever comes first. Any extension options that may, with reasonable certainty, be exercised, are included.

The lease payments are divided into two parts: instalment and interest. The interest on the lease liability in each accounting period of the lease period shall be the amount that provides a constant periodic interest rate for the remaining balance of the lease liability (annuity principle).

In the statement of financial position, the Group has chosen to present the right-of-use assets on a separate line. The lease liabilities are classified as long-term and short-term. In addition, the lease liabilities are divided into (1) lease liabilities to credit institutions and (2) lease liabilities to others. Only the lease liabilities to credit institutions are included in the calculation of the alternative performance measurements for net interest-bearing debt (NIBD). A more detailed explanation of this classification is provided in the note relating to alternative performance measurements.

The long-term share of the lease liabilities is shown on separate lines in the statement of financial position. The short-term share of the lease liabilities is included in the first-year instalment on long-term liabilities and shown on a separate line in the statement of financial position. The short-term share of long-term liabilities is specified in more detail in the note on long-term liabilities. The interest expense related to the liability is presented under net financial expense. This is specified in more detail in the note on combined items in the financial statements.

Lease costs that were previously presented as commodities and other operating expenses are now presented in the income statement as depreciation and interest expense.

In the statement of cash flows, cash payments for the lease liability's principal (instalment) and cash payments for the lease liability's interest are presented under financing activities. The transaction related to signing new leases has no initial effect on cash.

See note 28 for further details and quantification of accounting effects.

Right of use assets	**Land**	**Buildings**	**Plant, equipment and other fixtures**	**Vessels**	**Total**
Per 01.01.2019					
Implementation effect from IFRS 16	49	530	122	841	1,541
Reclassified assets leased from credit institutions, IAS 17	0	73	1,137	328	1,538
Carrying value 01.01.2019	**49**	**603**	**1,259**	**1,169**	**3,080**
Financial year 2019					
Carrying value 01.01.2019	49	603	1,259	1,169	3,080
Foreign currency translation differences	1	1	1	4	7
Right-of-use assets acquired	0	1	287	128	416
Disposal	0	0	-12	0	-12
Depreciation for the year	-4	-63	-253	-168	-487
Reclassification	0	19	25	-111	-68
Carrying value 31.12.2019	**46**	**560**	**1,307**	**1,022**	**2,935**
31.12.2019					
Acquisition cost	50	623	1,560	1,190	3,423
Accumulated depreciation	-4	-63	-253	-168	-488
Carrying value 31.12.2019	**46**	**560**	**1,307**	**1,022**	**2,935**

NOTE 23
Lease contracts

Lease commitments to others than credit institutions	31.12.2018 (IAS 17)	Implementation effect IFRS 16 01.01.2019	01.01.2019 IFRS 16	Changes in 2019	31.12.2019
Long-term	0	1,316	1,316	-246	1,070
Short-term	0	225	225	-16	209
Total	**0**	**1,541**	**1,541**	**-262**	**1,279**
Lease liabilities to credit institutions					
Long-term	915	0	915	2	917
Short-term	299	0	299	29	328
Total	**1,214**	**0**	**1,214**	**31**	**1,245**
Total lease liabilities					
Long-term	915	1,316	2,231	-244	1,987
Short-term	299	225	524	13	537
Total	**1,214**	**1,541**	**2,755**	**-231**	**2,524**

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

Effects on statement of financial position	31.12.2018 (IAS 17)	Reclassification 01.01.2019	Implementation effect IFRS 16 01.01.2019	01.01.2019 IFRS 16	Depreciation in 2019	Other changes in 2019	31.12.2019
Assets							
Fixed assets	8,851	-1,538	0	7,313	-801	1,508	8,020
Right-of-use assets	0	1,538	1,541	3,080	-487	342	2,935
Total right-of-use assets and fixed assets	**8,851**	**0**	**1,541**	**10,393**	**-1,288**	**1,850**	**10,954**

Impact on income statement from IFRS 16	IFRS 16	Difference	IAS 17*
Rental cost	0	282	282
Depreciation on right-of-use assets	487	-239	248
Interest expense related to leases	92	-50	41
Total cost related to leases	**579**	**-8**	**571**

Differenses in key figures	IFRS 16	Difference	IAS 17*
Excluded fair value adjustements (APM`s)			
EBITDA before fair value adjustments	4,261	282	3,979
EBIT before fair value adjustments	2,924	43	2,881
Profit before tax and fair value adjustments	3,062	-8	3,070
Fair value adjustments included			
EBITDA	3,956	282	3,674
EBIT	2,617	43	2,575
Profit before tax	2,756	-8	2,764

** If IAS 17 had been applied for 2019*

NOTE 24
Investment in other shares

2019 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	9	8
Total non-current			**37**	**40**

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**

Reconciliation of the carrying amount of investments in other shares	2019	2018
Per 01.01.	33	31
Business combinations	7	0
Acquired/sold	0	2
Per 31.12.	**40**	**33**
Less: non-current portion	-40	-33
Current portion	**0**	**0**

There were no impairment provisions on investments in other shares in 2019 and 2018.

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;
- 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 and Marin IT AS (ownership directly by parent Company).

The following transactions were carried out with related parties:

NOTE 25
Related parties cont.

a) Sales of goods and services	2019	2018
Sales		
- associates	198	166
- the ultimate parent and its subsidiaries	9	9
Total	**207**	**175**

Group companies have sold services as harvesting, filleting and storage of salmon to associated companies. The Group has also sold administrative services to associated companies.

b) Purchase of goods and services	2019	2018
Purchase		
- associates	572	570
- the ultimate parent and its subsidiaries	65	14
Total	**637**	**584**

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, and rent wellboats 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	2019	2018
Receivables from related parties:		
- the ultimate parent and its subsidiaries	1	0
- associates	60	30
Payable to related parties		
- the ultimate parent and its subsidiaries	13	1
- associates	35	42

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	2019	2018
Total loans to related parties:		
- associates	23	22
- minority interests/other	2	20
Interest income	0	1

NOTE 26
Tax

	2019	2018
Tax cost for the year is as follows:		
Tax payable	517	854
Change in deferred tax/tax benefit	39	107
Correction previous years	3	0
Tax cost	**558**	**962**
Tax reconciliation		
Pre-tax profit/loss	2,756	5,192
Tax calculated with the nominal tax rates	623	1,225
Change in tax rate*	0	-110
Income from associated companies	-83	-108
Tax-free gain on sale of shares	0	-36
Other differences	18	-18
Change in deferred tax asset not recognised	1	9
Taxes	**558**	**962**
Weighted average tax rate	**20.3 %**	**18.5 %**

** 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.*

Change in gross book deferred tax:	**2019**	**2018**
Book value 01.01.	3,367	3,346
Recognised in the period	66	207
Recognised in extended profit/loss in the period	7	6
Currency differences	2	10
Effect of business combinations	0	-9
Reclassification	0	-83
Change in tax rate	0	-110
Balance sheet value (net) 31.12.	**3,443**	**3,367**
Balance sheet value of deferred tax asset	-57	-57
Balance sheet value of deferred tax	3,500	3,425
Balance sheet value (net) 31.12.	**3,443**	**3,367**

NOTE 26
Tax cont.

The movement in deferred income tax assets and liabilities during the year

Change in book value of deferred tax	Non current assets	Curent assets	Biological assets	Liabilities	Loss carried forward	Other	Total
Book value 01.01.2018	**2,469**	**-35**	**1,088**	**-18**	**-61**	**-97**	**3,346**
Recognised in 2018	-242	2	200	-31	43	125	97
Recognised in extended profit/ loss in the period	0	2	0	5	0	0	6
Currency differences	14	21	-21	-2	0	-2	10
Effect of business combinations	0	-1	0	0	-8	0	-9
Reclassification	-83	0	0	0	0	0	-83
31.12.2018	**2,157**	**-11**	**1,267**	**-46**	**-26**	**26**	**3,367**
Recognised in 2019	54	5	1	9	-20	18	66
Recognised in extended profit/ loss in the period	0	0	0	0	0	7	7
Currency differences	3	0	0	0	0	0	2
31.12.2019	**2,214**	**-6**	**1,268**	**-37**	**-46**	**51**	**3,443**

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 provisional differences not included in deferred tax	2019	2018
Non-current assets	-43	-43
Loss carried forward	-728	-700
Interest deduction carried forward	-94	-94
Liabilities	-109	-100
Other differences	114	114
Total provisional differences not included in deferred tax	**-861**	**-823**
Including net deferred tax asset not carried forward	-189	-181

NOTE 27
Group companies

The consolidated financial statements include AUSS 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	9)	Norway	Lerøy Havfisk AS	0.00 %
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 %
Havfisk Båtsfjord AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Finnmark AS		Norway	Lerøy Havfisk AS	100.00 %
Havfisk Management AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Melbu AS		Norway	Lerøy Havfisk AS	100.00 %
Havfisk Nordkyn AS		Norway	Havfisk Finnmark AS	100.00 %
Havfisk Stamsund AS		Norway	Lerøy 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 %
Leroy Seafood Italy	3)	Italy	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 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 %
Leröy 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 Havfisk AS		Norway	Lerøy Seafood Group ASA	100.00 %
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		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 %
Leröy Seafood AB		Sweden	Lerøy Sverige AB	100.00 %

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		Norway	Lerøy Norway Seafoods AS	100.00 %
Lerøy Stockholm AB	4)	Sweden	Leröy Seafood 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	2)	Norway	Lerøy Norway Seafoods AS	100.00 %
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 %

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		**Norway**	**Austevoll Seafood ASA**	**42.92 %**
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 %
Br. Birkeland Farming AS		**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

2019
The changes in ownership in the subsidiaries have been insignificant in 2019, and are not commented further.

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 BFARM have been purchased from minority shareholders. At 31 December 2018, AUSS owns 55.24% of the shares in BFARM.

In connection with the business combination between BRBI and Birkeland Fiskebåtrederi Holding AS, the share capital in BRBI 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 BRBI to minority shareholders. At 31 December 2018, AUSS owns 42.92% of the shares in BRBI.

NOTE 28
New IFRS standards

IFRS 16 LEASES
The group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaces IAS 17 Leases.

IFRS 16 entails virtually all lease agreements to be recognised in the balance sheet as the differentiation between financial leases and operational leases, for lessee, has ceased to apply. According to the new standard, the asset (right-of-use) and liability is to be recognised in the financial statements. There has been given exceptions to short-term and insignificant lease agreements. The accounting by lessors remains mostly unchanged. The Groups activities as a lessor are in any way insignificant, and the implementation of the new standard had in such matter no impact on the financial statements. The new standard had an impact on lease agreements that previously was accounted for as operational leases. The lease agreements that previously was accounted for as financial leases were impacted to a lesser extent.

The group has adopted the modified retrospective approach for the implementation 01.01.2019. This implies that the comparative figures are not restated, and that the same amount has been recognised as both lease liability and right-of use-asset on the commencement day. Consequently the equity has not been impacted. However, the equity ratio decreases due to the fact that total assets (denominator) has increased. The new lease liability is measured at present value of the future lease payments. The lease payments are discounted using the group`s estimated incremental average borrowing rate (4%). This is deemed as representative of all leases in the Group, as the majority are in NOK, and the Group principally makes use of the same credit institutions, which provide relatively similar terms. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability (annuity principle). Interest expense on the lease liability is presented as a component of finance costs. In the income statement rental expenses previously presented as cost of goods sold or other operating costs, are now presented as depreciations and interest expenses. The right-of-use assets are depreciated linearly from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In the cash flow statement cash payments for the principal portion (instalments) of the lease liability are presented within financing activities. The same applies for cash payments for the interest portion of the lease liability.

NIBD is an APM utilised by the Group. The figure shows how much capital the Group employs, and is an important key figure for stakeholders who are planning to grant financing to the Group and for stakeholders who want to value the company. Stakeholders will benefit from key figures that are comparable over time. The Group therefore defines NIBD as interest-bearing commitments, both short-term and long-term, to persons or institutions with the main purpose of providing financing and/or credit, as described in the note on APMs.

The Group segregates the lease liabilities into two groups: (1) Leases from credit institutions (mostly previously financial leases) and (2) Leases from others (mostly previously operational leases). Both groups are recognised in the balance sheet, but only the first group is included in the key figure net interest bearing debt (NIBD).

The latter component comprises most of the new lease commitments carried in connection with implementation of IFRS 16, and consists mostly of office building leases and leases of vessels (wellboats).

NOTE 28
New IFRS standards cont.

Implementation effects	
Operational lease liabilities 31.12.2018 - not recognised in the balance sheet	
Minimum rent on operational	1,780
Net present value on operational leases	1,593
Financial leases 31.12.2018 - recognised in the balance sheet	
Financial leases	1,538
Implementation effect 01.01.2019	
Net present value on operational leases	1,593
Consolidated effect of new measurement and new criteria for recognition with implementation of IFRS 16	-52
Estimated effect on statement of financial position 01.01.2019	**1,541**
Estimated effect on statement of financial position 31.12.2018 (shown in note 23 in the consolidated financial statements for 2018)	1,439
Difference between estimate stated 31.12.2018 and reported effect 01.01.2019	**102**
Lease liabilities 01.01.2019	
Financial lease liabilities recognised 31.12.2018	1,538
Net value of operating leases	1,593
Consolidated effect of new measurement and new criteria for recognition with implementation of IFRS 16	-52
Total lease liabilities	**3,079**
The Group estimates the effect of new measurement and new recognition criteria as follows	
Effect of discount with the Group's average interest rate on loans 01.01.2019	-12
Effect of new measurement minus service element *	-50
Extension options that will, with reasonable certainty, be exercised	10
Initial recognition exemption for low value assets	-1
Initial recognition exemption for short-term lease agreements	0
Variable lease payments based on index or interest rate	0
Residual value guarantees	0
Total effect from new measurement and new recognition criteria	**-52**

** For leased well boats on T/C (including crew), the estimated share of the lease payment that applies to crew is deducted from the stated current value*

Effects on statement of financial positions	31.12.2018 (IAS 17)	Reclassification effect IFRS 16 01.01.2019	Implementation effect IFRS 16 01.01.2019	01.01.2019 IFRS 16
Assets				
Fixed assets	8,851	-1,538	0	7,313
Right-of-use assets	0	1,538	1,541	3,080
Total right-of-use assets and fixed assets	**8,851**	**0**	**1,541**	**10,393**
Liabilities				
Long-term leasing liability (IAS 17)	915	-915	0	0
Short-term leasing liability (IAS 17)	299	-299	0	0
Total long-term lease liability		915	1,316	2,231
Total short-term lease liability		299	225	524
Total long-term liabilities	**1,213**	**0**	**1,541**	**2,755**
Equity ratio				
Equity	22,454	0	0	22,454
Total capital assets	37,955	0	1,541	39,496
Equity ratio	**59 %**	**0**	**-2 %**	**57 %**

According to IFRS 16 all leases shall be recognised in the statement of financial position, and subject to depreciation. This implies that leases previously expensed as rental costs (operational leases according to IAS 17) are now allocated to depreciation (and interests) instead of other operating expenses. Thus, the additional depreciation does not represent a cost increase.

NOTE 28
New IFRS standards cont.

Depreciation 2019 (IFRS 16) versus 2018 (IAS 17)	Note	2019	2018
Depreciation fixed assets	11	800	743
Depreciation right-of-use assets from credit institutions	11	239	178
Depreciation fixed assets and right-of-use assets from credit institutions		**1,039**	**921**
Depreciation right-of-use assets from others	11	248	0
Depreciation intangibles	10	51	46
Total depreciation		**1,339**	**967**
Additional depreciation related to IFRS 16		248	

Interest expense 2019 (IFRS 16) versus 2018 (IAS 17)	Note	2019	2018
Interest expense on lease liabilities to credit institutions	19	41	24
Interest expense on lease liabilities to others	19	50	0
Interest expense on lease liabilities		**92**	**24**
Other interest expenses	19	269	310
Total interest expenses	**19**	**361**	**334**
Additional interest cost related to IFRS 16		**50**	

NOTE 29
Alternative performance targets

The Group's accounts are submitted in accordance with international standards for financial reporting (IFRS) and interpretations established by the International Accounting Standards Board (IASB) and adopted by the EU. In addition, the Board and management have chosen to present certain alternative performance measures (APMs) to make the Group's developments simpler to understand. The Board and management are of the opinion that these performance measures are in demand and utilised by investors, analysts, credit institutions and other stakeholders. The alternative performance measures are derived from the performance measures defined in IFRS. The figures are defined below. They are consistently calculated and presented in addition to other performance measures, in line with the Guidelines on Alternative Performance Measures from the European Securities and Markets Authority (ESMA).

EBIT BEFORE FAIR VALUE ADJUSTMENTS

EBIT before fair value adjustments is an APM utilised by the Group. Pursuant to IFRS, biological assets (fish in the sea) shall be measured at fair value in the statement of financial position (IAS 41). Estimates of fair value require various assumptions about the future, including price developments. Changes in the market's price expectations may therefore result in major changes in carried value. As this change in value is included in the operating profit or loss (EBIT) as defined in IFRS, this figure alone is not sufficient to illustrate the Group's performance during the period. The same applies to other items on the statement of financial position related to biological assets, onerous contracts (IAS 37) and financial Fish Pool contracts (IFRS 9). The Group has therefore elected to present operating profit as it would be presented before recognition of the above-mentioned fair value adjustments, as an alternative performance measure. By presenting (1) EBIT before fair value adjustments, (2) fair value adjustments in the period and (3) EBIT after fair value adjustments, the user of the financial statements will easily be able to identify how much of the operating profit comprises changes in fair value (fair value adjustments) and thereby compare performance with other companies

NOTE 29
Alternative performance targets cont.

in the same industry. The note on biological assets contains a detailed description of how fair value adjustment is calculated and the figures for each component. The following components are included:

	2019	2018
Operating profit (EBIT)	2,617	5,077
- Fair value adjustments	306	-798
EBIT before fair value adjustments	**2,924**	**4,279**

Fair value adjustments comprises:
1. Change in fair value adjustment on fish in sea
2. Change in fair value adjustment on roe, fry and cleaning fish *
3. Change in fair value adjustment on onerous contracts (salmon and trout)
4. Change in fair value adjustment on Fish Pool contracts (financial contracts on salmon)

** For this group historical cost provides the best estimate of fair value. See note on biological assets for further details.*

The 2019 amounts are not directly comparable with 2018 amounts due to the IFRS 16 implementation 01.01.2019. See note 28 for information about the change. Note 23 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

EBITDA BEFORE FAIR VALUE ADJUSTMENTS

EBITDA before fair value adjustments is an APM. Calculation is identical as the calculation of "EBIT before fair value adjustments" (above).

	2019	2018
EBIT	2,617	5,077
- Depreciations	1,337	960
EBITDA	**3,954**	**6,037**
-Fair value adjustments	306	-798
EBITDA before fair value adjustments	**4,261**	**5,239**

The 2019 amounts are not directly comparable with 2018 amounts due to the IFRS 16 implementation 01.01.2019. See note 28 for information about the change. Note 23 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

EBITDA BEFORE TAX AND FAIR VALUE ADJUSTMENTS

Profit before tax and fair value adjustments is an APM utilised by the Group. Pursuant to IFRS, biological assets (fish in the sea) shall be measured at fair value in the statement of financial position (IAS 41). The APM demonstrates how the result would have been if IAS 41 not had been applied. This implies that the FV adjustment on fish in sea are reversed (eliminated). This includes both the group`s own FV adjustment and also the FV adjustments included in the income from associated companies (AC) also applying IAS 41, following the equity method. The components included are:

	2019	2018
Profit before tax	2,756	5,192
Fair value adjustments	306	-798
Fair value adj. incl. in income from AC*	19	3
Profit before tax and fair value adjustments	**3,081**	**4,397**

** See note on biological assets for details*

The 2019 amounts are not directly comparable with 2018 amounts due to the IFRS 16 implementation 01.01.2019. See note 28 for information about the change. Note 23 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

NOTE 29
Alternative performance targets cont.

NET INTEREST BEARING DEBT (NIBD)
NIBD is an APM utilised by the Group. The figure shows how much capital the Group employs and is an important key figure for stakeholders who are planning to grant financing to the Group and for stakeholders who want to value the company. The Group therefore defines NIBD as interest-bearing commitments, both short-term and long-term, to persons or institutions with the main purpose of providing financing and/or credit, minus interest-bearing cash or cash equivalents. This implies that long-term interest-bearing receivables (assets) and other lease commitments with the exception of leasing debt to credit institutions (liability) are not included. The latter component comprises most of the new lease commitments carried in connection with implementation of IFRS 16. The following components from the statement of financial position are included:

	2019	2018
Loans from credit institutions*	6,797	6,691
+ Lease liabilities to credit institutions*	1,245	1,214
+ Other long term loans *	28	29
+ Overdrafts and other short term credits	255	441
- Cash and cash equivalents	-4,252	-4,393
Net interest bearing debt (NIBD)**	**4,073**	**3,983**

** Both long-term and short-term*
*** See note on net interest bearing debt for an overview of changes during the period*

NOTE 30
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 2019
The Company has implemented the following new IFRS standards with effect from 01.01.2019:
– IFRS 16 Leases

The new standard is described below. For the Group's assessment of how the standard has affected the financial statements, see note 28.

IFRS 16 LEASES
The Group has implemented IFRS 16 Leases with effect from 1 January 2019. The modified retrospective approach has been applied, such that the comparative figures have not been restated.

The lease liability linked to leases previously classified as operating leases under IAS 17 has been recognised at the present value of the future lease payments, discounted by the Group's marginal borrowing rate at 01.01.2019. Account

NOTE 30
Accounting policies cont.

has been taken of options that are reasonably certain to be exercised. The associated right-of-use asset has been recognised in the statement of financial position on the implementation date at the same value as the lease liability, adjusted for prepaid lease payments and accrued expenses. The right-of-use asset is depreciated on a straight-line basis from the lease commencement date until the earlier of the end of its useful life and the end of the lease term. The Group has chosen to apply the recognition exemptions for short-term leases and leases of low-value assets. Leases with a term of 12 months or less are not carried in the statement of financial position but are recognised directly in the income statement as an expense. The same applies to leases where the underlying asset is worth less than NOK 50,000.

The Group leases well boats on time charter contracts where the contractual lease amount comprises hire of the well boat, hire of crew and other operating expenses. Only the share of the lease amount that relates to hire of the well boat is recognised in the statement of financial position as a lease liability and associated right-of-use asset. The lease amount relating to hire of crew and other operating expenses is expensed directly in the income statement. The contractual lease amount is allocated to the different components based on the relative standalone price.

In the case of leases previously classified as finance leases under IAS 17, the carrying amounts of the right-of-use assets and the lease liabilities were carried forward at the implementation date for IFRS 16 (01.01.2019).

(b) New standards where the Group has not chosen early adoption

The Group has chosen not to early adopt some of the new standards and interpretations that were published in the accounting period under review and that were not mandatory for 2019. The new standards are not expected to have a material impact on the financial statements for either the period under review or for future periods and expected transactions.

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.

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.

NOTE 30
Accounting policies cont.

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 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 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.

NOTE 30
Accounting policies cont.

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 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.

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

NOTE 30
Accounting policies cont.

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 and buying a 2% increase in volume in 2018. In 2019, no increase in volume capacity was purchased. 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 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.

Harvest cage licences are allocated for the use of sea cages for live fish ready for harvest. These licences are attached to a specific location, which is the Group's harvesting 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. 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

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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.

The licences for harvest 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 harvesting plant and only utilised to keep fish ready for harvest in immediate proximity to the harvesting 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.

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Accounting policies cont.

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 August 2007 no. 986). In the consultation document dated 7 June 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, 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 March 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 May 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.

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Accounting policies cont.

- 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.

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 October 2006 no. 1157 (the Licence regulation) and regulation of 13 December 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

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Accounting policies cont.

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 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.

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Accounting policies cont.

Licence scheme for fishing rights in Chile
Fishing and aquaculture activities are ruled by the "General Fishing and Aquaculture Act Nº 18.892 of 1989" ("Ley General de Pesca y Acuicultura" or LGPA), which has received several modifications during its life, being the latest in Law Nº 20.657 of February 9th, 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 could not 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.
- Does not 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.

A modification to the 2013 Fishing Act is under discussion in Congress, regarding the automatic renewal of current fishing licenses for industrial fisheries every 20 years. The President's initiative is under evaluation in the fishing commission of the Senate, without any mandatory time limit for the evaluation.

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

NOTE 30
Accounting policies cont.

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.

PROPERTY, PLANT AND EQUIPMENT
Until 1 January 2019, property, plant and equipment comprised both the Group's own operating assets and assets held under finance leases. IFRS 16, the new lease accounting standard implemented on 1 January 2019, removes the distinction between operating and finance leases for the lessee. The new standard stipulates that all leases shall be recognised in the statement of financial position. Leased operating assets are designated as "right-of-use assets" in the new standard. The Group has chosen to disclose right-of-use assets as a separate item in the statement of financial position.

As a result, all leases previously recognised in the statement of financial position (finance leases) have been transferred from the items "Vessels" and "Property, plant and other operating assets" to the new item "Right-of-use assets". In addition, the operating leases, previously only disclosed in a note, have been recognised in the statement of financial position. See the separate point in the introduction to this policy note for a more detailed description of the regulations and implementation method, and note 28 for an overview of the accounting impacts.

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment loss. The same applies to right-of-use assets. Cost may also include transfers from equity for any gains or losses on 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 when it is likely that future economic benefits associated with the cost will flow to the Group and the cost can be measured reliably. Other repair and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation linked to property, plant and equipment is allocated on a straight-line basis over the expected useful life (depreciation period). Material parts of assets that have different depreciation periods are broken down into components and depreciated separately (component depreciation). Depreciation linked to right-of-use assets is allocated on a straight-line basis over the lease term. Any extension options likely to be exercised are included in the lease term.

Land is not depreciated. Buildings mainly comprise factories and offices.

The expected average useful life of property, plant and equipment, taking component depreciation into account, is estimated at:

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.

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Accounting policies cont.

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 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

NOTE 30
Accounting policies cont.

(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 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 harvest.

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 harvest 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 harvest (mature fish), while fish that have still not achieved this weight are classified as not ready for harvest (immature fish). For fish ready for harvest, the highest and best use is defined as harvesting and selling the fish as quickly as possible in the month following the balance sheet date. For fish not yet ready for harvest, the highest and best use is in principle defined as growing the fish to harvest weight,

NOTE 30
Accounting policies cont.

then harvesting and selling the fish. The harvest 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 harvest. 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.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to harvest weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that 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 harvest date and multiplied by the estimated harvest weight per individual at the time of harvest. 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 harvested 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 harvested 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 harvesting cost (well boat, harvesting 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

NOTE 30
Accounting policies cont.

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 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 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

NOTE 30
Accounting policies cont.

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.

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.

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

NOTE 30
Accounting policies cont.

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 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	2019	2018
Sales revenue	3,16	2,257	2,089
Total income		**2,257**	**2,089**
Salaries and personnel expenses	4,15	-20,567	-19,274
Other operating expenses	4,16	-14,803	-19,507
Operating expences		**-35,370**	**-38,781**
Depreciation	6	-4	-4
Operating profit		**-33,117**	**-36,697**
Financial income	5	716.315	1,077,316
Financial expenses	5	-54.466	-70,580
Profit before taxes		**628.731**	**970,039**
Income tax expense	13	0	0
Net profit for the year		**628.731**	**970,039**
Total comprehensive income in the period		**628.731**	**970,039**
Average no. of outstanding shares		201.824.074	201,824,074
Earnings per share from continued operation (NOK)		3.12	4.81
Proposed dividend per share (NOK)		2.50	3.50

PARENT COMPANY

Statement of financial position

Amounts in NOK 1 000	Note	31.12.2019	31.12.2018
Assets			
Deferred tax asset	13	0	0
Fixed assets	6	14	18
Shares in subsidiaries	7,14	3,760,098	3,760,098
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	93,046	74,943
Total non-current assets		**4,690,322**	**4,672,223**
Trade receivable	11,14,16	761	94
Short term receivable on Group companies	14,16	682,777	985,940
Other current receivables	10	1,743	365
Liquid assets	12,14	728,766	582,095
Total current assets		**1,414,047**	**1,568,494**
Total assets		**6,104,369**	**6,240,717**
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		1,120,288	995,223
Total equity		**4,368,801**	**4,243,735**
Deferred tax liabilities	13	0	0
Borrowings	14	1,080,320	1,211,551
Total non-current liabilities		**1,080,320**	**1,211,551**
Borrowings	14	133,152	64,790
Trade payable	16	5,473	799
Accrued salary expense and public tax payable		3,702	3,504
Dividends	17	506,793	709,511
Other current liabilities	15,16	6,129	6,827
Total current liabilities		**655,249**	**785,430**
Total liabilities		**1,735,569**	**1,996,982**
Total equity and liabilities		**6,104,369**	**6,240,717**

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

Storebø, 23 April 2020
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

Eirik Drønen Melingen
Board member

Arne Møgster
CEO & President

Statement of changes in equity

Amounts in NOK 1 000	Note	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
Equity 01.01.2018		**101,359**	**-447**	**3,147,600**	**732,233**	**3,980,745**
Profit for the year		**0**	**0**	**0**	**970,039**	**970,039**
Other comprehensive income for the period		0	0	0	0	0
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 change of equity		**0**	**0**	**0**	**262,989**	**262,989**
Equity 31.12.2018		**101,359**	**-447**	**3,147,600**	**995,223**	**4,243,735**
Adjustment towards equity		0	0	0	0	0
Profit for the year		**0**	**0**	**0**	**628,731**	**628,731**
Other comprehensive income for the period		0	0	0	0	0
Total recognised income		**0**	**0**	**0**	**628,731**	**628,731**
Dividends	17	0	0	0	-506,793	-506,793
Reversed dividends payable on treasury shares		0	0	0	3,126	3,126
Total equity to/from shareholders		**0**	**0**	**0**	**-503,667**	**-503,667**
Total changes in equity		**0**	**0**	**0**	**125,064**	**125,064**
Equity 31.12.2019		**101,359**	**-447**	**3,147,600**	**1,120,287**	**4,368,800**

Cash flow statement

Amounts in NOK 1 000	Note	2019	2018
Profit before income tax		628,731	970,039
Depreciation and amortisation	6	4	4
Dividends and Group contributions	5	-701,318	-1,045,189
Gain on sale of shares	5	0	-16,076
Change in accounts receivable and other receivables		-17,263	8,776
Change in accounts payable and other payables		4,871	-5,501
Change in other accruals		-698	-2,860
Net interest		39,777	50,830
Net cash flow from operating activities		**-45,895**	**-39,975**
Change in non-current receivables		-18,103	-17,322
Dividends and Group contributions received		1,019,699	689,268
Repaid capital from associated company			
Interest received		14,689	15,925
Net cash flow from investing activities		**1,016,285**	**687,872**
Net change in long-term interest bearing debt		-31,231	-30,445
Net change in short-term interest bearing debt		-31,638	-561,547
Interest paid		-54,466	-66,756
Dividends paid	17	-706,384	-565,147
Net cash flow from financing activities		**-823,720**	**-1,223,895**
Net change in cash and cash equivalents		**146,671**	**-575,999**
Liquid assets at 01.01.		**582,095**	**1,158,094**
Liquid assets at 31.12.		**728,766**	**582,095**

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.

All amounts are in NOK thousands (TNOK), if not specified differently.

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.

	2019	2018
Total borrowings (note 14)	1,217,652	1,282,290
Minus liquid assets and interest-bearing assets	907,911	748,431
Net debt	309,741	533,859
Total equity	4,233,783	4,243,735
Capital employed	**4,543,524**	**4,777,594**
Gearing ratio	7 %	11 %

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.

NOTE 3
Income

	2019	2018
Rendering of services	2,257	2,089
Total sales revenue	**2,257**	**2,089**
Geographical allocation of revenues:		
Norway	45	75
Peru	2,074	1,860
Chile	137	154
Total geographical allocation	**2,257**	**2,089**

NOTE 4
Payroll, fees, no. of employees etc.

	2019	2018
Salary and holiday pay	14,713	13,364
Hired personnel	3,052	3,267
National insurance contribution	2,212	2,022
Pension costs	485	467
Other personnel costs	105	154
Total	**20,567**	**19,274**
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. AUSS 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 2019 or 2018 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	2019	2018
Audit fee	1,569	1,479
Other services	992	95
Tax advice	79	0
Total	**2,640**	**1,574**

NOTE 5
Financial income and financial expenses

	2019	2018
Interest income from Group companies	2,996	2,068
Other interest income	11,693	13,858
Dividends and Group contributions	701,318	1,045,189
Gain sale shares	0	16,076
Currency gains	308	126
Total financial income	**716,315**	**1,077,316**
Interest expense from Group companies	6,464	1,242
Other interest expenses	44,652	65,514
Currency losses	378	136
Other financial expenses	2,972	3,689
Total financial expenses	**54,466**	**70,580**
Net financial items	**661,849**	**1,006,735**

NOTE 6
Tangible fixed assets

2018	Office equipment	Total
Per 01.01.		
Acquisition cost	2,321	2,321
Accumulated depreciation	-2,299	-2,299
Balance sheet value at 01.01.	**22**	**22**
Tangible fixed assets acquired	0	0
Tangible fixed assets sold	0	0
Depreciation	-4	-4
Balance sheet value at 31.12.	**18**	**18**
Per 31.12.		
Acquisition cost	2,321	2,321
Accumulated depreciation	-2,303	-2,303
Balance sheet value at 31.12.	**18**	**18**

2019	Office equipment	Total
Balance sheet value at 01.01.	18	18
Tangible fixed assets acquired	0	0
Tangible fixed assets sold	0	0
Depreciation	-4	-4
Balance sheet value at 31.12.	**14**	**14**
Per 31.12.		
Acquisition cost	2,321	2,321
Accumulated depreciation	-2,307	-2,307
Balance sheet value at 31.12.	**14**	**14**

NOTE 7
Shares in subsidiaries

2019 - Subsidiaries		Gross numbers (100%)				
Company name		Net profit	Equity	Business location	Carrying value	Voting share
Austevoll Eiendom AS		5,382	9,370	Storebø	56,627	100.00 %
AUSS Shared Service AS		846	2,528	Storebø	1,010	100.00 %
Lerøy Seafood Group ASA	Group values	1,902,882	17,763,305	Bergen	2,783,350	52.69 %
A-Fish AS		-2,124	93,112	Storebø	660,100	100.00 %
Austevoll Pacific AS		23,512	380,346	Storebø	25,336	100.00 %
Austevoll Laksepakkeri AS	Group values	8,479	10,613	Storebø	100	100.00 %
Br. Birkeland Farming AS	Group values	42,080	391,110	Storebø	123,101	55.24 %
Br. Birkeland AS	Group values	28,647	387,753	Storebø	110,475	42.92 %
Total					**3,760,098**	

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	139,361	399,281	Storebø	110,475	42.92 %
Total					**3,760,098**	

All subsidiaries follow the same accounting year as AUSS.

NOTE 8
Shares in associates and joint ventures

2019		Gross numbers (100%)				
Company name	**Classification of investment**	**Net profit**	**Equity**	**Business location**	**Carrying value**	**Voting share**
Marin IT AS	Associated company	-4,303	19,524	Storebø	4,003	25.00 %
Pelagia Holding AS	Joint venture	537,253	2,648,753	Bergen	748,715	50.00 %
Foodcorp Chile group*	Associated company	2,605	855,768	Chile - Santiago	58,709	26.39 %
Total					**811,427**	

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 Holding AS	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**	

** 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

2019 Company name	Business location	Number of shares	Owner/ voting share	Fair value
Euro-Terminal AS	Bergen	4,897,290	16.7 %	25,711
Other shares				24
Total				**25,735**

2018 Company name	Business location	Number of shares	Owner/ voting share	Fair value
Euro-Terminal AS	Bergen	4,897,290	16.7 %	25,711
Other shares				24
Total				**25,735**

NOTE 10
Other receivables

Other non-current receivables	2019	2018
Intragroup non-current receivables	93,046	74,943
Other non-current receivables 31.12.	**93,046**	**74,943**
Impairment losses expensed	0	0
Other current receivables		
Prepayments	504	365
Public duties receivable	1,239	0
Other current receivables 31.12.	**1,743**	**365**
Write-down short-term receivables	0	0

NOTE 11
Trade receivable

	2019	2018
Trade receivable at nominal value	761	94
Accounts receivable 31.12.	**761**	**94**
The ageing of these trade receivables are as follows:		
0 to 3 months	761	94
Over 6 months	0	0
Total	**761**	**94**
The carrying amounts of the trade receivables are denominated in the following currencies:		
Currency		
NOK	761	94
USD	0	0
Total	**761**	**94**

NOTE 12
Restricted bank deposits

	2019	2018
Restricted deposits related to employee` tax deduction	2,687	2,591
Total	**2,687**	**2,591**

NOTE 13
Tax

	2019	2018
Specification of the tax expense		
Change in deferred tax	2,125	7.328
Deferred tax asset not recognised	-2,125	-7.328
Taxes	**0**	**0**
Tax reconciliation		
Profit before tax	628,731	970.039
Taxes calculated with the nominal tax rate	138,321	223.109
Other differences - including dividends	-140,447	-230.770
Effect of change in tax rate	0	333
Change in deferred tax asset not recognised	2,125	7.328
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	2,125	7.328
Reversal change for the year	-2,125	-7.328
Balance sheet value 31.12.	**0**	**0**

Change deferred tax	**Non-current assets**	**Loss carried forward**	**Other differences**	**Total**
2018				
Opening balance 01.01.				
Booked to income in the period	-123	-8,053	514	-7,661
31.12. (tax rate 23%)	**-123**	**-8,053**	**514**	**-7,661**
Effect of change in tax rate	5	350	-22	333
31.12. (tax rate 22%)	**-117**	**-7,703**	**492**	**-7,328**
Deferred tax asset not carried	117	7,703	-492	7,328
31.12.	**0**	**0**	**0**	**0**
2019				
Booked to income in the period	-95	-478	-1,552	-2,125
31.12. (tax rate 22%)	**-95**	**-478**	**-1,552**	**-2,125**
Valuation allowance deferred tax benefit	95	478	1,552	2,125
31.12.	**0**	**0**	**0**	**0**

Specification of temporary differences	**2019**	**2018**	**Changes**
Non-current assets	1,778	2,210	-432
Shares	108.392	113,679	2,825
Liabilities	4.180	5,949	-1,769
Loss carried forward	-475.805	-473,632	-2,173
Total temporary differences	**-361.455**	**-351,795**	**-1,548**
Including net tax benefit which is not capitalized	-79.520	-77,395	-341

NOTE 14
Interest bearing debt

AUSS and some subsidiaries are part of a cash pool agreement.

Net interest-bearing assets/debt(-)	2019	2018
Liabilities to financial institutions - non-current	84,500	217,500
Bond loan - non-current*	1,000,000	1,000,000
Liabilities to financial institutions - current	133,000	33,000
Liabilities to financial institutions - overdraft	152	31,790
Total interest-bearing debt	**1,217,652**	**1,282,290**
Liquid assets	728,766	582,095
Other interest-bearing assets - non-current	179,145	166,337
Net interest-bearing assets/debt(-)	**-309,741**	**-533,859**
Bank overdrafts limit	50,000	50,000
Average interest bond loan	4.06 %	4.06 %
Interim interest regulations on bond loan		

Repayment profile debt	2020	2021	2022	2023	2024	Subsequent	Total*
Mortgage loan	133,000	13,000	71,500	0	0	0	217,500
Bond loan	0	500,000	0	500,000	0	0	1,000,000
Total	**133,000**	**513,000**	**71,500**	**500,000**	**0**	**0**	**1,217,500**

** Non-current liabilities are reduced with provision paid with loan rising. The provision is accrued between the term of loans, and is per 31.12.2019 TNOK 4,180.*

FINANCIAL "COVENANTS"

Financial covenant requirements for AUSS (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 book equity ratio per 31.12.2019 was 72% and per 31.12.2018 it was 68%.

Liabilities secured by mortgage	2019	2018
Current liabilities	133,152	64,790
Non-current liabilities	84,500	217,500
Liabilities to credit institutions incl. leasing liab.	**217,652**	**282,290**
Assets provided as security		
Shares in Br. Birkeland AS and Br. Birkeland Farming AS*	233,576	233,576
Trade receivables and other receivables	93,807	75,037
Total assets provided as security	**327,383**	**308,613**

** In addition 8,066,500 number of shares in Pelagia 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 31.12.2019.

For further information about the bond loan, please refer to note 17 in the consolidated financial statement.

NOTE 15
Other current liabilities

Specification of other current liabilities	2019	2018
Salary and other personnel expenses	1,565	2,838
Accrued interests	4,551	3,981
Other short-term liabilities	12	8
Total other current liabilities	**6,129**	**6,827**

NOTE 16
Related parties

	Sales revenue		Operating expences	
Affiliation	**2019**	**2018**	**2019**	**2018**
Subsidiaries	2,254	2,014	4,696	4,569
Associated	0	75	639	518
Owners and it's related parties	0	0	7,420	4,285
Total	**2,254**	**2,089**	**12,754**	**9,372**

	Trade receivable		Trade payable	
Affiliation	**2019**	**2018**	**2019**	**2018**
Subsidiaries	0	0	-329	-336
Associated	0	0	0	-42
Owners and it's related parties	0	0	-3,978	-82
Total	**0**	**0**	**-4,307**	**-460**

	Other current receivables		Long term receivables	
Affiliation	**2019**	**2018**	**2019**	**2018**
Subsidiaries	682,777	985,940	93,046	74,943
Total	**682,777**	**985,940**	**93,046**	**74,943**

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 DOF Subsea AS and 25% by AUSS.

In 2019 the company paid TNOK 4,693 (2018: TNOK 4,592) 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	2019	2018
Total profit/loss for the year	628,731	970,039
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)	**3,10**	**4.79**
Earnings per share/diluted earnings per share (NOK)	**3,12**	**4.81**
Proposed dividend per share (NOK)	**2,50**	**3.50**

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 January 2008 regarding “simplified” IFRS as determined by the Ministry of Finance. The separate financial statements of AUSS (Company) were approved by the board of Directors of AUSS 23 April 2020. 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 AUSS.

NOTE 18
Accounting policies cont.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

NOTE 18
Accounting policies cont.

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.

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 than 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 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

NOTE 18
Accounting policies cont.

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

14.05.2020
Report Q1 2020

28.05.2020
Annual General Meeting

19.08.2020
Report Q2 2020

11.11.2020
Report Q3 2020

24.02.2021
Preliminary annual results 2020

Please note that the dates might be subject to changes.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 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, 23 April 2020
Board of Directors in Austevoll Seafood ASA

Helge Singelstad
Chairman

Helge Møgster
Board member

Oddvar Skjegstad
Deputy Chairman

Siren M. Grønhaug
Board member

Eirik Drønen Melingen
Board member

Lill Maren Møgster
Board member

Hege Charlotte Bakken
Board member

Arne Møgster
CEO & President

pwc

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 2019, 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 2019, 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 2019, 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 2019, 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 2019. These matters were addressed in the context of our audit of the financial statements, 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. 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

Key Audit Matters	How our audit addressed the Key Audit Matters
Measurement 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 5,910, of which MNOK 4,623 is historical cost and MNOK 1,287 is adjustment to fair value. Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, brood stock and fish held for harvesting purposes (on growing stage). Measured in fair value biological assets constitute approximately 15 % of the balance sheet as at 31.12.2019. Due to the nature and location of the inventory, it is impracticable to attend the physical inventory counting. Consequently, we have performed alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory. The group has established well functioning control procedures for measurement of both number of fish and biomass. However, a certain inherent risk of deviations exists in the measurement. 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 Group's biomass system includes 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 well boat count. We have also tested and reviewed the Group's routines for continuous 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 harvested biomass (in kilos and numbers) and estimated biomass according to 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 31.12.2019. We found the deviations to be relatively insignificant and in accordance with expectations.

Valuation of 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. 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 30 about accounting policies.

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.

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, 23 April 2020
PricewaterhouseCoopers AS

Hallvard Aarø
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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