

ANNUAL STATEMENT BY THE GROUP CEO

In 2018, we recorded the highest revenue in the history of the Group. Revenue for the year was almost NOK 20 billion, up 7% from 2017. We have therefore once again sustained the positive development achieved by the Group since the early 1990s. Profit before tax was NOK 3.7 billion compared with NOK 3.8 billion in 2017. In total, a great year – and we still have the potential to do even better.



"In 2018, we recorded the highest revenue in the history of the Group."

HENNING KOLBJØRN BELTESTAD,
CEO Lerøy Seafood Group

Continued positive development in demand for seafood

We can report a sustained positive increase in demand for seafood from all corners of the world. This provides us with confidence in the future of our industry.

Global supply of salmon was up 5.4% in 2018 when compared with 2017. Salmon prices in the same period remained stable. We have now had it confirmed that salmon prices of around NOK 60 per kg are acceptable for consumers, after three years at this level and with a growth in volume of 5-6%. We expect the global growth in supply to remain stable, and are therefore confident that prices will remain good in the years to come.

Substantial investments throughout the value chain

Lerøy is now a fully integrated company with full control of the entire value chain for both whitefish and red fish. As such, we have excellent foundations on which to create the world's most efficient and sustainable value chain for seafood. Achieving this goal will require a focus on continuous improvements and investments throughout the value chain, for both whitefish and red fish. The Board of Directors has shown every confidence in our efforts, and in 2018 Lerøy invested more than NOK 2 billion, the main share in upstream operations. This is the highest level of investment to date for the Lerøy Group. We are investing in the future, providing us with a strong platform on which to continue to develop our Group in the years to come.

As planned, the sea trawler *Nortind* was launched in January 2018. We had high expectations for this ship in terms of catch efficiency and improved product quality. To date, we are very happy with the results reported in 2018. We also have another new trawler under construction, scheduled for completion in Q1 2020.

The whitefish industry in North Norway has for many years lacked investments in onshore facilities.

We therefore decided to make major investments in these facilities last year, to improve quality, food safety and efficiency. The largest investment was in Stamsund, where we are totally renovating the onshore plant. Once the work is completed, this will be a highly modern facility for the production of fresh fillets and fish products. We have also made significant investments in Melbu, Berlevåg, Kjøllefjord and Rypefjord.

We have exciting projects under way in West Norway as well. We launched the very first roe in the new smolt facility in Kjærelva in the spring of 2018. This is the world's most modern smolt facility and will help Lerøy Sjøtroll secure access to larger smolt of top quality.

We are also investing substantial figures in Laksefjord in Finnmark in 2018 for the extension of the smolt facility to secure future growth in the region.

In May 2018, we opened the doors to what we believe is the future of slaughtering and filleting facilities, in Hitra, Central Norway. This facility will play a central role in the development of an even more efficient value chain for salmon. Our goal with the facility is for 70% of the fish slaughtered to be processed as fillets in fully-automated production lines. After a few initial start-up problems, the facility is now operating very successfully.

The next link in the value chain is our downstream operations. Lerøy Seafood Center URK in the Netherlands was ready for operations in the late spring of 2018. This is a combined smoking facility with a high level of automation and fresh distribution of freshly packed products, and has a central location in Europe. The plant got off to a good start with a high volume, and we expect this to boost our competitive strengths in the future.

Yet another exciting market is Spain, one of the markets with most growth for Lerøy in the last few years. Substantial investments have been made in Spain for the production of "ready meals" and sushi, in order to contribute to further growth and development. In 2018, we opened two new

plants in Spain; in Valencia and Alicante, giving us a total of four plants in the country.

These are among the most important investments we have made in 2018. The Group has also made a number of minor investments throughout the year.

Sustainability

Lerøy Seafood Group has already implemented numerous measures to ensure sustainability, but we want to do more! We have therefore set a target to implement a major joint project in all our companies in the near future.

Our new project – "50/50/5" – is all about reducing the amount of plastic we use and increasing exploitation of our fish resources over the next five years.

Together, we shall:

- **Reduce the amount of plastic used by 50%**
- **Increase the edible share of current food waste by 50 %**

We know these are ambitious goals, but if we join forces throughout the Group and the value chain, we can succeed! One Lerøy – 50/50 in 5 years!

At Lerøy, we feel privileged to work with healthy, sustainable and tasty products in an industry for the future with a vast potential. I very much look forward to exploiting this potential with great colleagues, suppliers, customers and other partners in 2019 and the years to come.

Thank you all for your hard work and cooperation in 2018!

Kind regards
Henning Beltestad

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