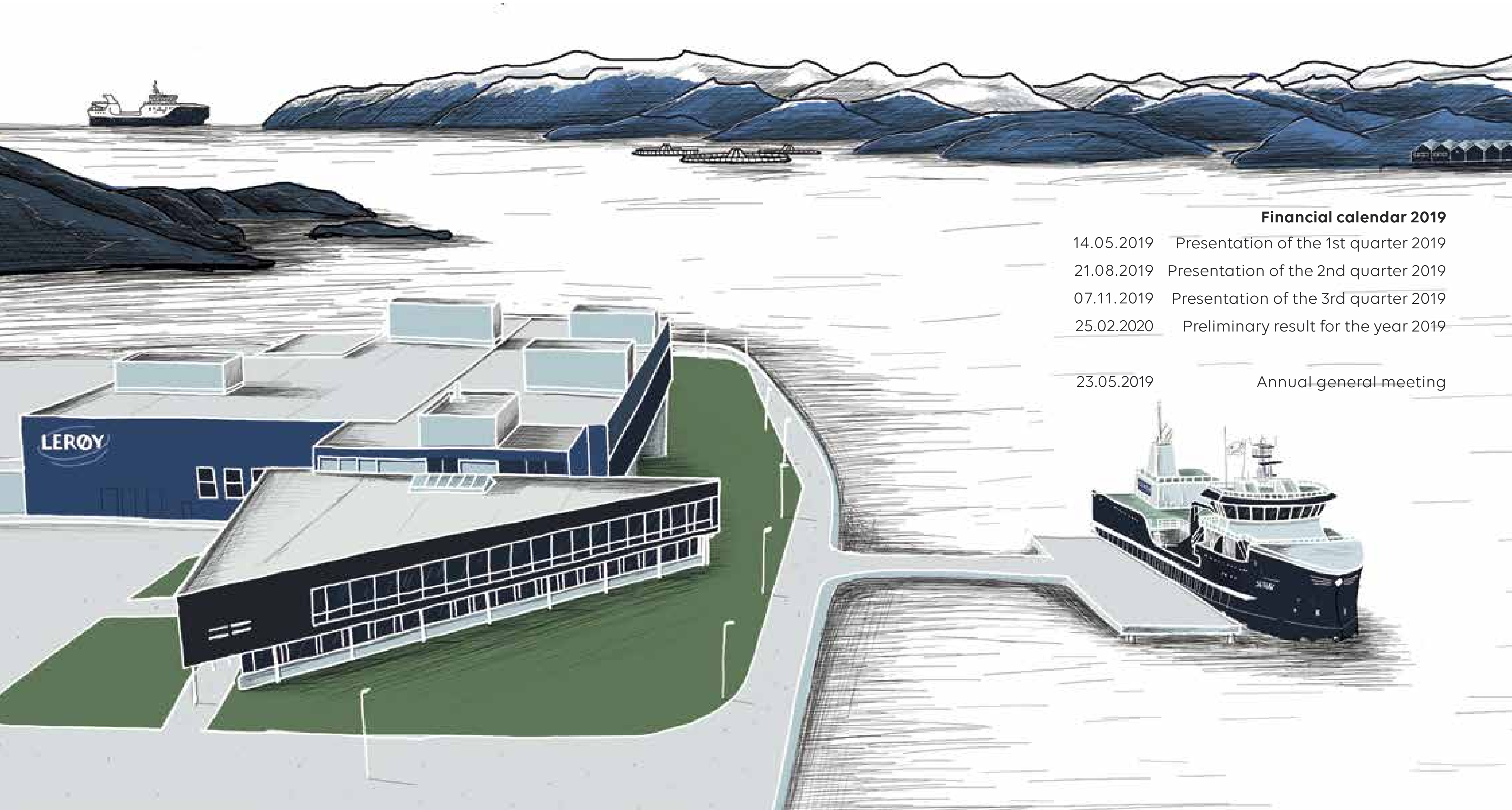
ANNUAL REPORT 2018

Sustainable growth



Financial calendar 2019

14.05.2019	Presentation of the 1st quarter 2019
21.08.2019	Presentation of the 2nd quarter 2019
07.11.2019	Presentation of the 3rd quarter 2019
25.02.2020	Preliminary result for the year 2019
23.05.2019	Annual general meeting

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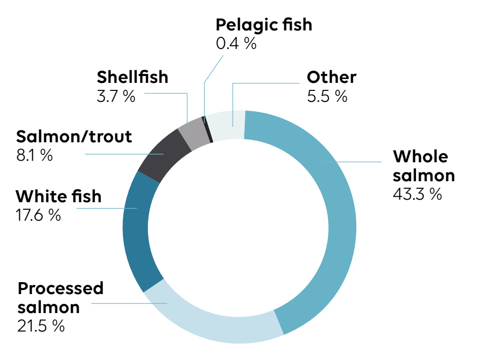
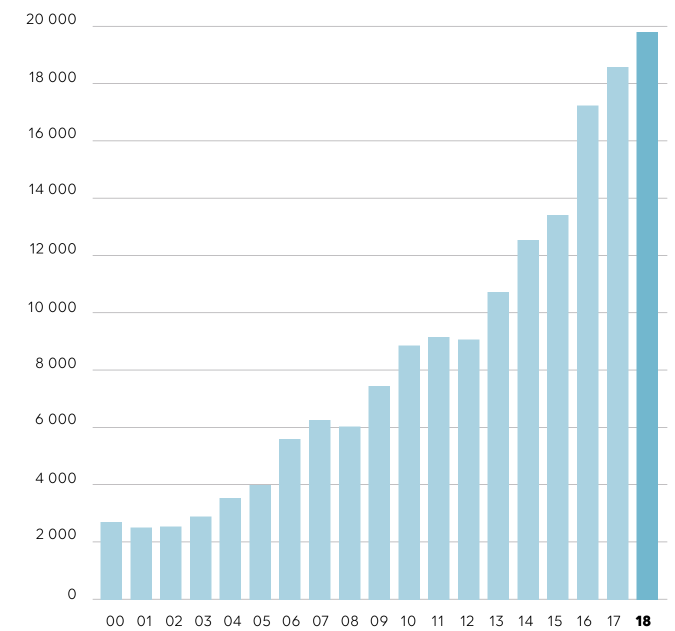
We aim to develop a global economically and environmentally sustainable value chain for seafood.

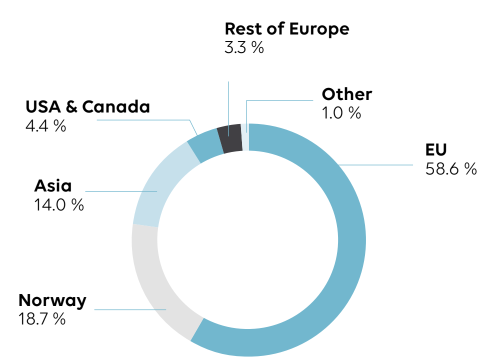
Product areas 2018



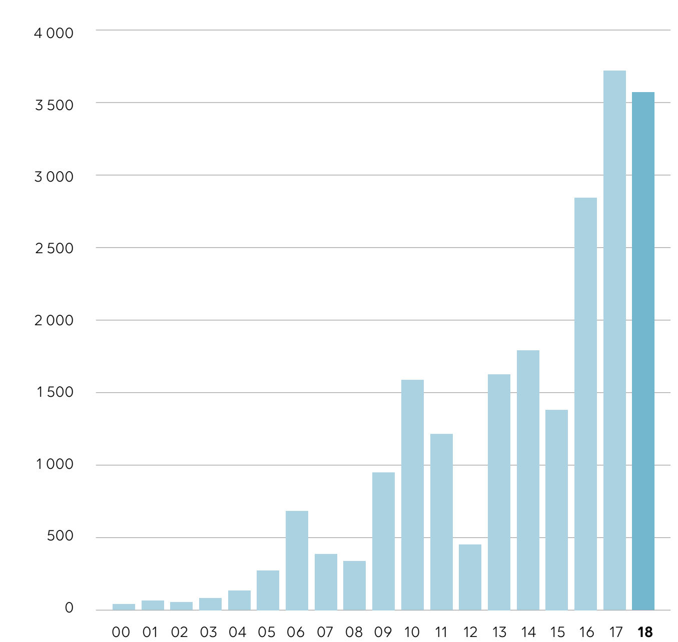
Revenue (amount in MNOK)



Geographic market 2018



Ebit development (before fv adj. on biomass) in total (MNOK)



Key figures

Lerøy Seafood Group consolidated

	2018	2017	2016	2015	2014	2013	2012
LSG stock price last annual trading day	**65.94**	43.98	48.11	33.00	27.30	17.70	12.95
Dividend paid per share (distribution year)	**1.50**	1.30	1.20	1.20	1.00	0.70	0.70
Dividend per share for payment following year	**2.00**	1.50	1.30	1.20	1.20	1.00	0.70
Cash flow from operating activities per share	**4.67**	6.19	4.85	1.41	2.59	2.31	0.81
Operating revenue	**19 837 637**	18 623 515	17 269 278	13 450 725	12 579 465	10 764 714	9 102 941
Net interest-bearing debt	**2 546 412**	2 262 167	3 433 487	2 594 653	1 876 121	2 116 865	2 231 860
Equity ratio	**60.4 %**	56.4 %	53.7 %	54.8 %	54.4 %	54.3 %	50.7 %
Harvest volume (GWT)	**162 039**	157 767	150 182	157 697	158 258	144 784	153 403
Key figures before fair value adjustments related to biological assets							
EBITDA before fair value adjustments	**4 228 205**	4 300 013	3 355 089	1 813 869	2 160 138	1 938 474	774 866
Operating profit (EBIT) before fair value adjustments	**3 568 536**	3 716 749	2 843 468	1 379 953	1 788 676	1 625 799	450 098
Pre-tax profit before fair value adjustments	**3 696 982**	3 805 426	2 925 930	1 320 816	1 816 813	1 630 011	379 913
Operating margin before fair value adjustments	**18.0 %**	20.0 %	16.5 %	10.3 %	14.2 %	15.1 %	4.9 %
Profit margin before fair value adjustments (before tax)	**18.6 %**	20.4 %	16.9 %	9.8 %	14.4 %	15.1 %	4.2 %
ROCE before fair value adjustments (annualised)	**22.3 %**	25.8 %	23.9 %	14.5 %	21.2 %	20.7 %	6.2 %
Earnings per share before fair value adjustments	**4.90**	4.90	3.84	1.94	2.40	2.11	0.51
EBIT/kg before fair value adjustments	**22.0**	23.6	18.9	8.8	11.3	11.2	2.9
EBIT/kg exclusive Wildcatch, before fair value adjustments	**19.6**	21.1	18.3	8.8	11.3	11.2	2.9
Fair value adjustments related to biological assets							
Fair value adjustments related to consolidated companies' inventory (before tax)	**754 938**	-1 716 309	1 470 561	188 508	-327 414	764 229	294 735
Fair value adjustments related to associates' inventory (after tax)	**-2 959**	4 351	48 830	-8 214	-55 988	86 135	-139
Key figures after fair value adjustments related to biological assets							
EBITDA	**4 983 143**	2 583 705	4 825 651	2 002 377	1 832 724	2 702 703	1 069 601
Operating profit (EBIT)	**4 323 474**	2 000 440	4 314 030	1 568 461	1 461 262	2 390 028	744 832
Pre-tax profit	**4 448 961**	2 093 467	4 445 321	1 501 110	1 433 411	2 480 376	674 509
Operating margin	**21.8 %**	10.7 %	25.0 %	11.7 %	11.6 %	22.2 %	8.2 %
Profit margin (before tax)	**22.4 %**	11.2 %	25.7 %	11.2 %	11.4 %	23.0 %	7.4 %
ROCE	**25.3 %**	13.7 %	32.4 %	15.3 %	15.7 %	28.9 %	9.9 %
Earnings per share	**5.77**	2.94	5.65	2.16	1.94	3.18	0.88

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About us

In the 1960s, fish were transported in wooden boxes down the Norwegian coast onboard the Hurtigruten ships. The boxes, weighing 51 kg, were unloaded and wheeled in to the "isa-skuret" or ice shed on Skolten quay in Bergen, covered in fresh ice, then re-loaded for transport to Europe. Both Oddmund Skotnes and Hermann Hansen worked for Lerøy.

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"Lerøy's seafood enterprise was born at the fish market in Bergen at the end of the 19th century."

HISTORY

The Lerøy Seafood Group can trace its operations back to the end of the 19th century, when the fisherman-farmer Ole Mikkel Lerøen started selling live fish in Bergen's fish market.

The fish was hauled to market in corfs behind Ole Mikkel Lerøen's rowing boat from the island of Lerøy to the fish market in Bergen, a journey that could take between six and twelve hours, depending on prevailing winds and currents.

Over time, Ole Mikkel Lerøen's operations gradually came to include retail sales in Bergen, the sale of live shellfish and a budding export business. In 1939, two of his employees, Hallvard Lerøy sr. and Elias Fjeldstad, established a wholesaler and seafood export company – Hallvard Lerøy AS. In time, the company invested in a facility where they could receive pelagic and white fish and carry out fish farming. Poor results and insufficient capitalisation in the late 1980s and early 1990s forced the company to close down its facility for receipt of fish and sell its shareholdings at that time in fish farming in order to safeguard their core operation: wholesale and exports. In 1994, the company carried out a last emergency share issue and started the process of re-establishing a healthy business. At that time, the company's equity was valued at NOK 20 million, prior to an issue worth NOK 5 million.

Amended strategy

The potential for growth within fish farming in combination with increasing customer requirements necessitated a radical change in the Group's business concept and strategy. The new strategy was very capital intensive. Up to 1997, the Group had been a family-owned operation. In 1997, a private placing with financial investors was carried out for the first time. The purpose of the placing was to develop the Group throughout the entire value chain, and participate in the future consolidation of the fish farming industry. The initial step of what was to become a number of major investments within fish farming occurred in 1999, when the company acquired a minority interest in what was then Hydrotech-Gruppen AS. In the summer of 2001, Norskott Havbruk AS was founded with the sole purpose of acquiring Golden Sea Products, now Scottish Sea Farms Ltd. in the UK.

Access to capital and expertise

The Group was listed on the Oslo Stock Exchange in June 2002, providing access to the capital market for the Group and thereby strategic financial room to manoeuvre. Sufficient access to capital and expertise have been critical factors in the development of the Group from a wholesaler/seafood exporter to the current global and fully integrated seafood corporation.

At the turn of the new millennium, large parts of the fish farming industry were seriously under-capitalised and suffering from the impact of a short-term perspective and a lack of risk management. This was not compatible with the requirements placed on enterprises in the fish farming industry at that time. Lerøy Seafood Group had achieved a more solid position by August 2003, when they purchased Nye Midnor AS as it was then called – the company that currently makes up the main share of Lerøy Midt AS. The Group went on to acquire Lerøy Aurora AS in 2005, Fossen AS and the remaining shares in Hydrotech-Gruppen AS in 2006, Lerøy Vest in 2007 via a business combination and a majority shareholding in Sjøtroll Havbruk AS in 2010. The acquisition and demerger of Villa Organic were conducted in 2014. The above-mentioned companies along with a number of minor acquisitions have, together with highly skilled local management, been developed via organic growth to form what is now one of the world's largest producers of Atlantic salmon and trout.

Over time, the Group has made substantial investments within the Processing segment (VAP). These investments in VAP (value-added processing) not only generate a wider product range and open the door to new markets, but also provide more room for manoeuvre in relation to the sale of own-produced salmon and trout. The Group made their ambitions clear in 2002 with the investment in fish-smoking capacity in Sweden (Lerøy Smøgen). In 2005, they went on to invest in a processing facility for white fish in Bulandet (Bulandet Fiskeindustri) in order to further expand their product range. In 2006, the Group expanded its high-value processing plant for trout and salmon on the island of Osterøy (Lerøy Fossen). The Group's acquisition of 50.1% of the shares in the Dutch seafood company Rode Beheer BV Group took place in 2012. The remaining 49.9% was acquired in 2016. The Group has subsequently gone on to expand capacity at all its existing plants. In April 2017, the Group started building Lerøy Seafood Center in Urk in the Netherlands, a factory focusing on automation, quality and food safety and producing smoked and freshly packaged products. This will be the most modern factory in Europe and will have the most innovative technological systems. The framework conditions for industrial development in Norway are increasingly unsatisfactory, however resulting in a trend whereby production is outsourced from Norway to countries with low production costs.

Despite this trend, Lerøy Seafood Group has invested heavily in Norway.

Reaching new markets

The Group's ambition to increase demand for seafood in the form of new products for new markets has constantly been the driving force behind the Group's investments in the segment. This segment not only sells its own production of salmon and trout, but also has a high level of sales activity in cooperation with third parties, ensuring a wide product range for the Group within seafood. In recent years, the Group has also made significant investments in processing facilities, in order to take part in leading the "revolution" within the distribution of fresh seafood. These investments have been made in what is known as "fish-cuts", processing facilities where proximity to the customer is key. The distribution of fresh seafood requires quality throughout the entire organisation, flexibility, continuity in supply and a high level of service. Today, the Group has a number of fish-cuts throughout Europe, and Leroy Processing Spain can report an exciting development within ready meals and sushi. In addition to the company's factory in Madrid, the Group completed a new factory in Barcelona in 2017 and a second new factory in Valencia, completed in February 2018. The Group currently sells seafood to more than 70 markets worldwide.

With the development of the VAP and sales and distribution segments, an increasing overlap in operations emerged. The Group therefore decided to report both these operations as one segment from 2017: VAPS&D.

Innovator within seafood

Ever since its very foundation, the Group has taken a pioneering role within a number of areas in the Norwegian, and subsequently international, seafood industry. The main focus has always been on developing the markets for seafood. The Group has very frequently been the first to launch in new markets, or to commercialise new species of fish. One of the main goals for the Group is to be an innovator within seafood, and preferably in cooperation with the end customer. This is important not only within product development, but also in other areas such as the development of efficient logistics and distribution. This pioneering spirit is still very much alive in the Group.

2017 will go down as one of the most important years in the company's long history. With the acquisition of 100% of the shares in the trawler operator Havfisk ASA and 100% of the shares in Norway Seafoods AS (now renamed Lerøy Norway Seafoods AS) in the autumn of 2016, the Group has embarked on a new and exciting journey, resulting in the integration of whitefish into the Group's well-established value chain in 2017. Further progress was made in this segment throughout 2018. Lerøy Seafood Group is now a fully integrated company, having achieved control of the entire value chain for a full range of seafood – from the sea to the consumer.

At the start of 2019, the seafood corporation Lerøy Seafood Group has a unique position for further growth and development.

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Nordtind, an offshore trawler, was handed over from the shipyard in January 2018. Havfisk AS, primarily involved in catches of whitefish, now has nine trawlers in operation. Together with Lerøy Norway Seafoods AS, these two companies make up the Wild Catch.

IMPORTANT EVENTS

1999

Lerøy Hydrotech (Farming): The Group's first investment (associate) in salmon production

2000

Capital supply

2001

Lerøy Sverige (VAPS&D): Investment in distribution companies in Sweden

Scottish Sea Farms Ltd: Investment established via 50% shareholding in Norskott Havbruk AS

2002

Lerøy Smøgen (VAPS&D): Investment in fish smoking company in Sweden

Listing on the Stock Exchange

Capital supply

2003

Capital supply

Lerøy Midnor AS (Farming): Acquisition of 100% of the shares (currently consolidated in Lerøy Midt AS)

2004

Lerøy Portugal (VAPS&D): Acquisition of 60% of shares (Portnor Lda)

2005

Bulandet Fiskeindustri AS (VAPS&D): Corporate relationship established with acquisition of more than 50% of the shares

Lerøy Alfheim (VAPS&D): Investment within wholesalers and distribution in Norway

Laksefjord AS (Farming): Acquisition of 100% of the shares

Lerøy Aurora AS (Havbruk): Acquisition of 100% of the shares

Capital supply

Alfarm Alarko Lerøy (Associate): Partnership with Alarko Holding in Turkey

2006

Lerøy Hydrotech AS (Farming): Acquisition of 100% of the shares (currently consolidated in Lerøy Midt AS)

Lerøy Fossen AS (VAPS&D): Acquisition of 100% of the shares

Capital supply

Investment in whole salers (VAPS&D): Investments resulting in nationwide distribution of fresh fish

2007

Lerøy Vest (Farming): Acquisition of 100% of the shares via a business combination

Capital supply

2008

Austevoll Seafood ASA increases its ownership of LSG from 33.34% to 74.93%

2009

Austevoll Seafood ASA reduces its ownership of LSG from 74.93% to 63.73%

2010

Sjøtroll Havbruk AS (Farming): Acquisition of 50.71% of the shares

2012

Rode Beheer BV (VAPS&D): Shareholding increased to 50.1% in the Dutch seafood group

2014

Villa Organic AS (Farming): Demerged and Leroy Aurora acquires eight new fish production licenses

Fish-cut investment: Investments in new facilities in Norway, France, Spain and Denmark

Villa Organic AS (Farming): Acquisition of 49.4% of the shares

2015

Seistar Holding AS (shipping company involved in well boats): Acquisition of 50% of the shares in Seistar Holding AS

Lerøy Turkey (fish-cut): Shareholding increased from 50% to 100% (former Alfarm Alarko Lerøy)

Norsk Oppdrettsservice AS (cleaner fish): Shareholding increased from 34% to 51%

Senja Akvakultursenter AS (cleaner fish): Acquisition of 100% of the shares

2016

Capital supply

Acquisitions of 100% of the shares in Havfisk ASA (trawling operator) and Norway Seafoods Group AS (processing, sale and distribution of whitefish)

Rode Beheer BV (VAPS&D): Acquisition of the remaining 49.9% of the shares

2017

Kjærelva, Fitjar (Farming): Construction start new production plant

Leroy Processing Spain: New facilities opened in Barcelona and Valencia (VAPS&D)

Rode (VAPS&D): Construction start new industrial building in Urk, the Netherlands

Construction of new factory at Jøsnøya island, Hitra (Farming)

2018

Stern trawler Nordtind handed over from Vard Søviknes to Havfisk ASA

Production started at new factory on Jøsnøya island, Hitra (farming)

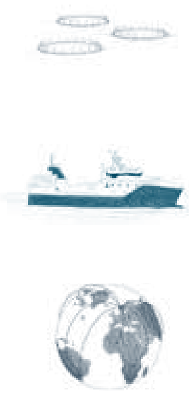
Leroy Processing Spain: New facilities opened in Valencia, Barcelona and Alicante

Reconstruction in Stamsund to increase production of ready-to-eat products (wild fish)

LOCAL ROOTS, GLOBAL PERSPECTIVE

Every day, over 4,500 Lerøy employees contribute to the supply of Norwegian seafood equivalent to five million meals in more than 70 different countries.

Lerøy in the world



Farming

Wild Catch

VAP, sales and distribution

Our main office is located in Bergen, but we have fishing vessels and fish farms in operation along the entire coast of Norway. Lerøy owns nine trawlers and receives regular deliveries from more than 600 vessels fishing along the coast. These vessels make daily deliveries of whitefish to onshore stations, where the fish is processed and packaged, while well boats transport salmon and trout from our fish farms in North Norway, Central Norway and West Norway to sites for processing.

In addition to our facilities for production and packaging in Norway, we have production and distribution in Sweden, Denmark, Finland, France, the Netherlands, Portugal, Spain and Turkey.

The fisherman-farmer, who would row to the fish market in Bergen to sell live fish at the end of the 19th century, most probably had no concept of what he was starting – a commercial enterprise that 120 years later would be serving the entire world 1.8 billion seafood meals every year.

Today, Lerøy is a world-leading seafood corporation, supplying thousands of different products to retailers, restaurants, canteens and hotels worldwide.

FROM SEA AND FJORD TO THE TABLE

Lerøy is involved in every stage of the production of salmon and trout, catch and processing of whitefish and shellfish. In other words, we are involved not only in catches and fish farming, but we also package and process fish at our plants and distribute thousands of different seafood products to shops, restaurants, canteens and hotels – in more than 70 different countries worldwide.

One important element in Lerøy Seafood Group's strategy is to be a fully integrated supplier of the Group's key products, and the business is operated via a number of subsidiaries in Norway and abroad.

The Group reports within three segments:

— Farming
— Wild Catch
— VAP, sales and distribution

Farming

The Farming segment comprises the Group's activities involving production of salmon and trout and includes harvesting and an increasing volume of filleting. The Group's companies in this segment – Lerøy Aurora, Lerøy Midt and Lerøy Sjøtroll – represent a major employer along the Norwegian coastline and strive to be visible and active in all the regions in which they operate.

Wild Catch

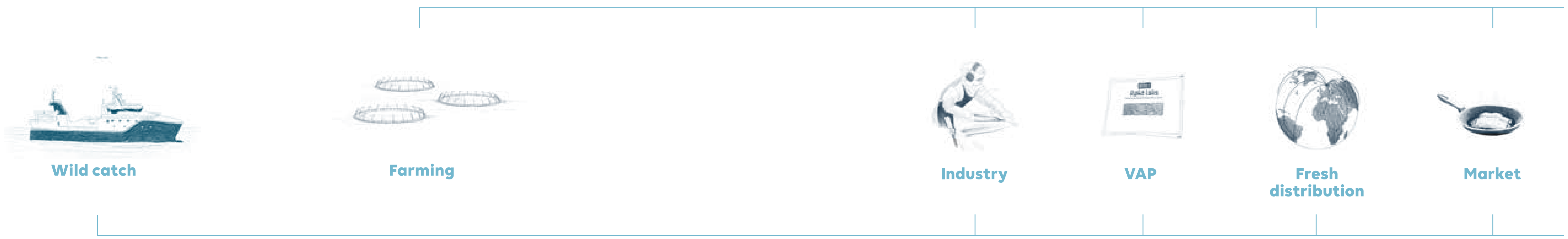
The Wild Catch segment comprises businesses acquired in 2016, when Lerøy Seafood Group became the sole owner of both Havfisk AS and Norway Seafoods Group AS. These are businesses with substantial operations in the catching and processing of whitefish in Norway. Havfisk currently has nine trawlers, while Lerøy Norway Seafoods runs factories in Berlevåg, Båtsfjord, Forsøl, Kjøllefjord, Melbu, Stamsund, Sørvær and Tromvik. Lerøy also has facilities in Bulandet and on Sommarøy island.

VAP, sales and distribution

Lerøy has a global reach within Sales and Distribution, and it works with sales, marketing, product development, distribution and simple processing of the Group's own raw materials, as well as a large volume of raw materials from partners and a network of suppliers. In this segment, Lerøy Seafood Group has wholesalers, factories and seafood centres in a number of different markets.

The VAP, sales and distribution segment is mainly involved in high-value processing of salmon and trout, but also other species. The segment's facilities are located on the island of Osterøy outside of Bergen, in Smøgen in Sweden, in the Netherlands and in Turkey. The segment's products are increasingly sold to the global market.

The value chain



PRIORITY TASKS

Lerøy Seafood Group's vision is to be the leading and most profitable global supplier of quality sustainable seafood. To achieve this, the company must continue to focus particularly on the following:

Alliances

Values are generated by businesses forming a network in the value chain. Businesses in the network have plenty of opportunities to focus on their own core activities and to capitalise on economies of scale and reduced risk. We must constantly improve the Group's core operations including the development of long-term and committed alliances with both suppliers and customers. Over time, this will ensure a sufficient range of products and that our solutions are cost-efficient and adapted to the various markets and therefore also profitable.

Market orientation

Emphasising development in new and existing markets based on forward-looking solutions and alliances that will ensure profitability and increased market share. Being among the leading companies within product development to ensure customer satisfaction and thereby profitability.

Environment and quality

Maintaining a strong focus on positive attitudes towards quality and the environment among management and employees. Further development of processes and routines throughout the entire value chain from fisheries and fish farming, breeding to smolt, fish production, harvesting, processing, sale and distribution.

Risk management

Continuing to develop systems for identifying risks in order to avoid imbalances between commercial risks and the quest for profitability. The Group's risk profile and its strategies for value generation must be reconciled with the Group's available resources.

Know-how

Giving priority to the development of expertise and adaptability in all segments and at all levels. Profitable growth requires improved expertise in the fields of management, improved operations, the development of incentive systems, financial management, exploitation of new technology, product and market knowledge and systematic marketing.

Strategic business development

For many years, the Group has made significant acquisitions. Strategic business development is also of decisive importance for the continued development of the Group.

This will ensure the best possible utilisation of the Group's resources in order to provide optimum value generation for the company's shareholders, employees and major partners.

Henning Beltestad
CEO
Lerøy Seafood Group

Stig Nilsen
COO Farming
Lerøy Seafood Group

Sjur S. Malm
CFO
Lerøy Seafood Group

Webjørn Barstad
COO Wild Catch
Lerøy Seafood Group

Siren Grønhaug*
Group Director HR
Lerøy Seafood Group

Ivar Wulf*
COO Sales and Distribution
Lerøy Seafood Group

* included in the Group Management from February 2019

CORPORATE SOCIAL RESPONSIBILITY

Ripple effects for society in 2018 in Norway

All amounts in NOK 1 000

8 828 884*
Value generation

1 364 500
Taxes

4 589
Jobs

1 295
Places in nursing homes

7 661
Children i municipal kindergardens

*Subject to prevailing market prices

Economic value generation and distribution per sector in 2018 in Norway

All amounts in NOK 1 000

From customers
17 772 041 NOK

To employees
1 985 423 NOK
Total payments to employees

To the public sector
817 528 NOK
Tax payable and employer's contribution

To financial institutions
154 002 NOK

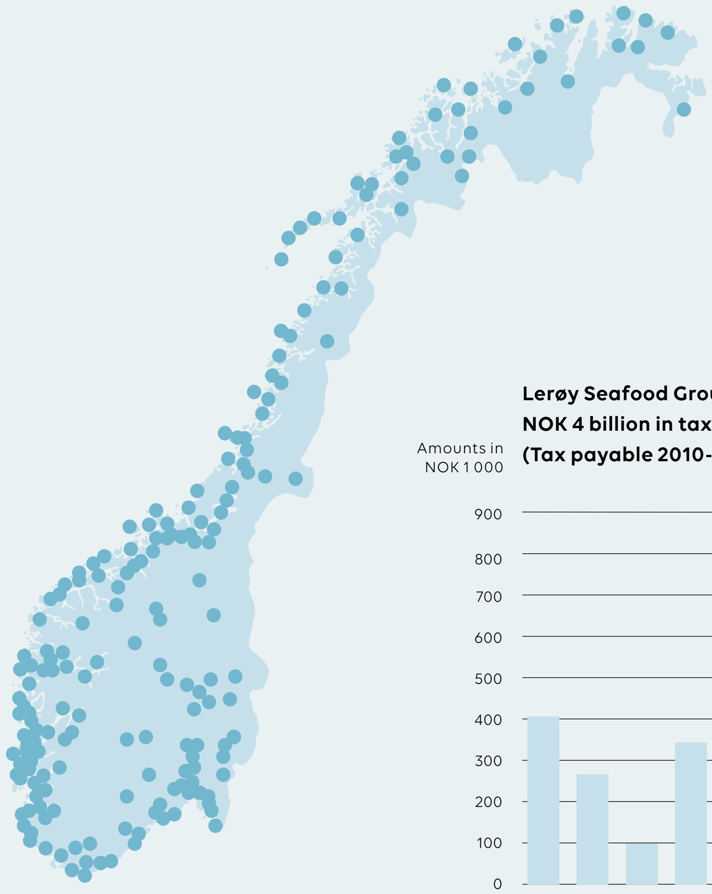
To owners
949 516 NOK
Dividend payments to owners

Purchases made by our Norwegian companies from Norwegian suppliers in 2018

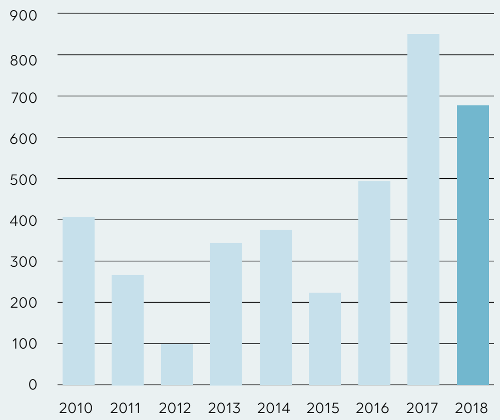
(invoiced in 2018)

All amounts in NOK 1 000

In 2018, Lerøy Seafood Group made a number of different contributions to local municipalities and communities.



Lerøy Seafood Group has paid over NOK 4 billion in tax over the past years. (Tax payable 2010-2018)



60 municipalities
We had company activities in approx. 60 Norwegian municipalities

NOK 16.9 billion
We purchased goods and services amounting to NOK 16.9 billion from more than 300 Norwegian municipalities

NOK 525 million
Our employees paid tax income to different Norwegian municipalities with a total value of NOK 525 million

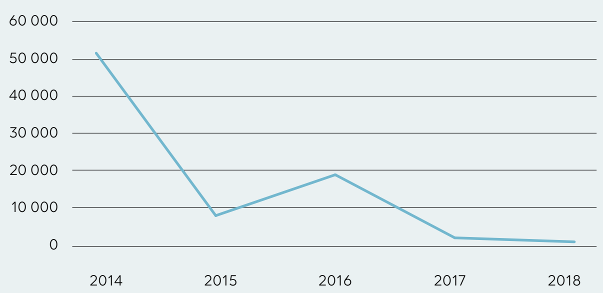
Key figures

Environment

Accidental release

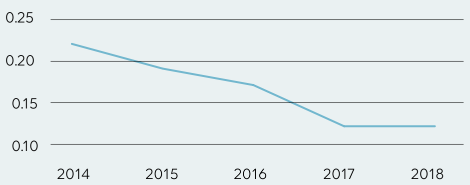
The Group can report a low number of accidentally released fish in 2018, 115 pieces. The reduction from 2018 to 2017 was in total 90%.

Number of accidentally released fish per year, salmon and trout



Lice

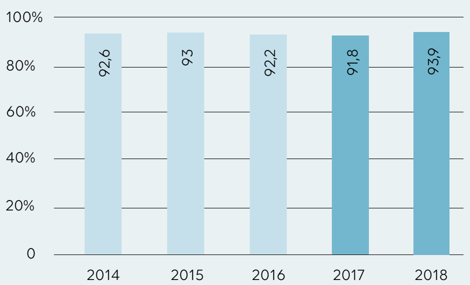
Trend curve for development of fully grown lice per fish



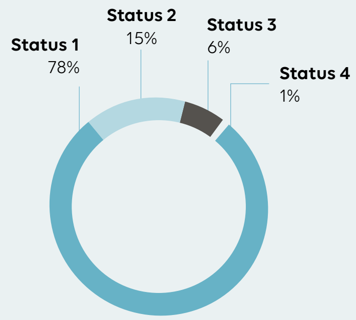
In comparison with 2017, Lerøy recorded:

— a stable average of 0.12 lice per fish
— a reduction in the use of active agents for treatment

Survival, rolling 12 month (GSI)%



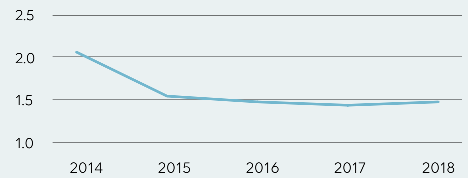
Location status



0 antibiotics have been used to treat fish in 2018:

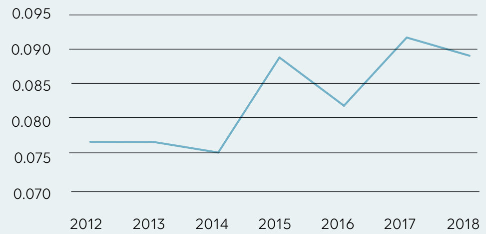
The use of antibiotics is almost at zero in the Norwegian fish farming industry.
No antibiotics were used by Lerøy Seafood Group in sea, in 2018.

FIFO fish oil



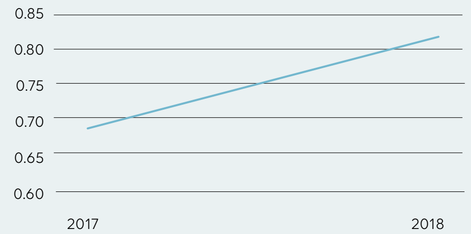
CO_2e emissions

Emissions of greenhouse gases Scope 1 + 2 for Farming segment (Tonnes CO_2e/tonne gross growth)



CO_2e emissions for fish are in general low. When compared with other types of proteins we eat, salmon has the lowest eco-footprint.

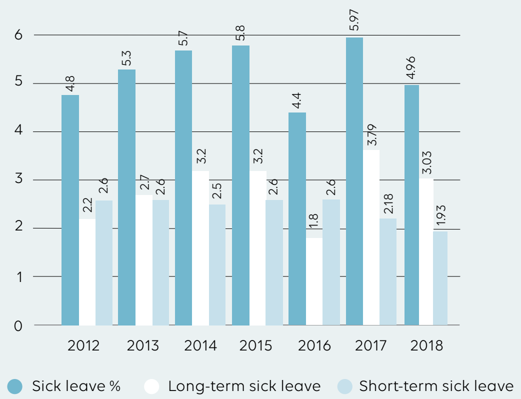
Emissions of greenhouse gases Scope 1 + 2 for Wild catch segment (Tonnes CO_2e/tonne gross growth)



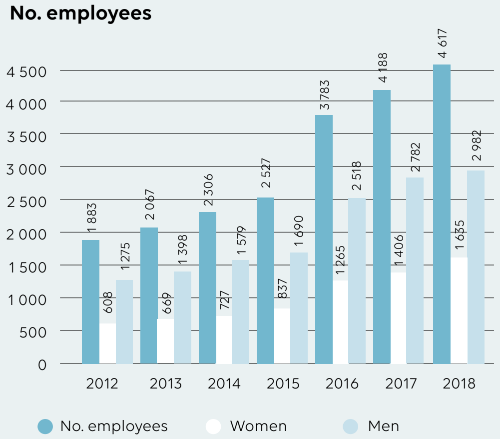
The increase in CO_2 emissions for this segment is mainly attributable to a decline in the quotas for cod and haddock. The fall in volume has been partly replaced by a higher volume of shrimp and saithe, species that require more energy per kilo of catch.

Society

Sick leave



No. employees



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Corporate governance

CORPORATE GOVERNANCE

In this chapter, the Board of Directors of Lerøy Seafood Group will provide a description of Corporate Governance within the Group. The Board of Directors is of the opinion that proper, clear corporate governance is decisive in sustaining and strengthening confidence in the company and contributing to optimal value creation over time.

The Group's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES), updated 17 October 2018, see also www.nues.no. The Code from NUES complies with Norwegian legislation concerning share trading, accounting, stock exchange and securities trading, and the stock exchange regulations in force at 1 October 2018, and also includes recommendations and guidelines that partly elaborate on and partly supplement such legislation. This chapter has the same structure as the NUES code, and all items in the Code are included. Any differences are explained.

1. Implementation and reporting on corporate governance

The Board of Directors of LSG underlines the importance of having sound corporate governance that clearly states the distribution of roles between shareholders, the Board of Directors and the company management. The goal for Lerøy Seafood Group ASA is for all parts of the Group's value chain to operate and achieve growth and development according to the Group's strategy for long-term and sustainable value creation over time for shareholders, employees, customers, suppliers and society at large.

The company's basic corporate values. The Group's basic corporate values to be creative, open, responsible and honest are based on the Group's vision to create the world's leading and most profitable global supplier of sustainable quality seafood. The Group's core activities comprise a vertically integrated value chain for the production of salmon and trout, catches of whitefish, processing of seafood, purchasing, sales and marketing of seafood, distribution of seafood, and product development. The Group emphasises quality in all parts of the value chain, in order to ensure that we are successful in achieving our goals.

2. Business

According to Lerøy Seafood Group's Articles of Association, the company's purpose is as follows: "The Company's objectives are fisheries, fish farming, processing, sale and distribution within the seafood industry and related industries and operations. Such activities may be performed either directly or via participation in other companies with similar or equivalent objectives, and all activities related thereto." The parent company's Articles of Association reflect the totality of the Group's value chain and core business. The Group's goals and main strategies are provided in total in the Group's annual report (go to www.lersoyseafood.com/investor), and can be summarised as follows: "The Group's core business is the production of salmon and trout, catches of whitefish, processing, product development, marketing, sale and distribution of seafood."

The Board of Directors has a clearly defined goal for the company to create value for its shareholders. Both short and long-term goals are established together with the corporate management, in addition to strategies that reflect the company's risk profile.

Ethical code of conduct and guidelines for corporate social responsibility at Lerøy Seafood Group ASA. The Group takes a very conscious approach to its responsibility regarding ethical conduct, society at large and the environment. Lerøy Seafood Group ASA has prepared a set of ethical guidelines for

Group employees, aiming to establish common principles and regulations which govern all employees within Lerøy Seafood Group ASA and its subsidiaries. The Group's ethical code of conduct reflects the values represented by the Group and guides the employees as to the use of the correct principles for business conduct, impartiality, conflicts of interest, political activity, entertaining expenses, processing information and duty of confidentiality, relationships with business partners, corruption, whistle-blowing, bribes etc. Each employee is individually responsible for practising the ethical code of conduct. The Group has prepared an Ethics Test for employees which will help them make the right decisions whenever needed. The corporate management is responsible for ensuring compliance with the regulations.

Furthermore, Lerøy Seafood Group has a general rule that the Group, along with all business partners, shall comply with legislation in the Group's respective locations, and with the company's own/Lerøy Seafood Group's quality systems and procedures. The Group has a principal rule that the strictest requirements shall be met.

In the event of nonconformities, measures shall be implemented to improve the situation. The Group's goal is to contribute positively and constructively to improving human rights, labour rights and environmental protection, both within the Group, in relation to suppliers and subcontractors and in relation to trading partners.

Every year, the Group publishes an Environmental Report setting out the status of, and providing an overview of, all environmental aspects within the Group's value chain. The Group has stipulated target areas, key performance indicators and environmental goals. The Environmental Report is published in its entirety on www.leroyseafood.com.

3. Equity and dividends

Dividend policy. The Board of Directors of Lerøy Seafood Group emphasises the importance of the company having a clear and predictable dividend policy adapted to the company's goals, strategy and risk profile. Distributed dividends should develop in line with the company's financial strength, growth and profit performance.

The company's dividend policy implies that, over time, dividends should lie in the region of 30% to 40% of profit after tax. However, care must be taken at all times to ensure that the Group has satisfactory financial contingency to be able to conduct any new and profitable investments. The goal is for financial value creation in the long term to be increasingly in the form of higher share prices rather than in declared dividends. The Board of Directors is of the opinion that the distribution of dividends in previous years reflects the Group's dividend policy (ref. note 19).

Dividend for financial year 2018. The Board of Directors has proposed a dividend payment for 2018 of NOK 2.00 per share, which is NOK 0.50 higher per share than the dividend payment in 2017. This proposal is in line with the company's dividend policy. Payment of the dividend is submitted for adoption at the company's annual general meeting.

Equity and financial goals. The Group is financially sound with a book equity of NOK 17.1 billion at 31 December 2018. This corresponds to an equity ratio of 60.4%. The number of shares outstanding in the company at 31 December 2018 is 595 773 680. All shares carry the same rights in the company. At 31 December 2018, the Group had 297 760 treasury shares.

On-going structural changes in the global industry in which the company operates, seen in conjunction with the cyclical nature of the industry, demand that the company at all times must maintain a satisfactory financial contingency. This in turn requires a close relationship with the company's shareholders and equity markets. The company has always stressed the importance of maintaining the confidence of its financial partners and thus also access to necessary loan capital on favourable terms. The financial goals established by the Board and management must be reflected in specified requirements for financial adequacy and yield. The established requirement for financial adequacy stipulates that the Group's equity ratio should be at least 30% over time. The Group's long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18% before tax.

Mandates granted to the Board of Directors. Mandates are granted to the Board of Directors in accordance with the Public Limited Companies Act (Norway), see in particular chapters 9 and 10 of the Act.

Mandate for the Board to purchase treasury shares. The Board was authorised for the first time to purchase treasury shares by the annual general meeting on 12 May 2000. The mandate was recently renewed at the annual general meeting on 23 May 2018 and authorises the acquisition of up to 50 000 000 shares over a period of 18 months from the date on which the resolution was adopted.

The Board of Directors is of the opinion that the Board should retain its right to purchase treasury shares. Situations may also emerge in the future when the Board of Directors finds that the market price of the company's shares does not reflect the company's underlying intrinsic values, the company has sound equity and liquidity and the Board of Directors decides that an investment in treasury shares is an attractive prospect. In such a situation, the purchase of treasury shares may help improve return for the company's investors. At the same time, the stock market generally views the purchase of treasury shares as positive based on the signals this sends regarding the management's confidence in the company's outlook for the future. Moreover, the Board of Directors feels that a holding of treasury shares will provide the Board with more leeway in connection with future growth via future acquisitions, business combinations and establishing new forms of cooperation. Finally, the purchase of treasury shares may be utilised in connection with the possible establishment of a share savings programme for Group employees.

A proposal will therefore be submitted to renew the mandate at the annual general meeting on 23 May 2019.

Mandate to increase share capital by issuing shares for private placings for external investors, employees and individual shareholders in Lerøy Seafood Group ASA. The Board has a mandate to increase the share capital by up to NOK 5 000 000 by issuing up to 50 000 000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 0.10, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the annual general meeting of 4 May 1999 and subsequently renewed by the annual general meeting on 23 May 2018. The Board of Directors exercised this mandate on 2 June 2016 and carried out a private placement of 5 000 000 new shares at a face value of NOK 1.00 in addition to the sale of 300 000 treasury shares. The Board of Directors feels it is appropriate to retain this mandate, including authorisation for the Board to deviate from the preference rights of the shareholders.. The Group expects to see continued structural changes and internationalisation in its industry. As a result, Lerøy Seafood Group ASA will continuously assess organic growth, possible share saving programmes for employees, possible acquisition and business combination alternatives and possible alliances that may lay the foundations for future profitable growth, both to capitalise on the value already created and to achieve a solid position for future value creation.

The mandate will help allow the company to achieve the necessary financial leeway to rapidly obtain the necessary liquidity and/or settlement shares that the Board feels are necessary to ensure future profitable growth. A proposal will therefore be made to establish a new corresponding mandate at the annual general meeting on 23 May 2019.

The Board's mandate is valid for a period exceeding one year and is not limited to specifically defined objectives as recommended by the NUES.

This is principally for operational reasons, but also in order to clearly show that the company is growth-oriented and that shares are regarded as potential means of payment. This practice is established to ensure an optimum strategic business development for the company. However, the company has established the practice of having the mandates renewed annually at each annual general meeting.

4. Equal treatment of shareholders and transactions with close associates

The company has only one class of shares and each share carries one vote at the annual general meeting. Shareholders' rights are governed by the Public Limited Companies Act (Norway), see in particular chapter 4 of the Act. Lerøy Seafood Group's Articles of Association and agreements are all worded to ensure equal treatment of shareholders.

Equal treatment of shareholders and transactions with close associates. Lerøy Seafood Group ASA has a strict policy of providing correct and open information to shareholders, potential shareholders and other stakeholders.

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. Should such transactions occur, they are documented and executed according to the arm's length principle. The company has prepared guidelines to ensure notification by board members and executive personnel to the Board of Directors of any significant interest in an agreement signed by the company. If enterprises with associations to board members perform work for Lerøy Seafood Group ASA's Board of Directors, the question of independence is treated specifically by the Board.

5. Shares and negotiability

According to the company's Articles of Association, there are no restrictions on the negotiability of Lerøy Seafood Group's shares.

6. General meetings

Lerøy Seafood Group holds its annual general meeting every year before the end of May. Notices of the annual general meeting and organisation of the meeting comply with an established practice followed by Lerøy Seafood Group ASA for many years.

Notice of and holding annual general meetings. Lerøy Seafood Group ASA held its annual general meeting in the company's head office at Bontelabo, Bergen on 23 May 2018. The notice of the meeting with a proposed agenda, attendance slip and proxy form were distributed to all shareholders with a registered address three weeks prior to the date of the general meeting. The notice of the general meeting was formatted in accordance with the requirements of the Public Companies Act in Norway and the regulation relating to general meetings which governs the content and availability of supporting information. Pursuant to the company's Articles of Association, all documents to be discussed at the general meeting were made available on the company's website: www.leroyseafood.com.

This information was published 21 days prior to the date of the general meeting.

The supporting information was sufficiently detailed and precise to allow the shareholders to form a view on all matters to be considered at the meeting. The deadline for registration of participation was set for the day prior to the general meeting. Prior to distribution of the notice of the general meeting, the Board of Directors and meeting chairperson had performed a quality control of the procedures for registration and voting, and the proxy form for participation and voting on behalf of other shareholders.

The Chairman of the Board represented the Board of Directors at the general meeting. In addition, the CEO and other members of the corporate management were present. On agreement with the Chairperson of the nomination committee, the Chairman of the Board presented the committee's recommendation.

Independent chairing of the general meeting is ensured in that the general meeting appoints a chairperson for the meeting and one person to co-sign the minutes of the meeting.

Participation by proxy. The Public Companies Act in Norway and the regulation relating to general meetings allows for several methods whereby shareholders can participate in and vote at the general meeting, without actually being present. In the notice of the general meeting, Lerøy Seafood Group has allowed shareholders to vote by proxy at the general meeting. The proxy was designed so as to permit votes to be cast for each individual item discussed, and for candidates up for election. The company has procedures which ensure full control and overview of participation and voting at general meetings.

The company publishes the signed set of minutes immediately after the general meeting has been closed.

No extraordinary general meetings were held in 2018.

At general meetings, the Board of Directors is normally represented by the Chairman of the Board, who also represents the majority shareholder in LSG. Due to the fact that the capacity for other shareholders to physically participate at general meetings is very limited, it has not been deemed necessary for all board members to take part in the general meeting.

7. Nomination committee

Pursuant to Article 5, paragraph 2 of the company's Articles of Association, the company shall have a nomination committee comprising three members elected by the annual general meeting for a period of two years. The company's nomination committee is charged with preparing proposals for the composition of a shareholder-elected board of directors and to submit recommendations to the shareholders' meeting for appointments to the board. At present, the members of the nomination committee are Helge Møgster (Chairman), Benedicte Schilbred Fasmer and Aksel Linchausen. The company has not 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, and that the company's Articles of Association also specify the framework for the work of the Committee.

The nomination committee makes a recommendation regarding remuneration to the members of the board. The general meeting makes the final decision regarding fees to be paid to the members of the company's board and nomination committee.

Information on the members of the nomination committee is published on www.leroyseafood.com. The nomination committee will be facilitated contact with the shareholders, the board members and the CEO when working on the recommendation of candidates. In addition, shareholders are permitted to recommend candidates to the committee.

The justified recommendation of the nomination committee is included in the supporting documentation for the annual general meeting, which is published within the 21-day deadline for notice of the general meeting.

8. Board of directors: composition and independence

Composition and independence of the Board of Directors. In its central position between owners and management, it is the Board of Directors' function to safeguard the shareholders' interests on a parallel with the company's need for strategic governance, operational control and diversity. The function and focus of the Board will always vary somewhat depending on circumstances within the company and on developments in external framework conditions.

The transformation of the Lerøy Group from a family company to a listed public limited company has been guided by the owners' clear awareness of the type of Board the company needs. Since the early 1990s, the majority of the board members have been independent of the Group's management team in order to protect the Board's ability to challenge management practices. In part because of the Board's composition (size and independence from management and main owners, etc.), it has to date been deemed unnecessary to establish so-called board committees, with the exception of the statutory requirement for an audit committee.

Information on the members of the Board of Directors

Members	Elected to the Board	Up for election	No. board meetings
Helge Singelstad (Chairman)	2009	2020	8/8
Britt Kathrine Drivenes	2008	2019	8/8
Arne Møgster	2009	2020	8/8
Didrik Munch*	2012	2019	8/8
Karoline Møgster	2017	2019	7/8
Siri Lill Mannes*	2018	2020	5/5**
Hans Petter Vestre* (employee representative)	1995		8/8

*Independent of the company's largest shareholder
**Elected to the Board by the annual general meeting on 23 May 2018

Pursuant to the Norwegian Public Companies Act, the Chief Executive Officer is not permitted to be a board member. The Norwegian Code of Practice is also very clear in its recommendation that neither the CEO nor other executive personnel in the company should be board members. In Lerøy Seafood Group ASA, neither the CEO nor other executive personnel are members of the Board of Directors.

Nomination period and term of office. Both the Chairman of the Board and other board members are elected for a period of two years at a time. The nomination committee submits its recommendation to the general meeting, which appoints the Chairman of the Board and other board members.

The Group structure, with autonomous entities in different regions, is supervised through participation by Group management in the administrative bodies of the various companies. The employees contribute to sound operational development through their representation on the boards of the subsidiaries also. The Board has not elected a Vice Chairman and so far the Chairman of the Board has always been present. In case of his absence, the Board will make satisfactory arrangements for chairing the meeting.

Encouraging the board members to own shares in the company. The majority of board members in Lerøy Seafood Group ASA own shares in the company, either directly or indirectly.

9. The work of the board of directors

The duties of the Board of Directors. The Board of Directors has the ultimate responsibility for company management. This involves supervising day-to-day management and activities in general. The board's responsibility for the management of the company includes responsibility for ensuring that the activities are soundly organised, drawing up plans and budgets for the activities of the company, keeping itself informed of the company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control. The main aim is to ensure continuous follow-up and further development of the company. For several years, as well as in its eight meetings in 2018, the Board has maintained a particular focus on the connection between practical operations and strategic business development. The Board works purposefully together with the company management to make the Group the most sustainable, profitable, fully integrated and international seafood company possible. This work has for a considerable time been carried out in accordance with our public announcements. The Board's work reflects this strategy and the results are shown through management implementation. Although the strategic development of the company is a continuous process and part of the work of the Board of Directors, the company also holds strategy meetings. Strategy meetings were held in 2018.

Instructions for the Board of Directors and management. A set of instructions has been prepared for the work of the Board of Directors. The scope of the work of the CEO is laid down in a separate set of instructions and in close dialogue with the company's Chairman of the Board.

Independent consideration of matters of a material character in which the Chairman of the Board, board members or executive personnel are actively involved. The Chairman of the Board or other board members shall not process matters that are of significance for their own interests or the personal interests of close associates. Such matters are dealt with by the other board members. The same applies to matters in which the CEO or other executive personnel have a personal interest. There has been no business of this nature during the year.

Board committees.
Audit committee. Pursuant to section 6-41 (1) of the Norwegian Public Companies Act, companies listed on the Stock Exchange are obliged to establish an audit committee which prepares business for and submits recommendations to the Board of Directors. Lerøy Seafood Group ASA's audit committee consists of Didrik Munch (Chairman) and Britt Kathrine Drivenes. The audit committee reports to the Chairman of the Board. The audit committee conducts quality assurance of internal control and financial reporting. It is also responsible for the Board of Directors' dialogue with and monitoring of the external auditor. The auditor reports on his work in writing to the company administration and the Board through the audit committee. The company does not have a so-called remuneration committee.

Evaluation of the Board's work. When recruiting board members, the company's owners follow a long-standing strategy of evaluating the company's need for varied competency, continuity, renewal and changes in ownership structure. It will always be in the company's interest to ensure that the composition of the Board varies in line with the demands and expectations made on the Group. The Board's evaluation of its own performance and of Group management must of necessity be seen in conjunction with the Group's performance. To date, the Board has not issued reports on its evaluation of its own work; this is a conscious priority decision and must be viewed in connection with other announcements in the company's communications to the public. Moreover, external evaluations of the Board's work are probably the most influential and are likely to remain so in the future.

10. Risk management and internal control

Risk management and internal control. The Group's activities are varied, depending on each entity'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 fluctuating conditions. The Group's regional structure with independent entities, also in respect of short-term reporting, facilitates good control and a powerful focus. Internal control is based on daily and weekly reports that are summarised into monthly reports tailored to the individual company, and at Group level. There is an emphasis on developing uniform reporting procedures and formats in order to ensure correct reporting from all entities and up to an aggregate level.

As Lerøy Seafood Group is an international seafood corporation with decentralised operations and a significant volume of biological production, the company is exposed to a number of risk factors. The Board of Directors therefore works hard to ensure that the Group implements all measures required to control risk, to limit individual risk and to keep risk as a whole within acceptable constraints.

Operating risk. Fish farming takes place in relatively open seas, which provide the best conditions for fish farming in terms of the environment and health of the fish. However, this places significant demands on both personnel and equipment. The production plants are continuously subjected to the forces of nature, representing a certain risk of damage to equipment which, in turn, may result in accidental release of fish. The company reported some minor incidents involving accidental release of fish in 2018, cf. the more detailed description in the

Group's Environmental Report at www.leroyseafood.com. Keeping animals in intensive cultures will always entail a certain risk of illness. Fish are particularly vulnerable to illness when they start life at sea, as they are exposed to stress during this period and have to adapt to a completely new environment. The risk of illness can be reduced by ensuring high quality smolt, vaccinations, good conditions and the correct locations for the fish. The Group also has a focus on sustainable feed.

For more comments on biological production, please refer to the Group's Environmental Report.

Market risk. The Group's result is strongly reliant on the developments in global salmon and trout prices and now increasingly on whitefish prices, in particular cod. The Group seeks to reduce this risk factor by ensuring that a certain proportion of sales are so-called contract sales.

The Norwegian fish farming industry faces political risk linked to decisions by the national authorities, including framework conditions for fish farming and licence terms related to fisheries legislation.

However, as the seafood industry is mainly international and Norway is a major export nation for seafood, we are aware that trade barriers have been and will continue to be a significant risk factor for the industry. The political trade barriers laid down in 2014 on Norwegian salmon and trout exports to Russia, and which are still in force, provide an illustration of such political risk in practice.

Currency risk. The Group has international operations and is thus exposed to currency risk with several currencies. The Group makes use of currency derivatives combined with withdrawals/deposits in multi-currency accounts in order to minimise currency risk on outstanding accounts receivable, signed sales contracts and ongoing contractual negotiations. The Group's long-term liabilities are mainly in Norwegian kroner.

Credit risk. Pursuant to the Group's strategy for managing credit risk, the Group's trade receivables are mainly covered by credit insurance or other forms of security. All new customers are subjected to a credit rating.

Interest rate risk. The majority of the Group's long-term debt is at floating rates of interest, representing exposure to increases in the market interest rate. Interest rate swap agreements are signed to reduce interest rate risk.

Liquidity risk . The most significant individual factor related to liquidity risk is fluctuations in salmon prices and now, to an increasing degree, prices for whitefish and in particular cod. Liquidity is also affected by fluctuations in production and slaughter volumes and changes in feed prices, which is the most prominent single factor on the cost side. Feed costs are impacted by the developments in prices for marine raw materials and agricultural products.

Review by the Board of Directors. A significant share 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 evaluations 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 evaluations 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 main purpose of the COSO framework is to identify, evaluate and manage the company's risk in an efficient and appropriate manner. 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 reporting entities are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisation and business. The entity managers shall ensure implementation of 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. Reporting entities are responsible for the implementation of adequate 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 entities' 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, including the development in figures for profit/loss and on the statement of financial position.

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 annual general meeting.

Information and communication. The Group has a strict policy of providing correct and open information to shareholders, potential shareholders and other stakeholders. Item 13, "Information and communication" contains more detailed information.

Follow-up of reporting entities. Those persons responsible for entities which issue reports 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.

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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, 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.

11. Remuneration of the board of directors

Board remuneration is not performance based. The Board members elected by the shareholders have no share options. If enterprises that board members are associated with perform work for the company's Board, the question of independence is treated specifically by the Board.

Remuneration of the Chairman of the Board and other board members is recommended by the nomination committee and adopted by the general meeting. The annual general meeting on 23 May 2018 adopted remuneration of the Board of Directors as follows: Annual remuneration of the Chairman of the Board, NOK 375 000. Annual remuneration of the other board members, NOK 200 000. However, no remuneration is paid to the Chairman of the Board that represents a duty to report. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees related to the role as working Chairman of the Board from the Group's leading company, Laco AS, where the Chairman of the Board is an employee.

It is recommended that remuneration for any additional work carried out by members of the Board of Directors' sub-committees be paid separately in addition to the basic fees for board members of NOK 40 000 per year.
Annual remuneration of the members of the nomination committee totalled NOK 35 000 per member.

12. Remuneration of executive personnel

This item is referred to in the chapter regarding the Board of Directors' Statement on Salaries and other Remuneration of Executive Personnel.
The general meeting will vote individually on the recommended and binding guidelines.

13. Information and communications

Lerøy Seafood Group ASA has a strict policy of providing correct and open information to shareholders, potential shareholders and other stakeholders. Timely, relevant, consistent and current information is the basis upon which all interested parties will assess the value of the company's shares. The company's most important medium for distributing information is the Oslo Stock Exchange reporting system, but the company will also hold presentations for investors and analysts. Lerøy Seafood Group keeps its shareholders informed via the Board of Directors' report, quarterly reports and at appropriate presentations. In addition, press releases are sent out regarding important events on the company's markets, or about other relevant circumstances.

Every year, Lerøy Seafood Group ASA 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 date for payment of dividends is decided by the company's annual general meeting.

The company's website – www.leroyseafood.com – is updated constantly with information distributed to shareholders. No specific guidelines have been compiled for the company's contact with shareholders outside the general meeting. This is due to the fact that the current integrated practice within this area is deemed satisfactory.

14. Take-overs

Lerøy Seafood Group ASA has no restrictions in its Articles of Association regarding company take-overs. As of 3 June 2002, the shares in Lerøy Seafood Group ASA have been quoted on the main listing of the Oslo Stock Exchange and are freely negotiable within the provisions of Norwegian law. The company has only one class of shares and each share carries one vote at the general meeting.

If a take-over bid is made for the company, the Board of Directors will make a statement prior to the expiry of the bid. The Board of Director's statement will also include a recommendation as to whether the shareholders should accept the bid or not. The Board of Directors will emphasise equal treatment of the shareholders and no unnecessary disturbance of the company's operations.

15. Auditor

Auditing – annual plan. For a number of years, Lerøy Seafood Group ASA has engaged the services of PriceWaterhouseCoopers AS as Group auditor. The company's auditor follows an auditing plan which has been reviewed in advance together with the audit committee and management. The auditor and audit committee perform an annual audit of the company's internal control, including identified weak points and recommended improvements. The Board is informed of the general nature of the services the administration buys from the auditor.

Treatment of the financial statements. The auditor holds meetings with the audit committee and management subsequent to the interim audit and in connection with the company's presentation of interim reports for the fourth quarter. The auditor attends board meetings where the annual reports are to be approved, and also holds a meeting on the subject of the annual report with the Board of Directors, at which the management does not attend. During these meetings, the auditor reviews any significant changes in the company's accounting policies, evaluations of significant accounting estimates and all significant factors on which the auditor and management disagree. To date, there has been no such disagreement on any factors.

Auditor – other services. The auditor prepares a written confirmation of independence for the audit committee, with written disclosure to the audit committee of all other services provided in addition to mandatory auditing. The auditing company utilised is a large company and practices internal rotation, in compliance with the requirement for independence.

Moreover, the auditor is available for questions and comments to the financial statements and other matters at the Board's discretion.

Remuneration of the auditor. Invoiced fees from the auditor are presented in a separate note to the financial statements. The company's annual general meeting is also notified of remuneration of the auditor.

No specific guidelines have been established for the CEO's mandate to make use of the auditor for other services than auditing. The Board of Directors is instead continuously informed of the main aspects of the services purchased by the administration from the auditor.

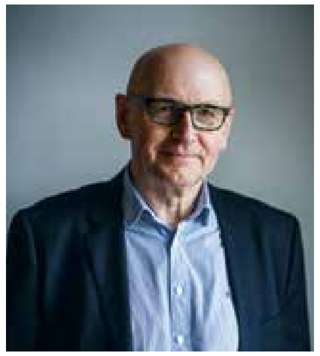
Presentation of the Board of Directors

The Chairman of the Board, **Helge Singelstad** (1963), was appointed to the Board by the extraordinary general meeting on 26 November 2009. Helge Singelstad holds a degree in computer engineering, a degree in Business Administration from the Norwegian School of Economics (NHH) and took a foundation course in law at the University of Bergen. Helge Singelstad has previously held positions as CEO, Vice CEO and CFO of Lerøy Seafood Group. Consequently, he has broad knowledge of the Group and the industry. Helge Singelstad is Chairman of the Board of Austevoll Seafood ASA and Vice Chairman of the Board of DOF ASA. He is the Managing Director of Laco AS. Laco AS is a majority shareholder of Austevoll Seafood ASA. Helge Singelstad owns no shares or options in Lerøy Seafood Group ASA as of 31 December 2018, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.

Board member **Britt Kathrine Drivenes** (1963) was appointed to the Board by the annual general meeting on 20 May 2008. Britt Kathrine Drivenes holds a Bachelor of Business Administration from the Norwegian School of Management (BI) and a Master of Business Administration in Strategic Management from the Norwegian School of Economics (NHH). She is the CFO of Austevoll Seafood ASA and is also a board member in a number of companies. She indirectly owns shares in Lerøy Seafood Group ASA as a shareholder in Austevoll Seafood ASA.

Board member **Siri Lill Mannes** (1970), was appointed to the Board by the annual general meeting on 23 May 2018. She has studied history at second degree level, Russian at intermediate level and Russian-Soviet studies at one-year foundation level. She has also completed the Armed Forces' course in Russian (officer's training school) and studies in political science in Georgia, USA (1-year grant from Rotary). Siri Lill Mannes has an extensive background from journalism, has worked as a TV host and entrepreneur. She started working for TV2 when the TV channel was founded in 1992. Since 2010, she has been the Director of the communications company SpeakLab AS, where she is also a partner and founder. Siri Lill Mannes owns no shares in the company at 31 December 2018.

Board member **Karoline Møgster** (1980) was appointed to the Board by the annual general meeting on 23 May 2017. Karoline Møgster has a law degree from the University of Bergen (Candidata juris). She also has a Masters' degree in accounting and auditing (MRR) from the Norwegian School of Economics. She has worked as a lawyer with Advokatfirmaet Thommessen AS and is now employed as a lawyer for the Møgster Group. She is a board member for Laco AS and has experience of board work from DOF ASA and other companies in the DOF Group. Karoline Møgster indirectly owns shares in Lerøy Seafood Group ASA as a shareholder of Laco AS.



Board member **Didrik Munch** (1956) was appointed to the Board by the annual general meeting on 23 May 2012. Didrik Munch has a degree in law from the University of Bergen and qualified as a police officer at the Norwegian Police University College in Oslo. He has worked in a number of positions within the Norwegian police force (1977-1986). From 1986 to 1997, he worked in finance, primarily in the DNB system. Towards the end of this period, he was part of DNB's corporate management, as Director for the Corporate Customer division. From 1997 to 2008, Didrik Munch was CEO of Bergens Tidende AS (a Norwegian newspaper). From 2008 to 2018 he was CEO of Schibsted Norge AS (former Media Norge AS), and is today self-employed. Didrik Munch has sat on the boards of a number of companies, both as chairman and ordinary member. Didrik Munch is now Chairman of the Board of Storebrand ASA and Solstrand Fjordhotell Holding AS. He is also a board member in Grieg Star Group AS and Schibsted Media AS. He owns no shares in the company as of 31 December 2018.

Board member **Arne Møgster** (1975) was appointed to the Board by the annual general meeting on 26 May 2009. Arne Møgster holds a Bachelor degree in Business Administration and an MSc in International Shipping. Arne Møgster is the CEO of Austevoll Seafood ASA and board member in a number of companies. As a shareholder in Laco AS, Arne Møgster indirectly owns shares in Lerøy Seafood Group ASA.

Board Member **Hans Petter Vestre** (1966) was appointed to the Board as the employees' representative at the annual general meeting on 24 April 1995. Hans Petter Vestre is a graduate of the Norwegian College of Fishery, University of Tromsø. He was employed by Hallvard Lerøy AS sales manager in 1992 and is today team leader in Lerøy Seafood AS. Hans Petter Vestre owned 1,200 shares in the company as of 31 December 2018.

Board of directors' statement regarding salaries and other remuneration of executive personnel in Lerøy Seafood Group ASA

The guidelines for financial year 2018 have been followed by the company. Application of the same guidelines is recommended for the upcoming financial year.

The guidelines are recommended for the Board with the exception of the items related to options and other benefits based on shares or development in the share price in the Group, which are binding.

Main principles of the Company's salary policy

The Group's development is closely linked to the Group's ability to recruit and retain managerial staff and the Group employs various models for remuneration of executive personnel on competitive terms. Executive personnel receive salary according to market terms. Remuneration varies over time both in respect of level and method of payment. In addition to the annual salary, the Group also pays performance-based bonuses limited to one annual wage, lump sum payments, so-called sign-on fees, arranged leave of absence, educational opportunities and option agreements. The Group does not currently have an option programme. The Group has collective pension plans. For logical reasons and to date, the Chairman of the Board has handled all practical matters in respect of agreements with the Group CEO on behalf of the Board. Remuneration of other members of the corporate management is determined by the CEO in consultation with the Chairman of the Board. Remuneration is reviewed annually, but on a long-term perspective, ref. the requirement for continuity.

Principles of remuneration in addition to base salary

The base salary. Salaries to executive personnel must be competitive – Lerøy Seafood Group aims to attract and retain the most talented management. The base salary is normally the main element of executive personnel salaries. There is at present no particular limit on the total remuneration a senior staff member may earn.

Additional remuneration: bonus scheme. The salary earned by executive personnel must inspire high performance and must be structured to motivate extra efforts towards continuous improvement of operations and the company's performance. The Group utilises performance-based bonuses of a maximum of one year's salary.

Options. The Group does not currently have an option programme.

Pension plans. All companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP). At the time of writing, the Group only practises defined contribution pension plans. The Group's executive personnel participate in the company's collective pension plans.

Severance pay. The Board limits the use of so-called severance pay agreements, but these have been practised in a few cases, albeit limited to two years' salary. Severance pay may at times be a good alternative for all parties involved.

Non-pecuniary benefits. Executive personnel will normally receive non-pecuniary benefits commensurate with their positions. There are no particular limitations on the type of non-pecuniary benefits that can be agreed.

Other benefits. In connection with public share issues, the first of which took place in 1998, the company's employees have been granted the right to subscribe to a limited number of shares at a discounted price (20%).

Procedure for stipulating executive pay

Introduction. Please see the note to the financial statements for information on remuneration of individual executive personnel.

Stipulation of salary for Group CEO. Remuneration of the Group CEO is determined annually by the Chairman of the Board according to a mandate issued by the Board.

Stipulation of salary for the corporate management group. Remuneration of the individual members of the corporate management group is determined by the CEO in consultation with the Chairman of the Board. The Board of Directors shall be subsequently informed of the decision.

Establishment of incentive schemes. General schemes for payment of variable benefits, including bonus schemes, are established by the Board of Directors. The Group CEO allocates such incentive schemes and other benefits to the Group's executive personnel within the boundaries established by the Board.

Remuneration of the Board of Directors. Board remuneration is not performance-based. The Board members have no options. The Board's remuneration is determined annually by the annual general meeting.

Stipulation of salary for executive personnel in other group companies

Other companies in Lerøy Seafood Group shall adhere to the main principles in the Group's executive personnel salary policy as they are described in item one above.

Bergen, 12 April 2019
The Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board member

Britt Kathrine Drivenes
Board member

Didrik Munch
Board member

Karoline Møgster
Board member

Siri Lill Mannes
Board member

Hans Petter Vestre
Board member

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Financial information

BOARD OF DIRECTORS' REPORT

Lerøy Seafood Group's (Lerøy) vision and values form the framework for Lerøy's strategy.

Vision:

Lerøy´s vision is to be the leading and most profitable global supplier of sustainable, quality seafood.

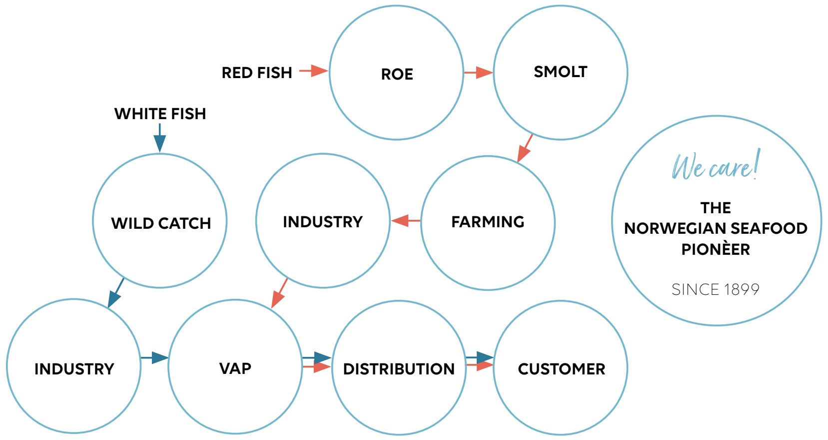
Values:

Open **Creative** **Honest**

Responsible

"We aim to develop a global economically and environmentally sustainable value chain for seafood."

We develop an efficient and environmentally sustainable value chain.



Sustainable growth and an efficient value chain

Lerøy has a strong focus on its customers. Everything we do is ultimately to benefit our customers. If we are to achieve our vision, we must be a preferred supplier of seafood on a global scale. Our vision requires a value chain based on competitive processes allowing our customers to succeed.

Sustainable growth
To achieve our vision, Lerøy has focused on securing access to raw materials and a wide product range, at the same time as developing activities and products that over time enhance consumer satisfaction and willingness to pay. Lerøy aims for sustainable growth. Sustainability is defined according to an economic, environmental and social perspective.

Sustainable growth

Economic sustainability	Environmental sustainability	Social sustainability
• The long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18% before tax • We shall monitor fluctuations on the markets on which we operate, and shall have a capital structure that allows us to exploit such fluctuations.	• "Take action today – for a difference tomorrow" • We work with renewable resoures, and every choice we make regarding both daily operations and growth shall be based on a perspective of sustainability	• Lerøy shall be a safe place to work • We shall offer well-structured working conditions for all our employees, and ensure that our suppliers and subcontractors do the same • We shall pay equal salary for equal work and provide proper training in all parts of the value chain • Lerøy is a local corporation with a global perspective. We want our operations to have a spin-off effect in our local communities

Lerøy has a history of and future goals for organic growth via acquisitions, development of alliances and partnerships and by taking a driving seat in the consolidation of the seafood industry. The Group's long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18% before tax.

When assessing potential acquisitions, it is essential to maintain a perspective relating to the development of the seafood markets. This applies to both supply and demand, and requires an understanding of the cyclical nature of the Group's markets. The Group is constantly aware of their standing in market cycles, and makes decisions accordingly. In order to enable trading with such cyclical markets, it is decisive for the Group to have a high rate of capitalisation, a good reputation on the capital markets and to maintain a solid financial position.

An efficient and creative value chain
The customers decide whether Lerøy is a leading supplier or not. During the process of developing our own customer relationships, we have come to the understanding that the preferred partner for customers is the company that is able to provide the most efficient, innovative and customer-oriented value chain.

An efficient value chain has a perfect flow and zero errors. To build such a value chain, each step of a process must be optimised, including the relationship between customer and supplier in between processes, ensuring a good flow of information throughout the value chain and facilitating continuous improvements.

An efficient value chain that creates innovation

An efficient value chain	Innovation
• Stable operations and access to raw materials • The right costs • The right quality • The right level of service • Traceability	• Develop sustainable solutions that geneate added value for the customer • Maintain the pioneering spirit when developing the value chain and markets

Provided that capital is available, an efficient value chain is created by means of the interaction between people, machines and methods. Lerøy shall be an attractive and developmental workplace that attracts talented employees and provides them with the opportunity to develop. Lerøy shall have an in-depth insight into and an understanding of industrial processes and new technology. Lerøy shall develop methods and processes that ensure full exploitation of the potential within both employees and machines, jointly and individually. Lerøy shall have and develop management tools that allow for a full overview and control of the entire value chain

Lerøy's history is a demonstration of the Group's strategy in practice

Lerøy has remained consistently loyal to its strategy. Over the past 20 years, Lerøy has grown from a family-run Norwegian wholesaler/exporter to a fully integrated international seafood corporation. This growth would not have been possible without professionalisation, organisational development and access to venture capital once the company was listed on the stock exchange in June 2002.

Access to venture capital is proof that Lerøy has the confidence of the different parties on the capital markets. This confidence has been and remains an essential prerequisite for Lerøy's growth and development. Via acquisitions, alliances and development of operations, the Group has played a role in and been one of the drivers behind the substantial growth experienced for Norwegian production of salmon and trout over the past decades, and has made an important contribution to the development of Norwegian seafood on the global market. With an ever-increasing resource base and a continuous focus on improving value chain efficiency, the Group has become an increasingly preferred partner for its customers. Lerøy is positioned for more long-term and closer cooperation with customers at an increasingly strategic level.

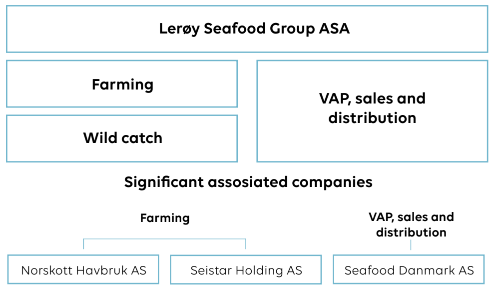
Potential acquisitions are assessed on a consecutive basis, although the last acquisitions within the red fish segment date back some time, with the acquisition of shares in Villa Organic in 2013 the last major move. In 2016, Lerøy executed the largest acquisition in the Group's history – Havfisk and

Lerøy Norway Seafoods. This allowed Lerøy to claim the position as the largest player within catches and processing of whitefish. Lerøy's investments in whitefish in Norway have also gained the Group a position as a significant global actor within whitefish. This increased resource base makes Lerøy a more attractive supplier. The Board of Directors and management are confident that there is considerable potential for creating a more efficient and innovative value chain for whitefish.

In combination with increased access to raw materials, the Group has focused on developing strategic customer relationships via an efficient downstream value chain. In recent years, Lerøy has accumulated advanced in-house expertise in building and developing processing facilities on the markets, close to consumers and facilitating an efficient value chain and innovation in collaboration with customers.

Recent strategic decisions, and development in 2018

Lerøy works continuously on developing the Group's value chain and making the best decisions for the value chain, from raw material to end product. Lerøy reports within three segments.



Whitefish – strategic focus on improving value chain efficiency. The Group's whitefish operations are described in more detail in the business overview, but comprise fisheries and onshore facilities that work closely together.

The Group's fisheries are currently very efficient. Historically, the Group's fleet suffered at times from low profitability, but the Group has been able in recent years to invest in renewing and developing its fleet. The new vessels, with the most recent being Nordtind (delivered in 2018), are efficient in terms of catches, and investments made in increased capacity allow for the use of triple trawls that also boost efficiency for shrimp catches. Nordtind has lived up to expectations. In 2018, Havfisk signed a contract for a new vessel for delivery in 2020. This will be based on the same design as Nordtind and is a combination trawler (fresh and frozen fish) with unique equipment that will provide optimal quality and utilisation of the whole fish. This vessel will be the first stern trawler with integrated energy storage system, with the option for both battery operation, diesel-mechanic and diesel-electric propulsion. The new system, together with other systems installed, will ensure lower emissions of CO_2, NoX and reduce noise levels.

For many years now, the Norwegian onshore industry for whitefish has struggled with low profitability. Framework conditions for the onshore industry are challenging, partly driven by the seasonal fluctuations in raw material supply and partly the framework conditions that make it difficult to aggregate large volumes for industrial units and invest in automation. A comprehensive effort is required to improve profitability in this industry, and the Group's strategy centres around three lines of action.

What to produce where?

How can we pave the way for new activity, preferably all year round, or minimise seasonal fluctuations in relation to our past? Several factors may be instrumental here, but increased specialisation will allow for investments and higher profitability. Examples of such investments are a new production line for boiling and packing king crab in Kjøllefjord, the start-up of salted fish production in Rypefjord and, not least, the reconstruction of the facility in Stamsund. The update to the latter facility will provide a significant capacity for production of fish products, minimising our dependency on seasons. At the same time, the opportunity to concentrate on more standardised fillet production, using fresh produce in season and frozen fish outside of season, will enhance production stability and provide more stable access to raw materials for the Group's downstream units.

Stabilisation, continuous and intermittent improvements

The second line of action is the systematic work to stabilise operations via continuous and intermittent improvements in each facility, in addition to improved flow of goods between different facilities. To move this process and other similar work in other parts of the value chain forward, the Group has made a start on developing a new production system, the Lerøy Way. In 2018, a major project was implemented in the facilities in Melbu and Stamsund. This is expected to gradually result in improved profitability, and the methodology will be rolled out throughout the value chain, provided it continues to generate the expected results.

A more efficient value chain for whitefish.

The Group works continuously on forming closer links between the different whitefish businesses, together with Lerøy's growing downstream operations. Investments are being made in machinery replacements and support systems for new and more modern production technology, in addition to a gradual upgrade to buildings. Last, but not least, investments are being made in improving expertise.

Red fish - salmon and trout - focus on improving cost-effectiveness and organic growth

The volume of salmon and trout harvested by the Group has been relatively stable since 2012. This is due to a lack of access to new licence capacity, and challenges relating to new regulations introduced in 2013.

The 2013 change in Norwegian authorities' requirements for maximum prevalence of salmon lice has led to significant cost growth in Norway. Concurrent with Lerøy's investments in equipment for mechanical delousing, the Group has also invested heavily in producing cleaner fish. Increased use of cleaner fish has reduced the need for mechanical delousing. The combination of big investments and high costs linked to preventive work means that these tasks continue to represent a significant cost driver for the Group's farming activities.

The Board of Directors has identified a lack of growth and excessive costs as the two main challenges for the Group's fish farms. On this basis, major investments have been and are still being made to provide a large increase in the Group's post-smolt capacity. These involve the construction of smolt facilities with RAS technology (recycling plants), where the smolt are kept longer in the facility than in traditional smolt plants. As a result, these plants can produce larger smolt that are more robust before being launched to sea cages. The Board of Directors and management believe that this strategy will generate growth and provide reductions for the Group's production on the cost side.

Thanks to expert employees and new technology, the Group has developed the framework for a forward-looking smolt strategy that will provide significantly better exploitation of the Group's production rights. The Board of Directors is satisfied with developments to date and will consider further investment opportunities within this area in 2019.

Investments in RAS facilities

Year completed	Facility	Capacity (annual capacity in tonnes)
Investments made in RAS for smolt		
2012	Belsvik	1 200
2014	Aurora phase 1	1 200
Total investments made in RAS for smolt		**2 400**
Ongoing investments in RAS for smolt		
2019	Kjærelva	4 200
2019	Aurora phase 2	2 000
Total ongoing investments in RAS for smolt		**6 200**
Investments to be adopted in RAS in 2019		
	Belsvik phase 2	4 000
	Aurora phase 3	1 700
Total investments to be adopted in RAS in 2019		**5 700**

As a result of the investments, more than 25% of salmon smolt released to open cages in 2019 at Lerøy Sjøtroll – the Group's fish farming business in Hordaland – will weigh more than 500 grams. In 2021, this figure will increase to more than 40%.

Despite experience gained by the Group, this is still new technology requiring a new production method and therefore implies a risk. The Board expects the past and ongoing investments to significantly boost the Group's production of salmon and trout leading up to 2022.

This growth in production will be driven by more robust and larger smolt that spend less time in the sea, therefore allowing for improved exploitation of the Group's licences. The Board and management expect that the reduced period of time in the sea will also reduce biological risk during production, increase exploitation of equipment and reduce costs. The potential for reduced costs is greatest at Lerøy Sjøtroll.

Sales and distribution – an efficient value chain involved in innovation

Lerøy sells seafood in a number of categories, including fresh, frozen and smoked. Over the past 15 years, the Group has focused on developing a more efficient value chain for fresh distribution of seafood. This has included the construction of a number of distribution centres for fresh seafood. These centres are strongly based on raw materials in the form of fillets that are produced at the Group's facilities in Norway. Having centres with proximity to the markets allows the Group to provide a high level of service and extensive interaction and development 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.

In 2018, Lerøy Midt completed construction of the world's most modern fillet factory for salmon, where the vision is for the salmon to be processed without being touched by human hands. This high-tech factory has been commissioned over time in 2018 and shall be the world's most efficient production plant for salmon fillets. Fresh fillets are transported to the Group's distribution units close to the end market, where they are cut and packaged for consumers. This type of investment is of decisive importance for future improvements to the efficiency of the value chain for salmon.

Lerøy Seafood Center opened in the city of Urk, the Netherlands, in 2018. This is a highly automated plant for fresh distribution of consumer packaged seafood, including smoked products. To date, the Group has experienced that the new plant's proximity to market, level of service and quality and cost-effectiveness has provided competitive strengths in relation to producers in so-called low-cost countries. In 2018, Lerøy has also made further developments to their collaborative work with a number of important strategic customers. Lerøy has built several plants in Spain. By the end of 2018, the Group was able to deliver sushi and ready-meals to around 950 shops every day in Spain.

Within whitefish, there still remains a vast potential for increased value creation via the Group's own value chain, and this is a key target area in the years to come.

2018 was an historic year for Lerøy in terms of the high level of investments made. These investments are in line with the Group's long-term strategy for continued sustainable growth. The investments required major capital and have made little or no contribution to increased earnings in 2018, but the Board and management are confident that the investments pave the way for future sustainable growth by means of an increasingly efficient value chain. The investments are also challenging, not least as they require patience, but we strongly believe that they help Lerøy take further steps towards the Group's vision of being the leading and most profitable global supplier of sustainable, quality seafood.

Financial information

Lerøy Seafood Group reported revenue in 2018 of NOK 19,838 million, up from NOK 18,624 million in 2017. This is the highest revenue ever reported by the Group. The increase in Group revenue is attributed to good prices for the main products and increased activity for the Group's downstream operations.

Lerøy Seafood Group is the leading seafood group in Norway and thereby one of the leading seafood companies in the world. The Group has a clear ambition to further develop this position in the years to come.

The Group's operating profit before fair value adjustment related to biological assets was NOK 3 569 million in 2018 compared with NOK 3 717 million in 2017. Profit before tax and fair value adjustment related to biological assets was NOK 3 697 million in 2018 compared with NOK 3 805 million in 2017. Earnings per share before fair value adjustment related to biological assets and minority share-holdings totalled NOK 4.90 per share in 2018, exactly the same level as in 2017.

Havfisk's 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.

In the Wild Catch segment, Havfisk also owns several processing plants, which are mainly leased out to Lerøy Norway Seafoods (LNWS) on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants.

In 2018, Havfisk reported a total catch volume of around 66 000 tonnes, in line with the figures for 2017. The company reported stable and good operations throughout the year.

LNWS's primary business is processing wild-caught whitefish. The company has use of 12 processing and purchasing plants in Norway, five of which are leased from Havfisk. The processing of whitefish in Norway has been extremely challenging for many years. As a result of high demand for seafood and lower quotas, the raw material prices increased throughout 2018, representing a challenge for processing operations. The Group has implemented a large number of measures within both production and marketing to improve earnings, but these are long-term initiatives and it will take time before significant improvements are evident.

The Wild Catch segment reported operating profit of NOK 388 million in 2018, compared with NOK 386 million in 2017.

The Farming segment comprises the Group's three farming regions in Norway: Lerøy Aurora located in Troms and Finnmark, Lerøy Midt located in Nordmøre/Trøndelag, and Lerøy Sjøtroll located in Hordaland. These companies harvested a total of 162 000 tonnes salmon and trout in 2018, up from 158 000 tonnes in 2017.

The Farming segment generated an operating profit before fair value adjustment related to biological assets of NOK 2 928 million in 2018, compared with NOK 2 942 million in 2017.

The prices for Atlantic salmon and trout remained strong in 2018, but with a high level of volatility throughout the year. Prices realised for salmon by the Farming segment remained stable from 2017 to 2018, while prices realised for trout were down, partly due to quality downgrades caused by problems with reproductive maturity. For the year as a whole, prices realised in the Farming segment for trout were around NOK 6 per kg lower than for salmon.

In the Report of the Board of Directors for 2017, the Board indicated expectations of falling release from stock costs through 2018. These expectations were proven true and release from stock costs in 2018 were lower than in 2017, but unfortunately not fully in line with our expectations.

Given the major differences in biological framework conditions, there are major variations in release from stock costs between the regions. Lerøy Aurora can still report a low level of costs, Lerøy Midt has shown a considerable improvement throughout 2018, while cost levels at Lerøy Sjøtroll are still at a level the Group defines as unsatisfactory. There is vast potential for improvements at Lerøy Sjøtroll, and the Group has high expectations for the investments made in the facility for production of larger smolt.

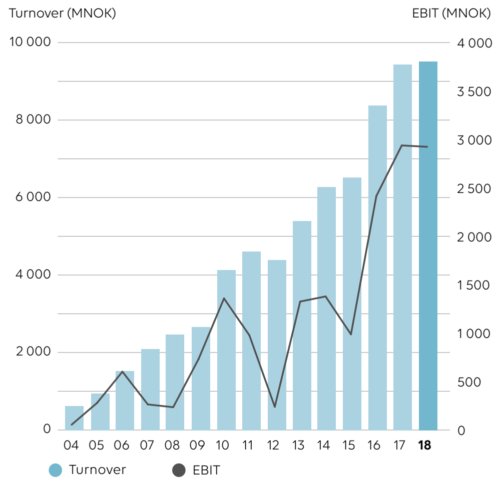
Development harvesting volume per region:

Region	2013 GWT	2014 GWT	2015 GWT	2016 GWT	2017 GWT	2018 GWT	2019E GWT
Lerøy Aurora AS*	24 200	32 800	29 200	30 000	39 200	36 800	37 000
Lerøy Midt AS	58 900	68 300	71 400	52 200	64 500	66 500	71 000
Lerøy Sjøtroll	61 700	63 200	57 100	68 000	54 000	58 800	66 000
Total Norway	144 800	158 300	157 700	150 200	157 700	162 100	174 000
Norskott Havbruk (UK)**	13 400	13 800	13 500	14 000	15 500	13 700	15 000
Total	**158 200**	**178 100**	**171 200**	**164 200**	**173 200**	**175 800**	**189 000**

*) Included harvested volume from Villa Organic after split July 2014
**) LSG's share, not consolidated

The Group has high expectations for the yield from this investment, based on e.g. knowledge of similar facilities in the Group.

Development in turnover and EBIT for farming



In the VAP, sales and distribution segment, Lerøy Seafood Group has major downstream activities and a clearly defined goal to drive demand for seafood in the form of new products and market development. The Group sells, processes and distributes own-produced salmon and trout along with whitefish from its own fleet of trawlers, but also has substantial activities in cooperation with third parties. As a result, the Group now supplies a wide range of seafood products. The Group has identified positive synergy effects in its marketing work as a result of the acquisition within whitefish.

Highly volatile prices for salmon and trout had a negative impact and affected earnings for the segment in 2018. Earnings are lower than the Board and management's expectations for the future and required levels. Operating profit before fair value adjustment related to biological assets was down from NOK 435 million in 2017 to NOK 333 million in 2018. The Group expects the segment to achieve a positive development both in the level of activities and earnings in 2019.

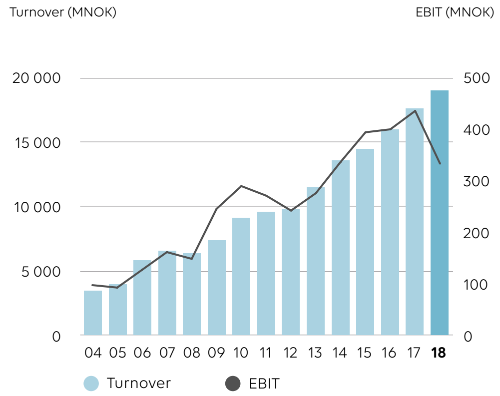
Prior to fair value adjustment related to biological assets, the Group's income from associates totalled NOK 290 million in 2018, marginally down from NOK 298 million in 2017. The most important contribution to this figure comes from Norskott Havbruk, owner of Scotland's second largest fish farming company, and 50% owned by the Group.

The Group's net financial items for 2018 were negative at NOK 161 million compared with a negative figure of NOK 210 million in 2017.

The profit achieved in 2018 corresponds to a profit before fair value adjustment related to biological assets of NOK 4.90 per share, exactly the same level of earnings per share as in 2017. The Board of Directors intends to recommend a dividend payment for 2018 of NOK 2.00 per share to the company's annual general meeting in 2019. This recommendation is in line with the company's dividend policy and reflects the Group's financial adequacy, strong financial position and projections for increased profit.

The Board of Directors also underlines the importance of continuity and predictability for the company's shareholders.

Development in turnover and EBIT for VAP, sales and distribution



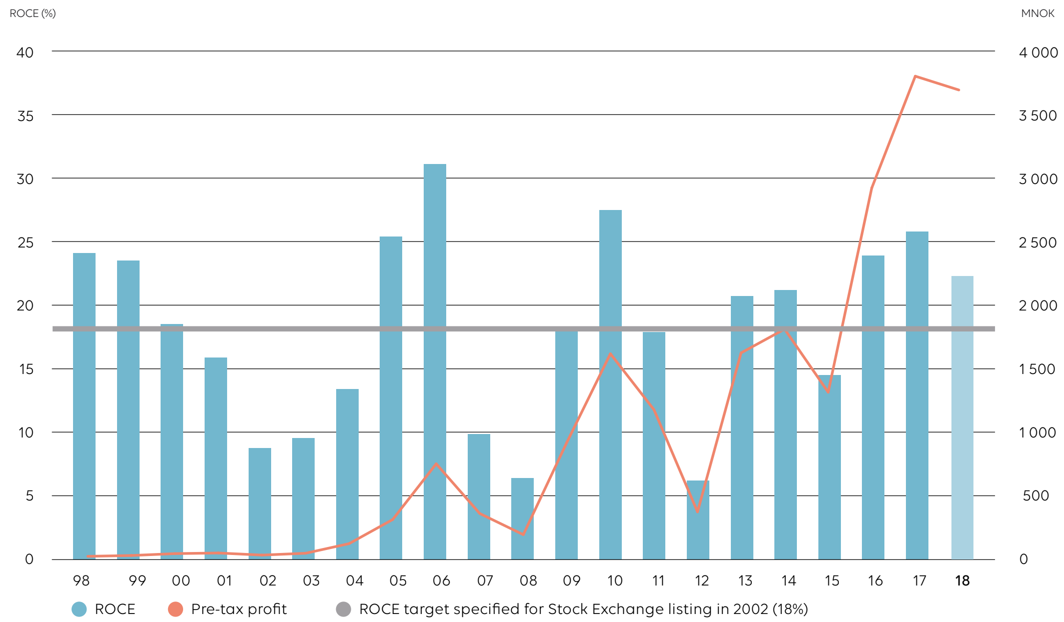
The return on the Group's capital employed before fair value adjustment related to biological assets in 2018 was 22.3% compared with 25.8% in 2017. The Group is financially sound with book equity of NOK 17 134 million, equivalent to an equity ratio of 60%. Once again in 2018, the Group has strong cash flows, but as previously mentioned, has made considerable investments in its core business in 2018. In total, net interest-bearing debt increased marginally from NOK 2 262 million at the end of 2017 to NOK 2 546 million at the end of 2018.

Cash flow from operating activities in 2018 was NOK 2 783 million, after tax payments of NOK 851 million. The Group has made net investments in tangible assets of NOK 2 047 million including financial leases. The Group's statement of financial position totals NOK 28 373 million as of 31 December 2018 compared with NOK 25 658 million as of year-end 2017. The Group's financial position is strong and shall continue to be utilised to ensure increased value creation through organic growth, new alliances and acquisitions. The Group compiles its financial reports in accordance with the international accounting principles, IFRS.

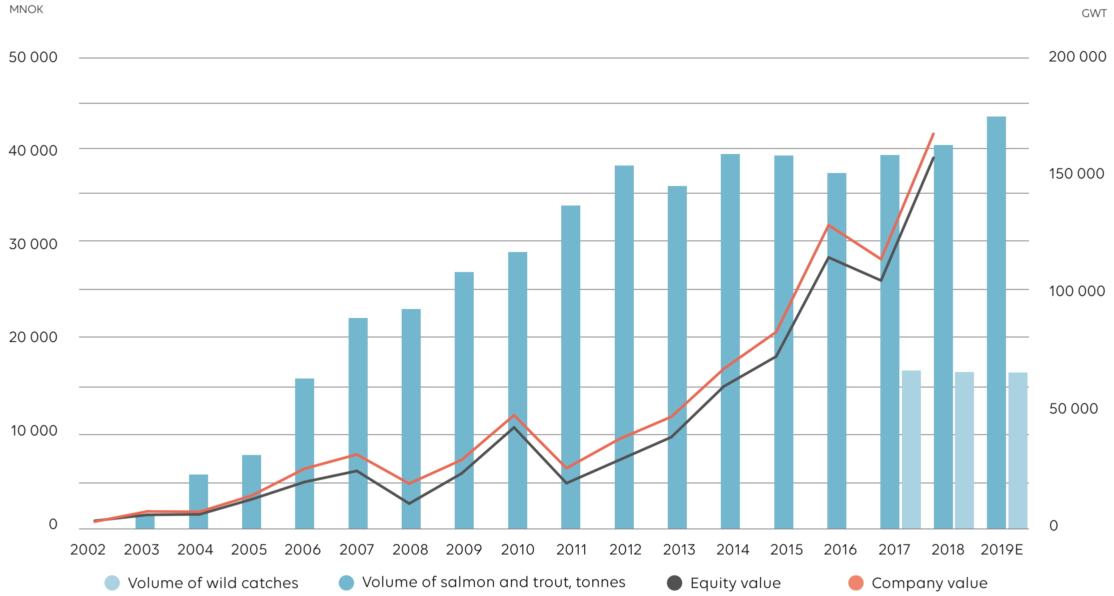
Key risk factors

The Group is a significant owner of farming licences in Norway and the UK, and of wild catch quotas in Norway. The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation. Unfortunately, the Group has to report an increase in the risk related to developments in framework conditions for development of the farming industry in Norway. Lack of predictability will in the long term impair the industry's competitiveness and capacity for development and value creation. Industrial developments and employment in capital-intensive activities exposed to global competition such as fish farming, fisheries and processing represent challenges and require a long-term perspective by businesses and politicians at a national level. The Group's strategy centres on a long-term perspective, irrespective of framework conditions, to ensure a globally competitive organisation, which will be able to continue to ensure sustainable industrial development in the numerous local communities where the Group has operations.

Development in return on capital employed and profit before tax and value adjustment for fish in sea



Development since listing on Stock Exchange listing



The Group's results are closely linked to developments in the markets for seafood – particularly the price for Atlantic salmon and trout – but also to an increasing degree the price for whitefish, particularly cod, after the investments within whitefish in 2016. The development in prices for whitefish, salmon and trout in recent years has been very positive. As a result of its significant marketing activities, the Group has in-depth knowledge of the end market and believes that the strong growth in demand for seafood in general, and fresh seafood in a consumer-friendly format in particular, gives grounds for optimism for operations in the future. The high prices for salmon and trout must also be assessed within the context of the lack of growth in the supply of these products from Norway.

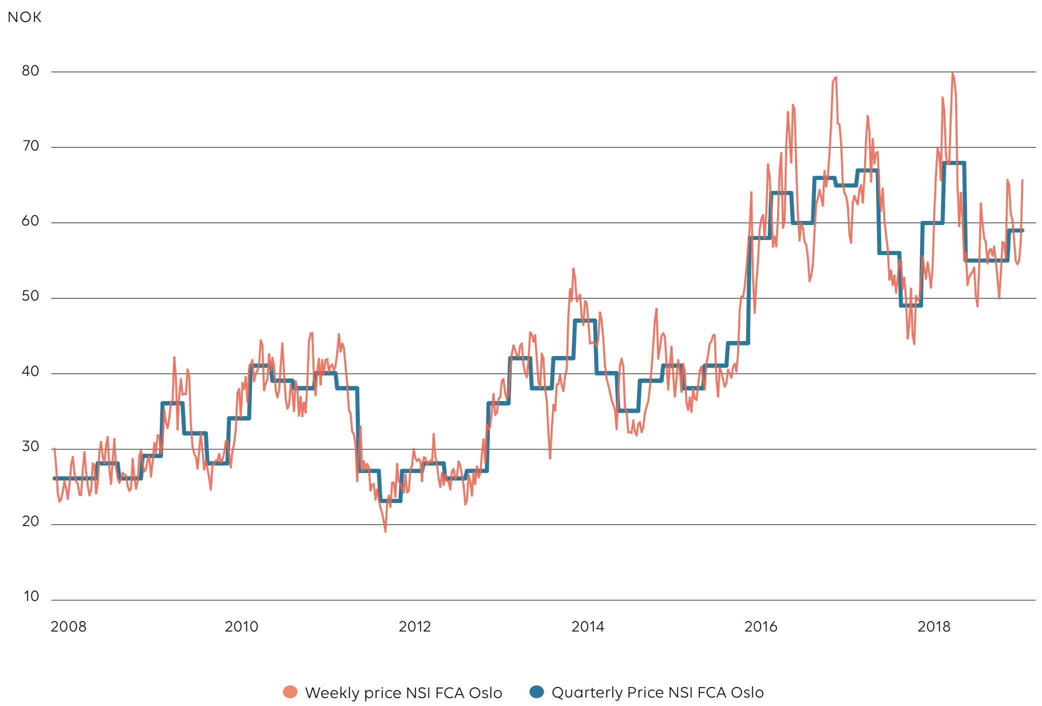
At the end of Q4 2018, the Group has live fish on its statement of financial position worth approximately NOK 5.5 billion. Biological risk has been and will remain a substantial risk factor for Group operations. Assessing and managing biological risk must therefore be an integral part of the Group's expertise.

The seafood industry is international, and Norway is an important seafood-exporting nation. Trade barriers have and will continue to represent a considerable risk factor for the industry, and the political trade barriers laid down on Norwegian salmon and trout exports to Russia provide an illustration of such political risk in practice. 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. The Board of Directors maintains a strong focus on conscious and systematic management of risk in all parts of the organisation. This policy is seen as essential in securing long-term value generation for shareholders, employees and society in general.

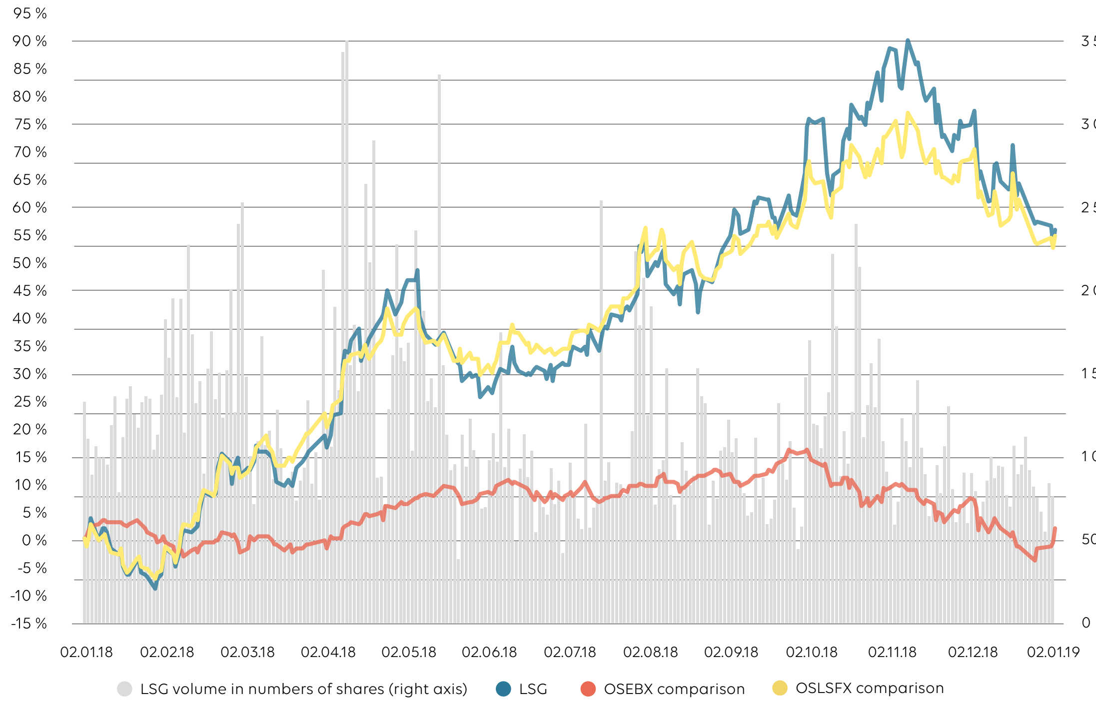
The Group's overall financing strategy is to safeguard financing, including suitable financial covenants, and satisfactory liquidity.
The Group's operations will always be exposed to currency fluctuations.

Examples of other risk areas include credit risk, changes in the prices of input factors and market risk.

Quarterly Price development week 1–2008 till week 6–2019 Fresh Atlantic Salmon FCA Oslo (superior quality)



Lerøy Seafood Group vs Oslo Seafood Index and OSEBX in 2018



Structural conditions

The Group aims to create lasting value through its activities. For this reason, stringent requirements are imposed on risk management and the ability to plan for the long term in the development of sustainable strategic business processes.

Through organic growth and a series of acquisitions carried out since the Group was listed on the Stock Exchange in the summer of 2002, the Group is now one of the world's largest producers of Atlantic salmon and trout. With the acquisitions of Havfisk ASA and Norway Seafood Group AS, the Group is now the largest supplier of whitefish in Norway, and a major supplier worldwide. In recent years, the Group has also developed and consolidated its position as a central actor in the distribution of seafood in Norway and abroad.

Lerøy Seafood Group's investments in the Norwegian whitefish sector are based on an industrial, eternal perspective. The industrial facilities receive raw materials from the Group's own trawlers and from suppliers in the coastal fleet. Appropriate framework conditions, including predictability, are absolutely decisive to allow us to assume our responsibilities as an industrial organisation. The whitefish sector fluctuates according to seasons and requires vast amounts of capital. We firmly believe that we will only be able to build a sustainable industry and create attractive jobs if we have appropriate framework conditions, investment capacity, product development and access to the global market. We hope and believe that it is possible to create an understanding among national political management of what is required to create jobs and value in the decades to come. We are extremely interested in dialogue and assume that any future adjustments to framework conditions will be based on knowledge and insight, preventing impairment of the industrial foundations for operations for our industry.

The Board of Directors is still of the opinion that the acquisitions related to whitefish will in time strengthen the industrial development of the businesses involved, and will create value for society, the employees and the Group's shareholders.

The Group's financial position is very strong, and the Board attaches importance to the Group, through all its operations, retaining the confidence of participants in the different parts of the global capital market. The Group's strong balance sheet in conjunction with current earnings enables the Group to continue as a leading participant in the global and national value-generating structural changes within the seafood industry. Lerøy Seafood Group will continue to selectively consider possible investment and merger opportunities, as well as alliances, that could strengthen the basis for further profitable growth and sustainable value creation. This includes investment opportunities both upstream and downstream. The Group shall continue its strategy for growth, implying continuous developments and improvements to operating segments throughout the entire value chain.

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

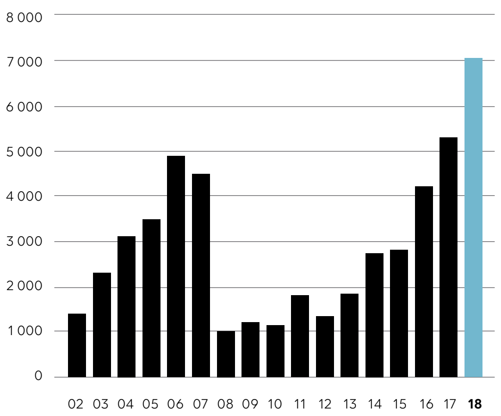
In coming years, the Group will continue to work towards sustainable value creation by focusing on strategic commercial developments combined with improvements to the Group's operational efficiency. Based on customer requirements, this work will ensure continuity of supply, quality and cost efficiency and, consequently, increased profitability. Improving operational efficiency at all stages is an ongoing process aimed at further developing the Group's national and international competitiveness.

Being listed on the Stock Exchange affords the company a marketplace for its shares, improved access in the future to venture capital as well as the opportunity to use the company's shares as a payment medium in future acquisitions or business combinations.

As of 31 December 2018, the company had 7 027 shareholders against a comparison figure of 5 297 shareholders at the end of December 2017.

Number of shareholders

Figures in 1 000



Employees

The parent company Lerøy Seafood Group ASA has its head office in Bergen, Norway. In addition to the Group's CEO, the parent company has 15 employees. Administratively, personnel functions for the parent company are conducted by the wholly-owned subsidiary, Lerøy Seafood AS. In 2018, the Group had 4 589 full-time equivalents, of which 2 964 men and 1 625 women. Of this figure, 1 336 full-time equivalents work outside Norway. The ratio of female employees is 35%, slightly up from 2017.

Independently of the demand for equal opportunities for men and women, the Group has always emphasised individual skills, performance and responsibility in its recruitment policy and salary systems. Furthermore, the Group seeks at all times to ensures equal employment opportunities and rights for all employees, and works hard to prevent discrimination based on national origin, ethnicity, colour, language, religion or personal philosophy. One of the company's goals is to provide a workplace without discrimination because of disabilities. The company will arrange for individually adapted workplaces and work tasks where possible for employees or work applicants with disabilities.

The company is a player in a global industry and the company's working environment changes continuously. This requires flexible employees who are dynamic and willing to adapt and learn.

As in previous years, the Board of Directors would like to take this opportunity to praise the employees' efforts, their understanding of the need for a results-oriented operational focus and for their willingness to adapt to change throughout the organisation. The Board of Directors would like to thank all employees for their hard work in 2018.

Health, environment and safety

On 27 January 2019, a fire started in the smolt facility in Laksefjord, Finnmark, resulting in a fatality. An employee of a company carrying out maintenance work died in the fire. Our thoughts are with his close family and colleagues. After the incident, Lerøy Seafood Group has assisted and will continue to assist the police and other public agencies in identifying how this tragic accident occurred.

The Group maintains a strong focus on procedures and compliance with these, and on measures to protect all employees. This is a perpetual process moving us forwards to our vision of zero injuries.

Total sick leave registered in the Group in 2018 was 4.96%. This is down from 5.97% in 2017. Sick leave comprises 3.03% long-term sick leave and 1.93% short-term sick leave. The Board is pleased to observe that sick leave is on the decline, and that the Group works actively to keep sick leave low. The organisations in the individual subsidiaries are continuously being developed to ensure that they can deal with new challenges and changes in framework conditions. The working environment and cooperative atmosphere are good.

External environment

From a national and global perspective, the Board is of the opinion that its production of Atlantic salmon and trout is one of the most sustainable and environmentally-friendly forms of food production to be found. The Group was therefore delighted to note that this was substantiated last year, once again, in an international survey of sustainability conducted by «The Coller FAIRR Protein Producer Index». Irrespective of the above, the Group maintains a high focus on potential challenges relating to point source pollution. This type of pollution is monitored by means of continuous investigations at the company's localities. The Group's operations are closely linked to natural conditions in Norwegian and international fresh and salt waters. The Group's operations rely on access to clean fresh and sea waters The Board and management are of the opinion that operations in 2018 are environmentally sustainable and are conducted with a competitive footprint. This is supported, not only by the Group's comprehensive "Sustainability Report" – part of the consolidated financial statements, available at www.leroyseafood.com – but also in several national and international reports on fish farming and fisheries. The Group invests in minimising its impact on the external environment, and continuously works hard to encourage both management and employees to maintain a proactive approach towards environ-mental protection.

Result and allocations, Lerøy Seafood Group ASA

The company and consolidated financial statements have been prepared on the assumption that the company and Group are a going concern. In 2018, Lerøy Seafood Group reported an annual profit after tax of NOK 2 289 million, against a comparative amount of NOK 2 775 million in 2017.
The Board proposes the following allocation of the 2018 annual profit (NOK 1 000):

- Dividend (NOK 2.0 per share): 1 191 547
- Transferred to other equity: 1 097 872
- Total allocations: 2 289 419

The Group's parent company has a strong financial position with a book equity ratio of 81.4%. The parent company has access to satisfactory financing and liquidity, corresponding with the Group's strategy and operating plans.

Market and outlook

The Group can report a good underlying demand for seafood, and expects to have satisfactory market conditions in 2019. The Group's harvest volume for red fish was down 2% in relation to expected volumes for 2018, partly due to price developments but also due to slightly lower growth than expected in the sea towards the end of the year. The lower growth at the end of 2018 resulted in reduced harvest volume in Q1 2019 when compared with Q1 2018.

The Board of Directors and management have acknowledged that the Group's release from stock costs for red fish are lower in 2018 than in 2017, but at the same time specify that they are not satisfied with the cost levels. With time, the Group's investments and continuous work on improvements will result in lower cost levels. As a result of the investments in new smolt facilities, the smolt released to sea by Lerøy Sjøtroll in 2019, for example, will be of a higher quality and considerably larger than before. The Group expects to see Lerøy Sjøtroll gradually increase production and competitive strength from 2020.

The Group's contract share for salmon for 2019 is currently around 30% of the estimated harvest volume of salmon. Estimates for harvest volume of salmon and trout in 2019, including the share from associates, remains around 189 000 tonnes.

For whitefish, developments in 2018 have in the main concurred with the Group's estimates. It has been a good year for catches, while increased raw material prices and falling quotas have challenged shore-based operations. In 2019, the quota for important species such as cod and haddock will be reduced by 6.5% and 15% respectively, and this reduction will probably result in increased prices for these products. The Group has implemented a number of measures to improve competitive strength. These together with good marketing and product development provide us with an optimistic outlook for the segment.

The Group can report a good level of activity for VAPS&D and currently expects the factories that opened in 2018 and the improvements in operations to produce higher earnings in this segment in 2019, when compared with 2018.

The Board of Directors currently expects to see satisfactory earnings in 2019.

Bergen, 12 April 2019

Helge Singelstad
Chairman

Didrik Munch
Board Member

Karoline Møgster
Board Member

Britt Kathrine Drivenes
Board Member

Siri Lill Mannes
Board Member

Arne Møgster
Board Member

Hans Petter Vestre
Employee representative

Consolidated financial statements

Consolidated financial statements consist of

Notes to the consolidated financial statements consist of

Key Figures

(All figures in NOK 1,000)

	2018	2017
LSG stock price last annual trading day	65.94	43.98
Dividend paid per share (distribution year)	1.50	1.30
Dividend per share for payment following year	2.00	1.50
Cash flow from operating activities per share	4.67	6.19
Operating revenue	19,837,637	18,623,515
Net interest-bearing debt	2,546,412	2,262,167
Equity ratio	60.4 %	56.4 %
Harvest volume (GWT)	162,039	157,767
Key figures before fair value adjustments related to biological assets		
EBITDA before fair value adjustments	4,228,205	4,300,013
Operating profit (EBIT) before fair value adjustments	3,568,536	3,716,749
Pre-tax profit before fair value adjustments	3,696,982	3,805,426
Operating margin before fair value adjustments	18.0 %	20.0 %
Profit margin before fair value adjustments (pre-tax)	18.6 %	20.4 %
ROCE before fair value adjustments (annualised)	22.3 %	25.8 %
Earnings per share before fair value adjustments	4.90	4.90
EBIT/kg before fair value adjustments	22.0	23.6
EBIT/kg exclusive Wildcatch, before fair value adjustments	19.6	21.1
Fair value adjustments related to biological assets		
Fair value adjustments related to consolidated companies' inventory (before tax)	754,938	-1,716,309
Fair value adjustments related to associates' inventory (after tax)	-2,959	4,351
Key figures after fair value adjustments related to biological assets		
EBITDA	4,983,143	2,583,705
Operating profit (EBIT)	4,323,474	2,000,440
Pre-tax profit	4,448,961	2,093,467
Operating margin	21.8 %	10.7 %
Profit margin (pre-tax)	22.4 %	11.2 %
ROCE	25.3 %	13.7 %
Earnings per share	5.77	2.94

Income statement

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Notes	2018	2017
Operating revenue and expenses			
Operating revenue	4/24	19,837,637	18,623,515
Other gains and losses	4	42,341	-3,927
Cost of materials	22/24	11,008,753	9,916,876
Change in inventories	22	-630,477	-262,665
Salaries and other personnel costs	15/21	2,668,829	2,438,259
Other operating expenses	21	2,604,668	2,227,105
EBITDA before fair value adjustments related to biological assets		**4,228,205**	**4,300,013**
Depreciation	6/7	659,669	583,265
Operating profit before fair value adjustments related to biological assets		**3,568,536**	**3,716,749**
Fair value adjustments related to biological assets	9	754,938	-1,716,309
Operating profit (EBIT)		**4,323,474**	**2,000,440**
Associates and net financial items			
Income from associates	4/8	286,573	302,651
Net financial items	12/22/23	-161,087	-209,623
Profit before tax		**4,448,961**	**2,093,468**
Taxation	16	-851,002	-343,984
Annual profit		**3,597,959**	**1,749,484**
Of which controlling interests		3,437,042	1,749,494
Of which non-controlling interests		160,917	-11
Earnings per share	**18**	**5.77**	**2.94**
Diluted earnings per share	18	5.77	2.94

Notes 1-26 are an integral part of the consolidated financial statements

Statement of comprehensive income

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Notes	2018	2017
Profit for the year		**3,597,959**	**1,749,484**
Estimate differences pension plans (including associates)	8/15	-884	1,176
Conversion differences that are reclassified to profit and loss in the period	23	0	-487
Items that will not be reclassified to the income statement		**-884**	**689**
Translation differences related to subsidiaries	23	-11,993	42,239
Translation differences from associates	8/23	-1,640	32,334
Change in value of financial instruments (cash flow hedges)	12	21,553	20,338
Change in value from associates	8	-5,570	-2,772
Items that may subsequently be reclassified to the income statement		**2,350**	**92,139**
Other comprehensive income for the year		**1,466**	**92,828**
Comprehensive income for the year		**3,599,425**	**1,842,312**
Of which controlling interests		3,438,508	1,842,322
Of which non-controlling interests		160,917	-11

The items included in comprehensive income are after tax

Notes 1-26 are an integral part of the consolidated financial statements

Statement of financial position

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Notes	2018	2017
Non-current assets			
Deferred tax asset	16	14,311	28,852
Licences, rights and goodwill	6/13	8,166,075	8,019,627
Buildings, real estate, operating accessories	7/13/14	6,606,948	5,148,271
Shares in associates	4/8/13	1,015,556	960,587
Other investments	8/12	7,247	5,534
Long-term receivables	11	67,777	122,836
Total non-current assets		**15,877,914**	**14,285,707**
Current assets			
Biological assets	9/13	5,564,447	4,458,095
Other inventories	10/13/22	1,315,292	991,186
Trade receivables	11/12/13	2,152,414	1,972,438
Other receivables	11/12/13	426,511	436,590
Cash and cash equivalents	12/13	3,036,154	3,514,096
Total current assets		**12,494,819**	**11,372,405**
Total assets		**28,372,733**	**25,658,112**

Notes 1-26 are an integral part of the consolidated financial statements

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Notes	2018	2017
Equity			
Share capital	20	59,577	59,577
Treasury shares	20	-30	-30
Share premium reserve		4,778,346	4,778,346
Total paid-in capital		**4,837,893**	**4,837,893**
Retained earnings		**11,314,996**	**8,769,401**
Non-controlling interests		981,401	874,828
Total equity		**17,134,291**	**14,482,122**
Long-term liabilities			
Long-term interest-bearing debt	12/13/14	4,550,698	4,946,254
Deferred tax	16	2,443,957	2,313,950
Pension liabilities	15	3,566	3,113
Other long-term liabilities	12	62,843	96,202
Total long-term liabilities		**7,061,064**	**7,359,519**
Short-term liabilities			
Trade payables	12	1,486,119	1,310,098
Short-term loans	12/13	1,031,868	830,009
Public duties payable		226,513	233,982
Tax payable	16	678,075	819,884
Other short-term liabilities	12/13/17	754,803	622,498
Total short-term liabilities		**4,177,378**	**3,816,471**
Total liabilities		**11,238,442**	**11,175,990**
Sum equity and liabilities		**28,372,733**	**25,658,112**

Notes 1-26 are an integral part of the consolidated financial statements

Bergen, 12. April 2019
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad Chairman	**Didrik Munch** Board member	**Karoline Møgster** Board member	**Britt Kathrine Drivenes** Board member
Siri Lill Mannes Board member	**Arne Møgster** Board member	**Hans Petter Vestre** Employees' representative	**Henning Beltestad** CEO Lerøy Seafood Group ASA

Statement of changes in equity

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Share capital	Treasury shares	Share premium reserve	Currency translation differences	Cash flow hedges	Other retained earnings	Non-controlling interests *	Total equity
Equity 01.01.2017	**59,577**	**-30**	**4,778,346**	**23,318**	**-65,574**	**7,744,311**	**935,478**	**13,475,426**
Annual profit 2017					-1,636	1,751,130	-11	1,749,483
Comprehensive income for the year				74,086	1,488	17,255	0	92,829
Total profit/loss 2017	**0**	**0**	**0**	**74,086**	**-148**	**1,768,385**	**-11**	**1,842,312**
Transactions with shareholders								
Dividend payments						-774,506	-60,032	-834,538
Dividend paid on treasury shares						387		387
Redemption of non-controlling interests						-858	-606	-1,464
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-774,976**	**-60,638**	**-835,615**
Equity 31.12.17	**59,577**	**-30**	**4,778,346**	**97,404**	**-65,722**	**8,737,719**	**874,828**	**14,482,122**
Annual profit 2018					-574	3,437,616	160,917	3,597,959
Comprehensive income for the year				-13,633	21,554	-6,455	0	1,466
Total profit/loss 2018	**0**	**0**	**0**	**-13,633**	**20,980**	**3,431,161**	**160,917**	**3,599,425**
Transactions with shareholders								
Dividend payments						-893,661	-56,302	-949,963
Dividend paid on treasury shares						447		447
New equity from capital increase							2,207	2,207
Redemption of non-controlling interests						301	-249	53
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-892,913**	**-54,344**	**-947,257**
Equity 31.12.18	**59,577**	**-30**	**4,778,346**	**83,771**	**-44,742**	**11,275,967**	**981,401**	**17,134,291**

** Non-controlling interests. Other components of equity are allocated to Lerøy Seafood Group`s shareholders.*

Treasury shares

Seafood Group ASA owns 297,760 treasury shares of a total number of 595,773,680 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where the nominal value of treasury shares is included in paid-in capital (NOK -30 thousand), and the purchase price exceeding nominal value of treasury shares (NOK -2,389 thousand) is included in retained earnings. The average purchase price for treasury shares is NOK 8.12 per share.

Statement of cash flows

All figures in NOK 1,000 (period 1.1 - 31.12)

Lerøy Seafood Group Consolidated	Notes	2018	2017
Cash flows from operating activities			
Profit before tax		4,448,961	2,093,467
Taxes paid during the period		-851,020	-493,896
Other gains and losses		-42,341	-4,100
Depreciation	6/7	659,670	583,265
Profit impact associates	8	-286,573	-302,651
Change in fair value adjustments related to biological assets	9	-754,937	1,716,309
Change in inventories/biological assets	9/10	-606,948	-262,661
Change in trade receivables	11	-142,135	237,117
Change in trade payables		142,958	-56,569
Change in net pension liabilities	15	-452	2,105
Net financial items classified as financing activities	22	161,087	209,623
Change in other accruals		54,298	-33,741
Net cash flow from operating activities		**2,782,566**	**3,688,269**
Cash flows from investing activities			
Proceeds from sale of fixed assets	7	136,126	98,971
Payments for acquisitions of fixed assets	7	-1,793,193	-1,562,888
Payments for acquisitions of intangible assets	6	-91,632	-20,323
Proceeds from sale of shares in associates and other businesses	8	0	18,143
Payments for acquisitions of shares in associates and other businesses	8	-8,814	-77,172
Dividend payments received from associates	4/24	245,200	164,015
Payments for acquisition of Group companies and redemption of minorities	4	52	0
Cash and cash equivalents from business combinations	5	-135,708	-5,009
Proceeds/payments on other loans (short and long-term)	3/5	19,875	1,194
Net cash flow from investing activities		-13,481	-46,158
Netto kontantstrøm fra investeringsaktiviteter		**-1,641,575**	**-1,429,227**
Cash flows from financing activities			
Movement in short-term interest-bearing debt	13	238,925	-393,173
Proceeds from establishing new long-term debt	13	764,227	1,031,927
Downpayments of long-term debt	13	-1,515,036	-594,885
Interest payments received		26,229	21,391
Interest paid and other financial expenses		-185,969	-209,755
Equity contributions		2,207	0
Dividends paid	19	-949,516	-834,151
Net cash flow from financing activities		**-1,618,933**	**-978,646**
Net cash flow in the accounting period		**-477,942**	**1,280,396**
Cash and cash equivalents at start of period		3,514,096	2,233,700
Cash and cash equivalents at end of period		**3,036,154**	**3,514,096**
This consists of:			
Bank deposits, etc.		3,036,154	3,514,096
Of which restricted funds		116,543	84,302
Unutilised overdraft/drawdown facilities		3,391,390	2,554,070

Note 1
Accounting policies

This section presents consolidated accounting policies and notes for Lerøy Seafood Group ASA. Accounting policies and notes for Lerøy Seafood Group ASA (parent company) are presented separately after the notes to the consolidated financial statements. This separation is necessary in that the Group submits financial statements in accordance with IFRS (International Financial Reporting Standards), while the parent company's financial statements are drawn up in accordance with NGAAP (Norwegian Generally Accepted Accounting Principles).

Lerøy Seafood Group ASA is registered in Norway and is listed on the Oslo Stock Exchange. The company's consolidated financial statements for the financial year 2018 include the company and its subsidiaries (collectively referred to as "the Group") and the Group's share in associates. Lerøy Seafood Group ASA is a subsidiary of Austevoll Seafood ASA (52.69%), which in turn is owned (55.55%) by Laco AS.

The financial statements were submitted by the Board of Directors on 12 April 2019.

(A) Declaration confirming that the financial statements have been drawn up in accordance with ifrs

The consolidated financial statements 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. The financial statements are based on all compulsory accounting standards (IFRS).

(B) Basis for preparing the financial statements

The financial statements are presented in NOK and figures are rounded off to the nearest thousand. They are prepared on the basis of the historical cost principle, with the exception of the following assets and liabilities which are carried in the balance sheet at fair value: Biological assets, onerous contracts, Fish Pool contracts, other shares, forward contracts and interest rate swaps.

Preparation of financial statements in accordance with IFRS demands that the administration makes assessments, estimates and assumptions that influence the application of accounting policies and the book values of assets and liabilities, revenue and costs. Estimates and their associated assumptions are based on historical experience and other factors seen as reasonable under the circumstances. These calculations form the basis for assessment of carrying amounts for assets and liabilities that are not readily apparent from other sources. The actual result may deviate from these estimates.

Estimates and underlying assumptions are under constant review. Changes in the accounting-related estimates are recognised in the periods in which they occur, provided they apply only to that period. If changes also apply to future periods, the effect is distributed over current and future periods.

Assessments that are made by the administration when applying the IFRS standards and that have a significant effect on the financial statements, and estimates with a considerable risk of significant adjustments in the next financial year, are described in note about significant accounting estimates and assessments.

The accounting policies discussed below have been consistently applied for all periods presented in the consolidated financial statements.

The consolidated financial statements are drawn up in accordance with IFRS, while the financial statements for the Norwegian subsidiaries are prepared according to Norwegian Generally Accepted Accounting Principles (NGAAP). Accounts for the foreign subsidiaries are prepared according to accepted accounting policies in the respective countries. Accounting policies for subsidiaries are changed whenever necessary to ensure consistency with policies applied in the Group (IFRS).

The consolidated financial statements are submitted on assumption of going concern.

(C) principles of consolidation

Subsidiaries

Subsidiaries are all units where the Group has control of the unit's financial and operational strategy, normally through ownership of more than half of all equity with voting rights. Subsidiaries are consolidated from the moment control is transferred to the Group and are excluded from consolidation when such control ceases. Transactions, intercompany accounts and unrealised gains or losses between the Group companies are eliminated. The acquisition method is applied to acquisition of businesses.

The consideration paid is measured at fair value of transferred assets, liabilities assumed, and equity instruments issued. The consideration also includes the fair value of all assets or liabilities pursuant to the agreement regarding contingent consideration. Identifiable assets, debt and contingent liabilities are recognised at fair value on the date of acquisition. The part of the cost price that cannot be ascribed to specific assets represents goodwill. Acquisitions effectuated before 1 January 2004 have not been corrected as a consequence of the transition to IFRS (use option exercised). In the case of a business combination achieved in stages, the Group's shareholding from former acquisitions will be remeasured at fair value on the control date. Any change in value is recognised on the accounting line for other gains and losses.

IFRS 10 and IFRS 3 are mainly based on an entity definition when measuring assets and liabilities in connection with acquisitions which provide control. The one exception is goodwill where there is a use option per acquisition such that companies can choose to recognise only the controlling interest's share or 100%.

For each business combination after 2009, the group has measured components of non-controlling interests in the acquiree at fair value at the acquisition date. This implies that goodwill are recognised also on non-controlling interests proportionate share of the entity`s net assets.

The companies that are part of the Group are specified in the note on consolidated companies.

Non-controlling interests

Non-controlling interests' share of the profit or loss for the year after taxes is shown as a separate item after the annual profit/loss for the Group. The non-controlling interests' share of equity is shown as a separate item under consolidated equity. Transactions with non-controlling interests in subsidiaries are booked as equity transactions. In the event of the purchase of shares from non-controlling interests, the difference between the consideration and the shares' proportional share of the carrying amount for the net assets in the subsidiary against the parent company owners' equity is booked. Gain or loss on the sale to non-controlling interests is correspondingly charged to equity.

Associates and joint ventures

Associates are units where the Group has significant influence but not control, normally between 20% and 50% of voting equity. Joint ventures are investments in companies where the Group has control together with other parties. Cooperation is based on a contractual agreement governing central cooperative factors. Investments in associates and joint ventures are recognised according to the equity method. The investment is capitalised at acquisition cost at the time of purchase. The Group's share of the profit/loss after tax, as well as depreciation/amortisation and write-downs of any added value, are recognised on the income statement and added to the carrying amount of the investment together with the respective share of changes in equity not booked in the income statement, such as dividend. In the income statement, the Group's respective share of profit is shown under Financial items, while the assets are shown in the balance Sheet under Financial assets. The Group's share of unrealised intercompany profit on transactions between the Group and the respective company is eliminated. Accounting policies for associates and joint ventures are changed whenever necessary to ensure consistency with the accounting policies applied for the Group (IFRS).

(D) Operating revenue

Operating revenue from the sale of goods is recognised at a point in time when control is passed to the customer. Control is generally passed when delivered to the customer according to the agreed upon Incoterms (contractual terms).

Expected volume discounts are deducted from operating revenue and presented as current provisions. Taxes and duties are also deducted from operating revenue.

The Group records provisions (sales reduction) for quality deviations and returns based on historical numbers and specific information regarding the respective deliveries. The Group delivers, to a large degree, fresh food and returns will therefore usually be registered shortly after the customer has received the goods.

(E) Reporting by segment

Operating segments are reported at a more aggregated level than for internal reporting to the corporate management due to similar economic characteristics such as organisational

Note 1
Accounting policies cont.

structure and commercial risk. The Group's operating segments comprise the following: (1) Wildcatch, (2) Farming and (3) Value-added Processing (VAP), sales and distribution.

Please refer to the note on the consolidated companies and division into operating segments for a complete description of the companies in the different segments, both directly and via indirect ownership.

Wildcatch is reported as one operating segment. The unit comprises the two sub-groups Havfisk AS and Lerøy Norway Seafoods AS. The Havfisk Group, owner of the licences, is subject to a so-called "industrial obligation" 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 leased out the facilities in these locations to Lerøy Norway Seafoods AS. The lessor is responsible for sustaining operations. However, if the lessor terminates operations, the licence terms oblige Havfisk to sustain operations in the specified locations.

Farming is reported as a main segment but with three separate operating segments. These are (1) the North Norway region, comprising the Lerøy Aurora AS group, (2) the Central Norway region, comprising the Lerøy Midt AS, and (3) the West Norway region (also known as Lerøy Sjøtroll), comprising Lerøy Vest AS, Sjøtroll Havbruk AS, Lerøy Kjærelva AS, Norsk Oppdrettsservice AS and Lerøy Ocean Harvest AS. These units all operate in the same branch, have the same customers, similar commercial risk and similar processes. Their only distinguishing factor is geography. It has therefore been deemed appropriate to merge these into one operating segment..

Value-added Processing (VAP), sales and distribution distribution is the third operating segment. This segment comprises several individual entities. These are merged into one operating segment due to similarities such as same branch, commercial risk and uniform processes. The norwegian units are: Lerøy Seafood AS, Lerøy Fossen AS, Bulandet Fiskeindustri AS, Lerøy Sjømatgruppen AS, Lerøy Alfheim AS, Lerøy Trondheim AS, Lerøy Delico AS group, Lerøy Nord AS, Laks- & Vildcentralen AS, Sjømathuset AS, Lerøy Quality Group AS og Lerøy & Strudshavn AS. The foreign units are: Rode Beheer BV group, Lerøy Sverige AB group, SAS Lerøy Seafood France group, Lerøy Seafood USA Inc, Lerøy Processing Spain S.L, Lerøy Portugal Lda, Lerøy Finland OY, Lerøy Turkey and Lerøy Germany GmbH.

Lerøy Seafood Group ASA and Preline Fishfarming System AS are not assigned to any of the segments.

(F) Currency
The consolidated financial statements are presented in NOK, the functional currency for the parent company and the Norwegian subsidiaries. Cash items in foreign currency are valued at the respective rates of exchange at the end of the financial year. Gains and losses on foreign currency related to the purchase and sale of goods are presented as part of the accounting line for "Purchases". See also item (V) on derivatives, including currency forward contracts utilised to control currency risk.

(G) Intangible assets
Goodwill
Goodwill represents the residual value that cannot be assigned to other assets or liabilities on acquisition of a company or other assets. Goodwill in respect of the acquisition of subsidiaries is included in intangible assets, while goodwill in connection with the acquisition of associates is included in the item "Shares in associates". Goodwill is not amortised (after 1 January 2004), but is reviewed annually for any impairment and carried on the balance sheet at cost price less accumulated write-downs. Deferred tax in connection with licenses is charged against goodwill.

When assessing the need to write down the value of goodwill, this is allocated to applicable cash-generating units. The allocation goes to the cash-generating units or groups that are expected to benefit from the acquisition.

Licenses/rights
The Group's licenses can be split into two main groups: (1) Licenses related to farming and (2) licenses related to wild catches (fishing rights). In addition, the Group has some intellectual property rights.

Licenses related to farming are not amortised. Licenses are carried at cost price less any accumulated write-downs. Licenses are tested annually for impairment. An overview of the different licenses involved in this operating segment, in terms of type, number and volume, is provided in the note on intangible assets. A more detailed explanation supporting the assessment that the assets have an indefinite useful life is provided in item (X) at the end of the description of accounting policies.

Fishing rights (the licenses) are valued at acquisition cost minus any accumulated amortisation and impairment loss. The licenses 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 they 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 pre-specified 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 licenses/ fishing rights is provided in note on intangible assets.

The major share of other intangible assets comprises water rights within farming (smolt production). The Group distinguishes between time-limited water rights, which are amortised over their lifetime, and water rights with no time limit, which are not amortised but are tested annually for impairment. Other intangible assets comprise rights that are amortised over their lifetime (contractual period).

(H) Fixed assets
Fixed assets are recorded in the financial statements at acquisition costs less accumulated depreciation and accumulated impairment loss. The depreciation is allocated linearly over estimated useful life (depreciation period). Significant parts of fixed assets that have different depreciation periods are decomposed and depreciated separately.
The estimated average useful life of fixed assets, when decomposed, is estimated as:

• Land	Lasting value
• Buildings and real estate	20-25 years
• Machinery and production equipment	5-15 years
• Vessels	25 years
• Fixtures and other equipment etc.	2.5-5 years

(I) 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) fish in sea. The group for fish in sea 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 fish in sea.

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 number 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 regulated 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

Note 1
Accounting policies cont.

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 fish in sea, the fair value is calculated by applying a cash flow based 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 weight for harvest when they have a live weight corresponding to 4 kg gutted weight. This corresponds to a live weight of 4.8 kg. Fish with a live weight of 4.8 kg or more are classified as ready for slaughter (mature fish), while fish that have still not achieved this weight are classified as not ready for 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 optimal weight for harvest, 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 does not rely on 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 for completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to the optimal weight for harvest. 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 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 slaughtered salmon on Fish Pool. The volume on Fish Pool is however limited. This market is therefore assessed to be insufficiently active and effective. Despite this, the Group is of the opinion that the observable forward prices must be seen as the best approach to a hypothetical price for the sale of salmon. The volume of trout sales in Norway is significantly lower, and there are no corresponding observable market prices. Historically, however, trout prices have been closely correlated to salmon prices. The forward prices for salmon are therefore applied as a starting point for estimates of the fair value of trout. The forward price for the month in which the fish is expected to be 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 harvest cost (well boat, slaughter and boxing) and transport to Oslo. Adjustments are also made for any estimated differences in size and quality. The adjustments to the reference price are made per locality. Joint regional parameters are applied, unless factors specific to an individual locality require otherwise.

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

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

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

(J) Inventory
Inventories of purchased goods are valued at the lower of acquisition cost and estimated sales value less sales costs. In-house-produced finished goods and semi-finished goods are valued at full production cost. Write-downs are made for quantifiable obsolescence.

(K) Trade receivables and trade payables
Trade receivables and other receivables are carried on the balance sheet at nominal amount after deduction of provision for estimated losses. The Group measures expected credit losses by estimating a lifetime expected loss allowance for all trade receivables. Loans and receivables are classified as short-term debt or current assets unless they mature more than 12 months after the balance sheet date. In that case, they are classified as fixed assets or long-term debt. Receivables and payables in foreign currency are translated at the respective rates of exchange on the balance sheet date.

(L) Shares
Shares are booked at fair value on the balance sheet date. Shares held for trading are classified as current assets, and any change in value of these shares is recognised in the income statement. Shares in associates and joint ventures are recognised according to the equity method. See item (C) for more detailed information. Shares classified as held for sale are shares the Group has decided to classify as such, or that cannot be categorised elsewhere. Any change in value of shares held for sale is recognised through other comprehensive income.

Note 1
Accounting policies cont.

(M) Liquid assets
Liquid assets consist of cash in hand and bank deposits and are valued at the exchange rates on the balance sheet date. In the Cash Flow Statement, it is specified how much that is restricted funds.

(N) Pensions
The Group mainly has defined contribution plans, but also a few remaining defined benefit plans that are now closed. In general, the pension plans are financed via payments to insurance companies or pension funds based on periodical actuarial calculations.

A defined contribution plan is a pension plan where the Group pays a fixed amount to a separate legal entity. The Group has no statutory or other obligation to pay additional contributions if the entity does not have sufficient means to pay all employees their pension benefits associated with earned pensions in the current or earlier periods.

A defined benefit pension plan is one that is not contributory. A typical defined benefit pension plan defines a pension payment that the employee will receive upon retirement. The payment is typically dependent on factors such as age, number of years in the company and wage level.

The capitalised commitment associated with defined benefit plans is the present value of the defined benefits on the balance sheet date less fair value of the pension assets as adjusted for non-recognised estimate differences and non-recognised costs associated with pension benefits earned in earlier periods. Pension liability is calculated annually by an independent actuary according to the straight-line accrual method. The present value of defined benefits is found by discounting estimated future payments by the interest rate on a bond issued by a company with a high credit rating in the same currency as the benefits will be paid, and with a maturity approximately equal to the duration of the associated pension liability. In countries that do not have a liquid market for long-term bonds issued by companies with a high credit rating, the market interest rate for governmental bonds is applied.

(O) Tax
Tax cost in the income statement includes both the tax payable for the period and changes in deferred tax. Deferred tax is calculated at a rate of 22% (or local rates in other countries) on the basis of the temporary differences that exist between accounting and taxable values, as well as the tax loss carry forward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences which reverse or may reverse the figures in the same period and within the same tax regime are offset and booked at net value.

Deferred tax has been calculated on the difference between taxable and accounting values of licences. For licenses acquired prior to 1 January 2004, the effect of deferred tax is charged against equity. For licences acquired by means of business acquisitions after 1 January 2004, deferred tax is included in goodwill. Deferred tax is calculated at the nominal tax rate.

(P) Interest-bearing loans and credits
Loans are booked at fair value when the loan is paid out, less transaction costs. In subsequent periods loans are booked at amortised cost calculated by applying the effective interest rate, and any differences between acquisition cost and redemption value are incorporated over the loan period by using the effective interest rate method.

Next year's instalments are classified as short-term debt (short-term credits).

(Q) Dividends
Dividends are booked when adopted by the shareholders' meeting. See also note on dividend per share.

(R) Provisions and other commitments
Provisions are carried on the balance sheet when the Group has an existing legal obligation or implied duty in consequence of an earlier event and it is probable that a flow of economic resources from the enterprise will be required in order to fulfil such obligation. If the effect is significant, the provision is determined by discounting estimated future cash flows by a discounting rate before tax, which reflects market pricing of the time value of money and, if relevant, the risks specifically associated with the obligation.

(S) Share capital and share premium
Ordinary shares are classified as equity. Expenses directly associated with issuing new shares or options, less tax, are booked under equity as reductions in proceeds received.

When buying back treasury shares, the purchase amount, inclusive of directly ascribable costs, is entered as a change in equity. Treasury shares are presented as a reduction in equity.

(T) Statement of cash flows
The consolidated statement of cash flows shows the total consolidated cash flows broken down by operating, investing and financing activities. Acquisitions of subsidiaries are considered an investing activity for the Group and are shown separately with the deduction of cash and cash equivalents in the company acquired. The statement shows how the various activities affect cash reserves. For cash flows in foreign currency, the average rate of exchange is used in the statement. To the extent that changes in the balance sheet figures between financial years do not match the corresponding figures in the statement of cash flow, this is a result of translation differences linked to changes in rates of exchange.

(U) Financial risk management
Through its activities, the Group is exposed to different types of financial risk: market risk (including currency risk, interest risk, price risk and liquidity risk) as well as credit risk. A further description follows below, describing the Group's financial risk, as well as how it is managed, including use of hedges.

Currency risk
The Group has international operations requiring a number of currencies and is thus exposed to currency risk. Forward contracts are used to hedge against the currency risk on trade receivables and agreed upon sales contracts. The forwards contracts are designated as fair value hedges in the financial statements. The hedged items are primarily binding sales contracts in foreign currency, net foreign currency bank deposits, and net trade receivables in foreign currency. The hedged items are measured at fair value on the balance sheet date. The hedging instruments are the forward contracts, which are also measured at fair value on the balance sheet date. Gains and losses due to change in fair value are presented through profit or loss. An overview of the effect of forward contracts can be found in the note on financial instruments.

Interest risk
The Group's long-term debt is mainly based upon agreements for floating rates of interest, representing exposure to increases in the market interest rate. However, the Group has made use of long-term interest rate swaps to reduce the floating interest rate risk for a share of the Group's long-term debt. The Group receives a floating interest rate and pays a fixed rate through the swap agreements. The interest rate swaps are reported as cash flow hedges. Gains and losses from the effective part of the hedge (the part of the hedge that qualifies for cash flow hedge accounting) are recognised in other comprehensive income. An overview of the effect of such agreements is provided in the note on financial instruments.

Price risk
The developments in global salmon and trout prices have a considerable impact on the results achieved by the Group. In order to reduce the price risk, a varying share of the revenue / purchase cost is hedged through purchase and sale forward contracts for salmon (Fishpool contracts). The changes in fair value of the contracts are recognized in the income statement line item "fair value adjustments related to biological assets". An overview of the effect of the Fishpool contracts is provided in the note on financial instruments.

The Group is also exposed to fluctuations in the bunker price. This risk is reduced through entering into forward agreements to purchase bunker (bunker derivatives). Gains and losses from the effective part of the hedge (the part of the hedge that qualifies for cash flow hedge accounting) are recognised in other comprehensive income. An overview of the effect of bunker derivatives is provided in the note on financial instruments

Liquidity risk
Cash flow prognoses are established for the different operating segments in the Group and are aggregated by the Group's Financial Department. The Financial Department monitors prognoses of the Group's liquidity requirements in order to ensure that the Group has sufficient cash equivalents to fulfil operating commitments while sustaining a sufficient level of flexibility in the form of unutilised, binding loan facilities at all times so that the Group is not in breach of the limits or specified terms and conditions for the Group's loans. Such prognoses take into account the Group's scheduled new loans, compliance with terms and conditions of loans, compliance with in-house objectives for balance sheet figures and, if relevant, external regulatory or legal requirements.

Note 1
Accounting policies cont.

Any excess cash in the Group companies, in addition to what constitutes necessary working capital, is transferred annually to the parent company via Group contributions and dividends. The Group's Financial Department deposits excess cash mainly as bank deposits at special terms with appropriate maturities in order to provide sufficient security and flexibility in relation to the company's growth strategy and dividend policy. For information on cash and cash equivalents available to the Group as liquidity buffers to manage liquidity risk, please refer to the statement of cash flow.

The table in note on debt, mortgages and guarantee liability specifies the Group's financial covenants that are not derivatives, and derivative covenants with net settlement, classified in relation to the down payment schedule. This classification is made in accordance with the contractual maturity date. Derivative covenants are included in the analysis when the contractual maturity date is significant for an understanding of the accrual of cash flows. The figures in the table are non-discounted contractual cash flows.

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. Furthermore, almost all of the Group's trade receivables are covered by credit insurance securing about 90 % of nominal amounts. 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.

(V) Derivatives
The company seeks to hedge against currency fluctuations and changes in interest rate by means of derivatives, respectively currency forward contracts, interest rate swaps and bunker derivatives.

Derivatives are carried at fair value at the time of contract and are subsequently adjusted to fair value. The recognition of the associated losses and gains depends on whether the derivative is designated as a hedging instrument and, if so, the type of hedging. Derivatives which are not designated as hedging instruments are recognised at fair value through profit or loss.

Fair value of derivatives is shown in the note on financial instruments. Fair values of derivatives are classified as fixed assets or long-term debt if the hedging object matures in more than 12 months, and as current assets or short-term debt if the hedging object matures in less than 12 months. The Group documents the relationship between the hedging instrument and the hedged items, including expected hedging efficiency, when entering into hedging derivatives. The Group further documents its risk management strategies related to transactions that are risk hedges.

Changes in fair value of derivatives qualifying for fair value hedging are recognised in the income statement together with the change in fair value of the associated hedged asset or liability. The Group uses fair value hedging to hedge net receivables in foreign currency, net deposits on currency accounts and signed sales contracts in foreign currency. Gains and losses on foreign currency are included in the income statement line "Cost of materials".

The effective share of the change in fair value of derivatives that qualify as hedging instruments for cash flow hedging is recognised through other comprehensive income. Hedging gains or losses recognised through other comprehensive income and accumulated in equity are re-classified to the income statement during the period in which the hedging object impacts the income statement. The Group makes use of cash flow hedging related to interest rate swaps and bunker derivates. Gains or losses are recognised as financial income or loss if the hedging relationship is discontinued.

(W) Capital management
The Group's objectives for capital management are to enable the Group to continue as a going concern in order to guarantee returns for the owners and other stakeholders and to sustain an optimal capital structure to allow the Group to reduce capital expenses. Ongoing structural changes in the global industry in which the company operates, seen in conjunction with the cyclical nature of the industry, demand that the company at all times must maintain a satisfactory financial contingency. This in turn requires a close relationship with the company's shareholders and equity markets. The Group has always stressed the importance of maintaining the confidence of its financial partners and thus also access to necessary loan capital on favourable terms.

The Group's financial goals are reflected in quantified parameters for financial adequacy and returns. The requirement for financial adequacy stipulates that the Group's equity ratio, defined as equity/total assets, should be at least 30% over time. Information on the Group's equity is presented in the balance sheet. The Group's long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18% before tax.

The company's dividend policy implies that, over time, dividends should lie in the region of 30% to 40% of profit after tax. However, care must be taken at all times to ensure that the Group operates in line with satisfactory financial contingency for new and profitable investments. In the long run, value generation will increasingly be in the form of higher share prices rather than in declared dividends. See note on dividend per share for more information.

(X) Indefinite useful life (no amortisation) of licences
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. Please refer to the note on intangible assets for information on the impairment test.

Licence scheme in Norway
The licence scheme for production of salmon and trout in Norway was introduced 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 (the current Aquaculture Act with provisions) irrespective of when the licence was allocated.

LSG's 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.

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

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

Grow-out 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 with permission to 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 has utilised this option, buying

Note 1
Accounting policies cont.

a 5% increase in volume for a total of eight licences in 2017, and a further increase in volume of 2% for all licences in this region in 2018. There are also some licences that, for historical reasons, have a MAB limit different from 780 tonnes. LSG with its subsidiaries has a sufficient number of localities (locality 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 for special purposes. Demonstration licences are granted to enterprises in order to share knowledge of the aquaculture industry. Such licences are often operated in cooperation with a non-commercial entity.

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

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

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

Parent fish licences are also licences defined for special purposes. Parent fish 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 that may be produced according to the individual licence. If the licence holder does not have an exemption from the regulations in force, the largest permitted average weight is 250 grams per individual. 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 LSG'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 to green licences.

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

Research and development licences are time-limited and apply in general for the duration of the project. They are often linked to the life cycle of the salmon, i.e. three years. R&D licences are managed in close cooperation with research groups, and an application to extend them for a new three-year period can be made after the project has ended.

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 parent fish for salmon or trout. Parent fish production is an integral part of LSG'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 slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licences provided that they are linked to an approved slaughtering plant and only utilised to keep fish ready for slaughter in immediate proximity to the slaughtering plant. The Group's demonstration licences are 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.

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 twelve thousand Norwegian krones 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 capitalised, 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) Insignificant 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.

Note 1
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.

Y) New and amended standards implemented by the group
a) New standards implemented in 2018
The Group has implemented the following new IFRS standards with effect from 1 January 2018:
– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers

A description of the new standards as well as the Group's evaluation of their effect on the financial statements can be found in the note on new IFRS standards (note 26).

(b) New standards which have not come into effect and where the Group has not opted for early application
One IFRS standard is effective for annual reporting periods beginning or after 1 January 2019:
- IFRS 16 Leases

A description of the new standard as well as the Group's evaluation of its effect on the Groups financial statements for 2019 can be found in the note on new IFRS standards (note 26). There are no other standards which have not come into effect that are expected to have a material impact on this or future reporting periods.

Note 2
Significant accounting estimates and assessments

(All figures in NOK 1,000)
Estimates and assessments are reviewed continuously and are based on historical experience and other factors, including expectations of future events that seem probable in view of present circumstances.

The Group draws up estimates and makes assumptions regarding future events. The accounting estimates from this process will, by definition, rarely be in exact agreement with the final results. Estimates and assumptions with a high risk of significant changes in capitalised values of assets and liabilities during the next financial year are discussed below.

(A) 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.

For fish ready for harve t 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 harvest 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 its 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 harvest costs (well boat, slaughtering 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 harvest costs, transport costs and quality differences are 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

Note 2
Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

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 1% of the number of incoming fish per month. In North Norway however, historical mortality figures are significantly lower than in other parts of the country. As a result, the percentage applied to estimated mortality in this region is 0.5%.

(4) 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 monthly discount rate at 31 December is estimated to be 6% per month. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) Risk adjustment, (2) Licence lease and (3) Time value.

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 higher the risk that something may occur to affect cash flow. Three significant factors could have an impact on cash flow. Volume could change, costs could change and prices could change. The one thing all three factors have in common is that the sample space is unsymmetrical.

4.2. Hypothetical licence lease

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

4.3 Time value

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

Sensitivity analysis on 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 weighted average price and expected optimal harvest weight

		Projected optimal harvest weight per fish in kg gwe				
		3.50	**3.75**	**4.00**	**4.25**	**4.50**
		Change in projected weight per kg gwe				
Average price per kg (NOK)	**Change in price per kg (NOK)**	**-0.50**	**-0.25**	**-**	**0.25**	**0.50**
51.1	**-5.00**	3,938,178	4,289,233	4,640,289	4,991,344	5,342,400
54.1	**-2.00**	4,289,414	4,661,029	5,032,643	5,404,258	5,775,873
55.1	**-1.00**	4,406,493	4,784,960	5,163,428	5,541,896	5,920,364
56.1	**-**	4,523,572	4,908,892	**5,294,213**	5,679,534	6,064,855
57.1	**1.00**	4,640,650	5,032,824	5,424,998	5,817,172	6,209,346
58.1	**2.00**	4,757,729	5,156,756	5,555,783	5,954,810	6,353,837
61.1	**5.00**	5,108,965	5,528,552	5,948,138	6,367,724	6,787,310

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 after adjustment for harvest costs, transport to Oslo, quality, size and exporter margin.

Sensitivity analysis for weighted average price and monthly discount rate applied

		Monthly discount rate (%)				
		4.0 %	**5.0 %**	**6.0 %**	**7.0 %**	**8.0 %**
		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 %**
51.1	**-5.00**	5,304,543	4,956,573	4,640,289	4,352,218	4,089,322
54.1	**-2.00**	5,760,976	5,379,328	5,032,643	4,717,074	4,429,256
55.1	**-1.00**	5,913,120	5,520,246	5,163,428	4,838,693	4,542,567
56.1	**-**	6,065,264	5,661,165	**5,294,213**	4,960,312	4,655,878
57.1	**1.00**	6,217,409	5,802,083	5,424,998	5,081,931	4,769,190
58.1	**2.00**	6,369,553	5,943,001	5,555,783	5,203,550	4,882,501
61.1	**5.00**	6,825,986	6,365,756	5,948,138	5,568,406	5,222,434

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.

Note 2
Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

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

		Number of fish in stock (million fish)				
		54.1	55.8	56.9	58.1	59.8
		Change in number of fish in stock				
Average price per kg (NOK)	Change in price per kg (NOK)	-5 %	-2 %	0 %	2 %	5 %
51.1	-5.00	4,305,294	4,506,291	4,640,289	4,774,286	4,975,283
54.1	-2.00	4,678,031	4,890,798	5,032,643	5,174,488	5,387,256
55.1	-1.00	4,802,277	5,018,968	5,163,428	5,307,889	5,524,580
56.1	-	4,926,522	5,147,137	**5,294,213**	5,441,289	5,661,904
57.1	1.00	5,050,768	5,275,306	5,424,998	5,574,690	5,799,228
58.1	2.00	5,175,014	5,403,475	5,555,783	5,708,091	5,936,552
61.1	5.00	5,547,751	5,787,983	5,948,138	6,108,292	6,348,525

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.

Sensitivity analysis for number of fish in stock and monthly discount rate applied

		Monthly discount rate (%)				
		4.0 %	5.0 %	6.0 %	7.0 %	8.0 %
		Change in monthly discount rate (%)				
Number of fish in stock (in millions)	Change in number of fish	-2.0 %	-1.0 %	0.0 %	1.0 %	2.0 %
54.1	-5 %	5,637,959	5,265,191	4,926,522	4,618,206	4,336,963
55.8	-2 %	5,894,342	5,502,775	5,147,137	4,823,470	4,528,312
56.4	-1 %	5,979,803	5,581,970	5,220,675	4,891,891	4,592,095
56.9	-	6,065,264	5,661,165	**5,294,213**	4,960,312	4,655,878
57.5	1 %	6,150,726	5,740,359	5,367,751	5,028,733	4,719,661
58.1	2 %	6,236,187	5,819,554	5,441,289	5,097,154	4,783,445
59.8	5 %	6,492,570	6,057,139	5,661,904	5,302,418	4,974,794

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters monthly discount rate and estimated number of fish in stock on the date of the statement of financial position. For the monthly discount rate, the table simulates an absolute change of +/- 1% and 2% (100 and 200 points) respectively. For the number of fish in stock, the table simulates a change of +/- 1%, 2% and 5% in the number of fish per locality for all localities with fish in stock.

(b) Estimated impairment of goodwill and other intangible assets
The Group performs tests to assess impairment of goodwill and other intangible assets, see note on intangible assets. The tests are based on the Group's expected future earnings as a cash-generating unit, as well as on the synergies that may be realised in the Group. Negative changes in market conditions may lead to reduced estimates of future earnings and may therefore generate a need for write-downs.

Note 3
Consolidated companies and allocation to operating segment

(All figures in NOK 1,000)

The list below shows which companies are included in the consolidated financial statements, and how these are allocated to business area and operating segment. It also shows changes in ownership through the year. Reference is made to the note on subsidiaries in Lerøy Seafood Group ASA's financial statements for more detailed information, including book values.

Company	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12
Wildcatch						
Aker Seafoods AS	Havfisk AS	Norway	Ålesund	2016	100 %	100 %
Havfisk Stamsund AS	Havfisk AS	Norway	Vestvågøy	2016	100 %	100 %
Havfisk Melbu AS	Havfisk AS	Norway	Hadsel	2016	100 %	100 %
Nordland Havfiske AS	Havfisk Stamsund AS	Norway	Vestvågøy	2016	53 %	53 %
Nordland Havfiske AS	Havfisk Melbu AS	Norway	Vestvågøy	2016	47 %	47 %
Havfisk Finnmark AS	Havfisk AS	Norway	Hammerfest	2016	100 %	100 %
Havfisk Båtsfjord AS	Havfisk Finnmark AS	Norway	Båtsfjord	2016	100 %	100 %
Havfisk Nordkyn AS	Havfisk Finnmark AS	Norway	Lebesby	2016	100 %	100 %
Finnmark Havfiske AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	78 %	78 %
Finnmark Havfiske AS	Havfisk Båtsfjord AS	Norway	Hammerfest	2016	13 %	13 %
Finnmark Havfiske AS	Havfisk Nordkyn AS	Norway	Hammerfest	2016	6 %	6 %
Hammerfest Industrifiske AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	60 %	60 %
Havfisk Management AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	100 %	100 %
Havfisk AS	Lerøy Seafood Group ASA	Norway	Ålesund	2016	100 %	100 %
Melbu Fryselager AS	Lerøy Norway Seafoods AS	Norway	Hadsel	2016	67 %	67 %
Lerøy Norway Seafoods AS	Lerøy Seafood Group ASA	Norway	Båtsfjord	2016	100 %	100 %
Sørvær Kystfiskeinvest AS	Lerøy Norway Seafoods AS	Norway	Hasvik	2016	51 %	51 %
Lerøy Sommarøy AS	Lerøy Norway Seafoods AS	Norway	Tromsø	2018	50 %	100 % 1), 4)
SAS Norway Seafoods	Lerøy Norway Seafoods AS	France		2016	100 %	100 %
Farming						
Lerøy Aurora AS	Lerøy Seafood Group ASA	Norway	Tromsø	2005	100 %	100 %
Lerøy Laksefjord AS	Lerøy Aurora AS	Norway	Lebesby	2005	100 %	100 %
Senja Akvakultursenter AS	Lerøy Aurora AS	Norway	Tromsø	2015	100 %	100 %
Lerøy Midt AS	Lerøy Seafood Group ASA	Norway	Hitra	2003	100 %	100 %
Lerøy Vest AS	Lerøy Seafood Group ASA	Norway	Austevoll	2007	100 %	100 %
Sjøtroll Havbruk AS	Lerøy Seafood Group ASA	Norway	Austevoll	2010	51 %	51 %
Lerøy Sjøtroll Kjærelva AS	Lerøy Vest AS	Norway	Austevoll	2017	50 %	50 %
Lerøy Sjøtroll Kjærelva AS	Sjøtroll Havbruk AS	Norway	Austevoll	2017	50 %	50 %
Norsk Oppdrettsservice AS	Lerøy Seafood Group ASA	Norway	Flekkefjord	2015	51 %	51 %
Lerøy Ocean Harvest AS	Lerøy Seafood Group ASA	Norway	Bergen	2018	0 %	100 % 3)
Hardanger Skjell AS	Lerøy Ocean Harvest AS	Norway	Bergen	2018	0 %	0 % 1), 5)

Table cont. >

Comments on changes:
1) Business combination
2) Transactions with non-controlling interests
3) Foundation of new company
4) Change from associated company (not consolidated) to subsidiary (consolidated)
5) Parent–subsidiary business combination

* Foundation date. The companies were part of "the old Lerøy group" before Lerøy Seafood Group ASA was founded in 1995
** The company has changed its name from Hallvard Lerøy USA Inc to Leroy Seafood USA Inc.

Note 3
Consolidated companies and allocation to operating segment cont.

(All figures in NOK 1,000)

Table cont.

Company	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12
Value-added processing (VAP), sales and distribution						
Bulandet Fiskeindustri AS	Lerøy Seafood AS	Norway	Askvoll	2005	79 %	79 %
Laks- & Vildtcentralen AS	Lerøy Seafood Group ASA	Norway	Oslo	2018	0 %	100 % [1)]
Leroy Seafood USA Inc **	Lerøy Seafood AS	USA	North Carolina	2016	100 %	100 %
Leroy Culinair B.V.	Rode Retail B.V.	Netherlands	Urk	2012	100 %	100 %
Leroy Germany GmbH	Rode Beheer B.V.	Germany	Witten	2015	50 %	50 %
Leroy Germany GmbH	Lerøy Seafood AS	Germany	Witten	2016	50 %	50 %
Lerøy & Strudshavn AS	Lerøy Seafood Group ASA	Norway	Bergen	1927 *	100 %	100 %
Lerøy Alfheim AS	Lerøy Seafood Group ASA	Norway	Bergen	2005	100 %	100 %
Lerøy Alt i Fisk AB	Lerøy Sverige AB	Sweden	Gothenburg	2001	100 %	100 %
Lerøy Delico AS	Lerøy Seafood Group ASA	Norway	Stavanger	2006	100 %	100 %
Lerøy Finland OY	Lerøy Seafood Group ASA	Finland	Turku	2011	100 %	100 %
Lerøy Fossen AS	Lerøy Seafood Group ASA	Norway	Bergen	2006	100 %	100 %
Lerøy Nord AS	Lerøy Seafood Group ASA	Norway	Tromsø	2015	51 %	51 %
Lerøy Nordhav AB	Lerøy Sverige AB	Sweden	Lomma	2001	100 %	100 %
Lerøy Portugal Lda	Lerøy Seafood Group ASA	Portugal	Lisboa	2005	100 %	100 %
Lerøy Processing Spain SL	Lerøy Seafood Group ASA	Spain	Madrid	2012	100 %	100 %
Lerøy Quality Group AS	Lerøy Seafood AS	Norway	Bergen	2006	100 %	100 %
Lerøy Seafood AS	Lerøy Seafood Group ASA	Norway	Bergen	1939 *	100 %	100 %
Lerøy Sjømatgruppen AS	Laks- & Vildtcentralen AS	Norway	Bergen	2006	0 %	25 % [1)]
Lerøy Sjømatgruppen AS	Lerøy Delico AS	Norway	Bergen	2006	18 %	18 %
Lerøy Sjømatgruppen AS	Lerøy Alfheim AS	Norway	Bergen	2006	24 %	24 %
Lerøy Sjømatgruppen AS	Lerøy Trondheim AS	Norway	Bergen	2006	8 %	8 %
Lerøy Sjømatgruppen AS	Lerøy Nord AS	Norway	Bergen	2015	3 %	3 %
Lerøy Smøgen Seafood AB	Lerøy Sverige AB	Sweden	Smøgen	2002	100 %	100 %
Lerøy Stockholm AB	Lerøy Sverige AB	Sweden	Stockholm	2001	100 %	100 %
Lerøy Sverige AB	Lerøy Seafood Group ASA	Sweden	Gothenburg	2001	100 %	100 %
Lerøy Trondheim AS	Lerøy Seafood Group ASA	Norway	Trondheim	2006	100 %	100 %
Lerøy Turkey	Lerøy Seafood Group ASA	Turkey	Istanbul	2015	100 %	100 %
Rode Beheer B.V.	Lerøy Seafood Group ASA	Netherlands	Urk	2012	100 %	100 %
Rode Retail B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %
Rode Vaestgoed B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %
Rode Vis B.V.	Rode Beheer B.V.	Norway	Urk	2012	100 %	100 %
Rode Vis International AS	Rode Beheer B.V.	Norway	Bergen	2012	100 %	100 %
Royal Frozen Seafood B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %
SAS Eurosalmon	SAS Lerøy Seafood France	France	Saint Jean d'Ardières	2008	100 %	100 %
SAS Fishcut	SAS Lerøy Seafood France	France	Saint Laurent Blangy	2008	100 %	100 %
SAS Lerøy Seafood France ***	Lerøy Seafood AS	France	Boulogne	2008	100 %	100 %
Sirevaag AS	Lerøy Delico AS	Norway	Hå	2006	100 %	100 %
Sjømathuset AS	Lerøy Seafood Group ASA	Norway	Oslo	2006	100 %	100 %
Not allocated						
Lerøy Seafood Group ASA	See note on shareholder information		Bergen	1995		
Preline Fishfarming Sys. AS	Lerøy Seafood Group ASA	Norway	Skien	2015	96 %	96 % [2)]

Note 4
Operating revenues/segment information

(All figures in NOK 1,000)

Operating revenue	2018	2017
Sale of goods and services	19,813,372	18,593,026
Damages received	1,096	93
Other operating revenue	23,259	30,396
Total operating revenue	**19,837,637**	**18,623,515**

Other gains and losses	2018	2017
Gain from disposal of fixed assets	42,341	4,829
Gain from re-measurement related to business combination *	0	-8,756
Total other gains	**42,341**	**-3,927**

The sale of the trawler Kongsfjord resulted in a gain of NOK 36,629, which is included in total gain from disposal of fixed assets. The sale price was NOK 90,665 net.

Operating segments

The Group has the following segments:
(1) Wildcatch
(2) Farming
(3) Value-added processing (VAP), sales and distribution.

Lerøy Seafood Group ASA and Preline Fishfarming System AS are not allocated to any of these segments, and are included in the elimination segment. With the exception of Farming, each business segment is also an operating segment. Farming is divided into three individual operating segments (regions):
(A) North (Lerøy Aurora)
(B) Central (Lerøy Midt)
(C) West (Lerøy Sjøtroll)

Further details regarding the different companies in the groups, allocation to segment and level of aggregation are presented in note on consolidated companies. The aggregation level for reporting by segment is described in the note on accounting principles.

Note 4
Operating revenues/segment information cont.

(All figures in NOK 1,000)

2017	Wildcatch	Farming	VAP, sales and distribution	Elimination/ unallocated	Group
External operating revenue	857,094	335,296	17,431,100	25	18,623,515
Internal operating revenue	1,902,972	9,050,094	194,638	-11,147,704	0
Total operating revenue	**2,760,066**	**9,385,390**	**17,625,738**	**-11,147,679**	**18,623,515**
Other gains and losses	7,503	-2,817	-8,612	0	-3,927
Operating expenses	2,381,604	6,440,318	17,182,382	-11,101,465	14,902,839
Operating profit (EBIT) before fair value adjustments	**385,965**	**2,942,255**	**434,744**	**-46,214**	**3,716,749**
Change in fair value adjustment of fish in sea		-1,953,500			-1,953,500
Change in fair value of loss-making contracts		278,926			278,926
Change in fair value of Fish Pool contracts			-41,735		-41,735
Total fair value adjustments related to biological assets	**0**	**-1,674,574**	**-41,735**	**0**	**-1,716,309**
Operating profit	**385,965**	**1,267,681**	**393,009**	**-46,214**	**2,000,440**
Profit from associates	-3,552	284,944	13,125	8,134	302,651
Net financial items	-47,899	-68,966	-19,711	-73,047	-209,623
Profit before tax	**334,514**	**1,483,659**	**386,423**	**-111,127**	**2,093,468**
Tax cost					-343,984
The year's result					**1,749,484**
Operating margin before fair value adjustments	14.0 %	31.3 %	2.5 %	0.4 %	20.0 %
Assets (excluding associates)	5,992,248	15,506,717	4,369,933	-1,171,373	24,697,525
Associates	16,782	850,228	93,576	0	960,587
Total assets	**6,009,030**	**16,356,945**	**4,463,509**	**-1,171,373**	**25,658,112**
Total liabilities	**2,498,931**	**7,856,329**	**3,059,457**	**-2,238,727**	**11,175,990**
NIBD	543,634	1,411,080	-22,538	329,990	2,262,166
Net investments in intangibles and fixed assets	73,521	1,158,601	245,820	6,298	1,484,240
Depreciation	115,164	393,948	74,153	0	583,265

2018	Wildcatch	Farming	VAP, sales and distribution	Elimination/ unallocated	Group
External operating revenue	592,384	323,343	18,921,895	15	19,837,638
Internal operating revenue	2,078,089	9,137,855	111,227	-11,327,170	0
Total operating revenue	**2,670,473**	**9,461,198**	**19,033,122**	**-11,327,155**	**19,837,638**
Other gains and losses	35,826	5,529	986	0	42,340
Operating expenses	2,317,854	6,538,613	18,701,236	-11,246,261	16,311,442
Operating profit (EBIT) before fair value adjustments	**388,444**	**2,928,114**	**332,872**	**-80,894**	**3,568,536**
Change in fair value adjustment of fish in sea		799,983			799,983
Change in fair value of loss-making contracts		-46,519			-46,519
Change in fair value of Fish Pool contracts			1,474		1,474
Total fair value adjustments related to biological assets	**0**	**753,464**	**1,474**	**0**	**754,937**
Operating profit	**388,444**	**3,681,578**	**334,346**	**-80,894**	**4,323,474**
Profit from associates	-11,972	280,534	18,011	0	286,573
Net financial items	-44,933	-73,547	-18,964	-23,643	-161,087
Profit before tax	**331,539**	**3,888,565**	**333,393**	**-104,537**	**4,448,960**
Tax cost					-851,002
The year's result					**3,597,958**
Operating margin before fair value adjustments	14.5 %	30.9 %	1.7 %	0.7 %	18.0 %
Assets (excluding associates)	6,117,726	16,109,063	5,098,868	31,521	27,357,178
Associates	18,596	877,174	119,786	0	1,015,556
Total assets	**6,136,322**	**16,986,237**	**5,218,654**	**31,521**	**28,372,734**
Total liabilities	**2,742,082**	**8,306,328**	**3,530,267**	**-3,340,234**	**11,238,443**
NIBD	951,757	2,777,531	63,655	-1,246,531	2,546,412
Net investments in intangibles and fixed assets	568,711	1,343,619	203,971	22,480	2,138,781
Depreciation	133,648	433,626	92,356	38	659,669

Specification per operating segment within Farming

2017	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region (Lerøy Sjøtroll)	Elimination (group purchases /sales)	Total Farming
External operating revenue	258,364	31,054	45,879		335,296
Internal operating revenue	2,209,864	3,758,652	3,143,094	-61,516	9,050,094
Total operating revenue	**2,468,228**	**3,789,706**	**3,188,973**	**-61,516**	**9,385,390**
Other gains and losses	724	0	-3,542	0	-2,818
Operating expenses	1,443,772	2,647,204	2,406,562	-57,220	6,440,317
Operating profit (EBIT) before fair value adjustments	**1,025,180**	**1,142,502**	**778,869**	**-4,296**	**2,942,255**
Volume salmon (GWT)*	39,209	64,515	30,949		134,674
Volume trout (GWT)			23,094		23,094
Total volume	39,209	64,515	54,043		157,768
EBIT/kg **	**26.1**	**17.7**	**14.4**	**-0.0**	**18.6**

Note 4
Operating revenues/segment information cont.

(All figures in NOK 1,000)

2018	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region (Lerøy Sjøtroll)	Elimination (group purchases /sales)	Total Farming
External operating revenue	259,078	23,847	40,418		323,343
Internal operating revenue	2,120,501	3,899,765	3,181,996	-64,406	9,137,855
Total operating revenue	**2,379,578**	**3,923,612**	**3,222,415**	**-64,406**	**9,461,198**
Other gains and losses	637	5,764	-872	0	5,529
Operating expenses	1,391,437	2,573,903	2,635,897	-62,623	6,538,613
Operating profit (EBIT) before fair value adjustments	**988,779**	**1,355,472**	**585,646**	**-1,783**	**2,928,114**
Volume salmon (GWT)*	36,783	66,501	34,449		137,733
Volume trout (GWT)			24,306		24,306
Total volume	36,783	66,501	58,755		162,039
EBIT/kg **	**26.9**	**20.4**	**10.0**	**-0.0**	**18.1**

** GWT = Gutted weight in tonnes*
*** Before fair value adjustments related to biological assets*

Information on product area
Operating revenue in NOK by product area

Operating revenue	2018	%	2017	%
Whole salmon	8,585,877	43.3	8,061,730	43.3
Processed salmon	4,256,942	21.5	4,446,498	23.9
Whitefish	3,484,079	17.6	3,344,873	18.0
Trout	1,607,217	8.1	1,574,988	8.5
Shellfish	730,650	3.7	482,400	2.6
Pelagic	81,615	0.4	76,350	0.4
Other	1,091,258	5.5	636,676	3.4
Total operating revenue	**19,837,637**	**100.0**	**18,623,515**	**100.0**

Information on currency
Operating revenue in NOK by currency

Operating revenue	2018	%	2017	%
NOK	8,585,877	43.3	8,061,730	43.3
SEK	4,256,942	21.5	4,446,498	23.9
GBP	3,484,079	17.6	3,344,873	18.0
EUR	1,607,217	8.1	1,574,988	8.5
USD	730,650	3.7	482,400	2.6
JPY	81,615	0.4	76,350	0.4
Other currency	1,091,258	5.5	636,676	3.4
Total operating revenue	**19,837,637**	**100.0**	**18,623,515**	**100.0**

Sales in foreign currency from Group companies in Norway normally take place at an approximate transaction rate (week rates). However, contractual sales hedged with currency forward contracts are booked with the same rate as the derivate. Sales from foreign Group companies in foreign currency are in principle translated to NOK on the basis of the accumulated monthly average exchange rate in the accounting period. Significant individual transactions are translated at transaction date rate.

Information on geographic areas
Sales are allocated to the customers' home country. Assets and investments are distributed according to geographical location.

Operating revenue	2018	%	2017	%
EU	11,625,544	58.6	10,737,890	57.7
Norway	3,717,574	18.7	3,438,502	18.5
Asia	2,778,101	14.0	2,616,321	14.0
USA & Canada	880,814	4.4	990,920	5.3
Rest of Europe	645,707	3.3	610,761	3.3
Other	189,897	1.0	229,120	1.2
Total operating revenue	**19,837,637**	**100.0**	**18,623,515**	**100.0**

Assets	2018	%	2017	%
Norway *	26,527,227	93.5	23,953,778	93.4
EU	1,698,079	6.0	1,564,434	6.1
Other countries	147,428	0.5	139,900	0.5
Total assets	**28,372,734**	**100.0**	**25,658,112**	**100.0**

** Most of the trade receivables in the subsidiary Lerøy Seafood AS are from customers abroad. At year-end, this amounted to NOK 1,110,125 out of NOK 1,318,771 (NOK 983,713 out of NOK 1,193,760 previous year). Most of the trade receivables are covered by credit insurance.*

Net investments	2018	%	2017	%
Norway	1,970,154	92.1	1,263,781	85.1
EU	167,380	7.8	214,417	14.4
Other countries	1,247	0.1	6,042	0.4
Total net investments	**2,138,781**	**100.0**	**1,484,240**	**100.0**

Net investment expenses are defined as the cost price for new operating fixed assets (including intangible assets) minus the proceeds received from the sale of operating accessories.

Note 5
Business combinations and redemption of non-controlling interests

(All figures in NOK 1,000)

Business combinations in 2018

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

Aggregated consideration	Controlling interests	Non-controlling interests	100 %
Total consideration paid	144,404	0	144,404
Accrued dividend (proposed), not yet approved, in acquired entity	-12,000	0	-12,000
Total consideration, net	**132,404**	**0**	**132,404**

Aggregated priliminary acquisition analysis	Controlling interests	Non-controlling interests	100 %
Recognised equity	19,829	0	19,829
Elimination of shares in consolidated group company, owned by acquired entity	-604	0	-604
Net identified added value	825	0	825
Net identified value	**20,050**	**0**	**20,050**

Aggregated calculation of goodwill	Controlling interests	Non-controlling interests	100 %
Total consideration, net	132,404	0	132,404
Fair value of non-controlling interests	0	0	0
Total	**132,404**	**0**	**132,404**
Net identified value	20,050	0	20,050
Goodwill calculated	**112,354**	**0**	**112,354**
Elimination of goodwill against other gains from remeasurement *	-22,354	0	-22,354
Goodwill in consolidated accounts	**90,000**	**0**	**90,000**

** Remeasurement related to change from associated company to subsidiary*

Aggregated VAT analysis	Acquisition balance	Eliminations between acquired companies	Final purchase price allocation	Goodwill calculated	Elimination related to change from associated to subsidiary	Fair value on the date of acquisition
Goodwill	0	0	0	112,354	-22,354	90,000
Deferred tax asset	9,097	0	0	0	0	9,097
Fixed assets	1,698	0	0	0	0	1,698
Financial assets	4,676	-604	0	0	0	4,071
Inventory	22,455	0	1,072	0	0	23,527
Short-term receivables	41,936	0	0	0	0	41,936
Cash in bank	19,874	0	0	0	0	19,874
Total assets	**99,736**	**-604**	**1,072**	**112,354**	**-22,354**	**190,204**
Equity	19,828	-604	825	112,354	-22,354	110,050
Deferred tax	0	0	247	0	0	247
Short-term debt	79,908	0	0	0	0	79,908
Total equity and debt	**99,736**	**-604**	**1,072**	**112,354**	**-22,354**	**190,204**

Transactions with non-controlling interests in 2018

Due to a purchase option held by non-controlling interests in the subsidiary Preline Fishfarming System AS, the Group had to sell 545 shares (0.1%) of the total stock holding to the non-controlling interests for an amount of NOK 52. The sale transaction generated NOK 25 in profit, which is booked against equity. The total shareholding after the transaction is 95.9%.

Note 6
Intangible assets

(All figures in NOK 1,000)

Reconciliation carrying value, gross value and life

2017	Goodwill	Licences	Other rights	Total
As of 1 January 2017				
Acquisition cost	2,119,318	5,873,567	71,997	8,064,882
Accumulated amortisation		-9,466	-36,968	-46,434
Carrying value as of 01.01.17	**2,119,318**	**5,864,101**	**35,029**	**8,018,448**
Financial year 2017				
Carrying value as of 01.01.2017	2,119,318	5,864,101	35,029	8,018,448
Translation differences	9,855	0	165	10,020
Additions from business combinations	2,646	0	0	2,646
Acquisition of intangible assets		20,150	173	20,323
Amortisation for the year		-28,400	-3,410	-31,810
Carrying value as of 31.12.2017	**2,131,819**	**5,855,851**	**31,957**	**8,019,627**
As of 31 December 2017				
Acquisition cost	2,131,819	5,893,717	72,383	8,097,919
Accumulated amortisation		-37,866	-40,426	-78,292
Carrying value as of 31.12.2017	**2,131,819**	**5,855,851**	**31,957**	**8,019,627**
Assets with unlimited useful life	2,131,819	5,473,502	2,100	7,607,421
Assets with limited useful life		382,349	29,857	412,206
Carrying value as of 31.12.2017	**2,131,819**	**5,855,851**	**31,957**	**8,019,627**

2018	Goodwill	Licences	Other rights	Total
Financial year 2018				
Carrying value as of 01.01.2018	2,131,819	5,855,851	31,957	8,019,627
Translation differences	-3,389	0	11	-3,378
Additions from business combinations	90,000	0	0	90,000
Acquisition of intangible assets		90,921	711	91,632
Amortisation for the year		-28,400	-3,405	-31,805
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**
As of 31 December 2018				
Acquisition cost	2,218,430	5,984,638	73,113	8,276,181
Accumulated amortisation		-66,266	-43,840	-110,106
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**
Assets with unlimited useful life	2,218,430	5,570,573	2,200	7,791,203
Assets with limited useful life		347,799	27,073	374,872
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**

Specification of intangible assets per acquisition, per segment

31.12.17	Region	Acquisition year	Goodwill	Licences	Other rights	Total
Wildcatch						
Havfisk AS		2016		3,657,600 [5]		3,657,600
Lerøy Norway Seafoods AS		2017	2,646		100	2,746
Total			**2,646**	**3,657,600**	**100**	**3,660,345**
Farming						
Lerøy Midt AS group	Central	2003, 2006 [1]	956,509	644,100		1,600,609
Lerøy Vest AS	West	2007	535,001	507,718	16,621 [3]	1,059,340
Sjøtroll Havbruk AS	West	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North	2005, 2014 [2]	134,567	312,771	2,000	449,338
Norsk Oppdrettsservice AS	West	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,178,102**	**18,621**	**4,042,048**
VAP, sales and distribution		[4]	**283,848**	**0**	**13,236** [3]	**297,084**
Lerøy Seafood Group ASA		**2017**		**6,150** [6]		**6,150**
Total			**2,131,819**	**5,841,851**	**31,957**	**8,005,627**

31.12.18	Region	Acquisition year	Goodwill	Licences	Other rights	Total
Wildcatch						
Havfisk AS		2016		3,629,200 [5]		3,629,200
Lerøy Norway Seafoods AS		2017	2,646		100	2,746
Total			**2,646**	**3,629,200**	**100**	**3,631,945**
Farming						
Lerøy Midt AS	Central	2003, 2006 [1]	956,509	644,100		1,600,609
Lerøy Vest AS	West	2007	535,001	507,718	15,582 [3]	1,058,301
Sjøtroll Havbruk AS	West	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North	2005, 2014 [2]	134,567	398,891	2,000	535,458
Norsk Oppdrettsservice AS	West	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,264,222**	**17,582**	**4,127,129**
VAP, sales and distribution		[4]	**370,459**	**0**	**11,591** [3]	**382,051**
Lerøy Seafood Group ASA		**2017, 2018**		**24,951** [6]		**24,951**
Total			**2,218,430**	**5,918,372**	**29,273**	**8,166,076**

1) Consists of the Midnor acquisition from 2003 and the Hydrotech acquisition from 2006. The companies are now merged.
2) Consists of the Aurora acquisition from 2005, the Villa acquisition from 2014, in addition to paid amount for increased volume in 2017 and 2018
3) Rights with a definite useful life and are subject to amortisation.
4) The change in goodwill in 2016 comes from the currency translation differences related to foreign subsidiaries to NOK (IAS 21)
5) A certain part of the total value of licences acquired from business combination (Havfisk AS) has a definite useful life, and is subject to amortisation.
6) Consists of initial costs related to R&D licence, which is owned by Lerøy Vest AS and presumed renewed in 2018. Defenite life time of 3 years from 2018.

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

Licences

Licences in the Farming segment

The net book value of licences in the Farming segment is NOK 2 289 173 including the capitalized costs related to the renewal of the R&D licence in Lerøy Seafood Group ASA. Below is a list of the licences owned by LSG at the end of the financial year according to type, number and volume. The list is based on data registered in the Aquaculture Register.

Salmon and trout licences		Norsk Oppdrettsservice Number	Norsk Oppdrettsservice Volume (GWT)	Lerøy Vest and Sjøtroll Havbruk Number	Lerøy Vest and Sjøtroll Havbruk Volume (GWT)	Lerøy Midt Number	Lerøy Midt Volume (GWT)	Lerøy Aurora Number	Lerøy Aurora Volume (GWT)	Total Group Number	Total Group Volume (GWT)
Grow-out licences	1)			57	44,980	53	41,340	25	24,898	135	111,218
Slaughter cage licences				1	780	2	1,560	2	1,800	5	4,140
R&D licences	2)					3	2,340	1	780	4	3,120
Green farming licences				1	780					1	780
Demonstration licences				1	780	1	780	1	780	3	2,340
Teaching licences	3)			1	780	1	780	1	390	3	1,950
Parent fish licences	4)			2	1,560	2	1,560	1	780	5	3,900
Total number and volume		**0**	**0**	**63**	**49,660**	**62**	**48,360**	**31**	**29,428**	**156**	**127,448**

1) The volume increase for grow-out licences relates to purchase of extra volume (2%) for all localities in North Norway. The purchase price was NOK 72.1 million.
2) The R&D licences are time-limited with a duration of three years. The licences have zero purchase price, and therefore no depreciation.
3) The teaching licences are considered time-limited with a duration of 10 years. The licences have zero purchase price, and therefore no depreciation.
4) The parent fish licence shown for Lerøy Aurora is owned by Lerøy Midt AS but operated by Lerøy Aurora AS.

Other farming licences	Norsk Oppdrettsservice Number	Norsk Oppdrettsservice Volume (million individuals)	Lerøy Vest and Sjøtroll Havbruk Number	Lerøy Vest and Sjøtroll Havbruk Volume (million individuals)	Lerøy Midt Number	Lerøy Midt Volume (million individuals)	Lerøy Aurora Number	Lerøy Aurora Volume (million individuals)	Total Group Number	Total Group Volume (million individuals)
Settefisk			14	41.9	7	27.5	1	11.5	22	80.9
Rensefisk	2	4.0	1	2.5	2	5.0	1	2.5	6	14.0
Totalt	**2**	**4.0**	**15**	**44.4**	**9**	**32.5**	**2**	**14.0**	**28**	**94.9**

The Group has also licences to cultivate seaweed in connection with two localities for the production of salmon. The licences permit cultivation of 420 and 480 decares (approx. 105 and 120 acres) respectively. The licences have initially been awarded for a period of 10 years and will be subject to evaluation by the authorities at the end of period.

For a more detailed explanation of why farming licences are deemed to have an indefinite useful life and are therefore not subject to amortisation, please see item (X) in the note on accounting policies.

Licences in the Wildcatch segment

Licences (quotas) for wildcatch	NBV in acquired company on date of acquisition	Excess value identified in PPA, and allocated	Accumulated amortisation (01.09.16 - 31.12.18)	NBV as of 31.12.2017
Basic quotas for cod, shrimp and greater silver	339,807	2,941,594		3,281,401
Structural quotas, cod trawling	414,064		-66,265	347,799
Total	**753,871**	**2,941,594**	**-66,265**	**3,629,200**

The Wildcatch segment comprises the two sub-groups, Havfisk AS and Lerøy Norway Seafoods AS. Havfisk AS is a shipowning company, with trawlers involved in wild catches. Lerøy Norway Seafoods AS is involved in the receipt and processing of wild caught whitefish.

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

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

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2018 (2017), each vessel was permitted up to four (four) quota units, including the quota connected to the vessel. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". In 2018 (2017), one cod licence entitled the holder to fish for 1,260 (1,480) tonnes of cod, 412 (564) tonnes of haddock and 465 (388) tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2017 (2016), this is a change of -18% (-1%) for cod, -27% (-2%) for haddock and +20% (+6%) for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume..

In order to boost 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 so-called 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 2008 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 AS – and Lerøy Norway Seafoods AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act). Havfisk AS has been given an extemption 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.

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

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

Other rights
In addition to goodwill and licences, intangible assets also comprise other rights.
These rights comprise the following subcategories in each segment:

	Amortisation method	Wildcatch	Farming	VAP, sale and distribution	Total
Time indefinite	**None**				
Water rights		0	2,000		2,000
Other rights		100			100
Total		**100**	**2,000**	**0**	**2,100**
Accumulated purchase price		100	2,000	0	2,100
Limited	**Straight line depr.**				
Water rights	25 years		15,582		15,582
Contracts with customers	10 years			8,750	8,750
Other rights	3 - 5 years			2,841	2,841
Total		**0**	**15,582**	**11,591**	**27,173**
Accumulated purchase price		0	44,973	28,140	73,113
Accumulated amortisation		0	-29,391	-14,449	-43,840
Total other rights		**100**	**17,582**	**11,591**	**29,273**

Cash-generating units (CGU)
With each acquisition or purchase of assets, goodwill, licences and rights are allocated to the different cash-generating units. Each legal unit in the Group in principle comprises one cash-generating unit. Goodwill and intangible assets with an indefinite useful life are not amortised, but shall be tested for impairment at least once a year and written down if their value can no longer be justified. The management assesses the carrying value of goodwill and intangible assets with an indefinite useful life per CGU at least once a year, and more frequently if there are indications of impairment. Useful life is utilised when establishing recoverable amount.

The table below displays the distribution of goodwill and intangible assets with an indefinite useful life per CGU.

Farming
Impairment tests of goodwill and intangible assets with an indefinite useful life have been summarised below for each CGU in the segment.

In the region for North Norway, Lerøy Aurora AS Group is defined as one CGU. The Group operates as one unit. This cash-generating unit is referred to as "Lerøy Aurora".

The region of Central Norway comprises only one company, Lerøy Midt AS, defined as one CGU. This cash-generating unit is referred to as "Lerøy Midt".

The region for West Norway has three units – Lerøy Vest AS, Sjøtroll Havbruk AS and Lerøy Sjøtroll Kjærelva AS – which have been combined to one CGU subsequent to their joint operation agreement entered into in 2014. The two companies have joint management and operate in practice as one unit. This cash-generating unit is referred to as "Lerøy Sjøtroll". In addition, the cleaner fish company Norsk Oppdrettsservice AS, acquired in 2015, is defined as a separate CGU. The company has its own management.

Wildcatch
In the sub-group Havfisk AS, each vessel with its quotas is defined as one cash-generating unit. Despite this, Lerøy Seafood Group classifies the two sub-groups, Havfisk AS and Norway Seafoods Group AS, as one joint cash-generating unit. This is justified in that, primarily, quotas are transferred between vessels via the so-called "re-allocations". Secondly, the two sub-groups are mutually dependent with a view to the industrial obligation mentioned above. In addition, the supply obligation has an impact on the two units' co-dependence. On this basis, the two sub-groups are assessed as one joint cash-generating unit.

VAP, sales and distribution
In order to simplify matters and by requirement, the impairment test of goodwill is summarised for the segment in total, with the exception of the foreign subsidiary Rode Beheer BV (group), which is presented seperately due to its size.

Book value of intangible assets per CGU	Goodwill	Licences	Other rights	Total
Havfisk AS and Lerøy Norway Seafoods AS	2,646	3,629,200 [2]	100	3,631,945
Farming - region Northern Norway	134,567	398,891	2,000	535,458
Farming - region Central Norway	956,509	644,100	-	1,600,609
Farming - region Western Norway	754,250	1,221,231	15,582 [1]	1,991,063
Rode Beheer BV Group	140,627	-	-	140,627
Other VAP, sales and distribution companies	229,832	-	11,591 [1]	241,424
Lerøy Seafood Group ASA	-	24,951 [3]		24,951
Total	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**

Book value of intangible assets that are amortised	374,872
Book value of intangible assets that are not amortised but tested for impairment	7,791,203
Total	**8,166,075**

1) Rights with definite useful life and subject to amortisation.
2) Structual quotas included in this amount, has a definite economic life time, and are subjected to amortisation.
3) Capitalised costs related to development licences - in the process of beeing granted

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

Tests of possible impairment loss

The impairment test for cash-generating units is based on estimated present values of future cash flows. The present value is compared with the book value per cash-generating unit. The present value is calculated on the basis of discounted cash flows over the next five years. The analysis is based on the prognosis 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.

The impairment test did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2017. The management's calculations show that this conclusion is robust in the face of reasonable changes in conditions in the future.

The critical value for the required rate of return on total assets before tax is between 10.7% and 46%.

The cash-generating unit (CGU) Wildcatch, which was acquired in 2016, is naturally pulling down the critical value due to the fact that the assumptions that the acquisition were based upon, have not changed much in the period from the purchase date and the date for testing. The most significant premises in the test are estimated future volume of catches per species, estimated future prices per species and required rate of return.

In farming the Group has historically experienced a significant production growth per licence in Norway. But from 2012 and until today, there has been practically no growth in production at all. The model is based on an assumption of zero growth in volume, which is a very conservative projection in a long-term perspective. 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 remaining CGUs in the Farming segment have a critical value between 16% and 46%. The Farming segment requires an EBIT in the terminal element of an amount from NOK - 2.1 to NOK 2.7 per kg. This amount corresponds by a good margin with the historical figures reported. The management has also carried out tests of sensitivity related to price, cost and volume. With the implemented WACC and best estimate for the terminal element, the tests show that this value is also robust in the face of changes in these parameters.

For the VAP and Sales & Distribution segments, the book values are almost totally justified by the estimated profit/loss for the next five years – in other words, the book values for this segment are not critically reliant on the conditions related to the terminal element.

Key premises and sensitivity estimates

Key premises	2018	2017
Discount rate (WACC) before tax	7.6 %	7.5 %
Discount rate (WACC) after tax	6.0 %	5.8 %
Nominal rate of growth	3.0 %	3.0 %
Projected inflation	2.0 %	2.0 %
Projected real growth	1.0 %	1.0 %

The book value tested below is the share of the carrying value that is not subject to amortisation.

Sensitivity analysis per CGU	Book value tested	Critical value in the terminal element (with WACC implemented)		Critical WACC	Implemented WACC
Havfisk AS and Lerøy Norway Seafoods AS	3,284,147	7.0 %	6)	10.7 %	7.6 %
Farming - region Northern Norway	535,458	-2.10	4)	46.0 %	7.6 %
Farming - region Central Norway	1,600,609	-0.20	4)	29.0 %	7.6 %
Farming - region Western Norway	1,975,481	2.70	4)	16.0 %	7.6 %
Total	**4,111,547**	**0.50**	**4)**	**26.0 %**	**7.6 %**
Lerøy Seafood Group ASA	24,951	2.70	4),5)	16.0 %	7.6 %
Rode Beheer BV Group	140,627	1.7 %	6)	16.0 %	7.6 %
Other VAP, sales and distribution companies	229,832	-0.2 %	6)	42.0 %	7.6 %
Total	**370,459**	**-0.2 %**	**6)**	**36.0 %**	**7.6 %**
Total	**7,791,104**				**7.6 %**

4) The terminal value for farming is estimated on the basis of EBIT/kg.
5) Development licences in process of beeing granted will be operated by Lerøy Vest. Thus the same parameters as for region Western Norway have been applied.
6) The terminal values for Wildcatch and VAP, sales and distribution have been estimated on the basis of profit margin.

Note 7
Fixed assets

(All figures in NOK 1,000)

2017	Projects in progress	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
1 January 2017						
Acquisition cost		141,491	1,407,305	1,029,343	4,659,543	7,237,682
Accumulated depreciation		0	-377,562	-25,731	-2,586,027	-2,989,320
Accumulated impairment loss		0	-15,754	0	-23,500	-39,254
Carrying value 01.01.17		**141,491**	**1,013,989**	**1,003,612**	**2,050,016**	**4,209,108**
Financial year 2017						
Carrying value 01.01.17		141,491	1,013,989	1,003,612	2,050,016	4,209,108
Foreign currency translation differences		1,930	12,618	0	6,478	21,026
Operating assets acquired		50,878	832,080	58,979	620,950	1,562,887
Operating assets acquired via business combinations		0	0	0	1,576	1,576
Disposal		-491	-29,048	0	-65,331	-94,870
Depreciation for the year		0	-69,212	-75,000	-407,244	-551,456
Carrying value 31.12.17		**193,808**	**1,760,427**	**987,591**	**2,206,445**	**5,148,271**
31 December 2017						
Acquisition cost		193,808	2,219,809	1,088,322	5,167,542	8,669,482
Accumulated depreciation		0	-443,565	-100,731	-2,937,597	-3,481,893
Accumulated impairment loss		0	-15,818	0	-23,500	-39,318
Carrying value 31.12.17		**193,808**	**1,760,426**	**987,591**	**2,206,445**	**5,148,271**
Interests capitalised		0	0	0	0	0

2018	Projects in progress	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
Accounting year 2018						
Carrying value 01.01.18		193,808	1,760,426	987,591	2,206,445	5,148,271
Foreign currency translation differences		30	-2,525	0	-2,152	-4,647
Operating assets acquired	653,564	24,803	108,772	422,388	973,748	2,183,275
Operating assets acquired via business combinations		0	630	0	1,068	1,698
Disposal		0	-29,078	-55,036	-9,669	-93,784
Depreciation for the year		0	-79,660	-84,553	-463,651	-627,864
Carrying value 31.12.18	**653,564**	**218,641**	**1,758,565**	**1,270,389**	**2,705,789**	**6,606,948**
31 December 2018						
Acquisition cost	653,564	218,641	2,207,916	1,398,027	5,889,939	10,368,087
Accumulated depreciation		0	-433,560	-127,638	-3,163,489	-3,724,687
Accumulated impairment loss		0	-15,791	0	-20,661	-36,452
Carrying value 31.12.18	**653,564**	**218,641**	**1,758,565**	**1,270,389**	**2,705,789**	**6,606,948**
Interests capitalised	8,900	0	0	0	4,818	13,718

Information on estimated useful life for fixed assets is provided in paragraph (H) in the note on accounting policies.
Information on leasing is provided in note on leasing.
Information on mortgages for fixed assets is provided in note on loans, mortgages and guarantees.

Projects in progress	
Work in progress, where property is transferred to the Group based on progress	
Smolt facilities	467,040
White fish facilities	62,121
Other smaller projects	12,660
Total	**541,821**
Work in progress, where property is transferred to the Group on time of completion	
Prepayment for new trawler under contruction	83,620
Prepayment for new feed fleet under construction	28,123
Total	**111,743**
Carrying value 31.12.18	**653,564**

Note 8
Shares in associates and other investments

(All figures in NOK 1,000)

Shares in associates

Classification of associates

The associated companies in the group are listed in the table below, and each company is allocated to operating segment. Changes during the year are also included. Net book value is recognised according to the equity method.

Associates	Owner (in LSG group)	Operating segment	Country	Place of business	Ownership/ voting share 01.01	Ownership/ voting share 31.12	Net book value 31.12
Associates considered as material							
Norskott Havbruk AS - group	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	761,339
Seistar Holding AS - group	Lerøy Seafood Group ASA	Farming	Norway	Austevoll	50 %	50 %	108,309
Seafood Danmark A/S - group	Lerøy Seafood Group ASA	VAPSD *	Denmark	Hirtshals	33 %	33 %	112,395
Total material associates							**982,042**
Other associates							
Lerøy Sommarøy AS	Lerøy Seafood Group ASA	Wildcatch	Norway	Tromsø	50 %	0 %	0
Nesset Kystfiske AS	Sørvær Kystfiskeinvest AS	Wildcatch	Norway	Hasvik	34 %	34 %	859
Holmen Fiske AS	Sørvær Kystfiskeinvest AS	Wildcatch	Norway	Hasvik	34 %	34 %	8,595
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Hasvik	39 %	39 %	221
Båtsfjord Bedriftshelsetjeneste AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Båtsfjord	28 %	28 %	70
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Båtsfjord	34 %	34 %	230
Fryserienes Fôromsetning SA	Lerøy Norway Seafoods AS	Wildcatch	Norway	Tromsø	23 %	23 %	237
Itub AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Ålesund	22 %	22 %	4,011
Finnmark Kystfiske AS	Havfisk AS	Wildcatch	Norway	Hammerfest	48 %	48 %	1,695
Vestvågøy Kystrederi AS	Havfisk AS	Wildcatch	Norway	Vestvågøy	50 %	50 %	2,679
Ocean Forest	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	123
Kirkenes Processing AS	Lerøy Aurora AS	Farming	Norway	Kirkenes	50 %	50 %	3,459
Romsdal Processing AS	Lerøy Aurora AS	Farming	Norway	Midsund	50 %	50 %	3,719
Norway Salmon AS	Lerøy Midt AS	Farming	Norway	Rørvik	50 %	50 %	226
Dragøy Grossist AS	Lerøy Nord AS	VAPSD *	Norway	Tromsø	0 %	34 %	3,500
Silvervåg AS	Sirevaag AS	VAPSD *	Norway	Karmøy	0 %	49 %	980
Vågen Fiskeriselskap AS	Sirevaag AS	VAPSD *	Norway	Hå	0 %	50 %	2,495
The Seafood Innovation Cl. AS	Lerøy Seafood Group ASA	VAPSD *	Norway	Bergen	20 %	20 %	416
Total other associates							**33,514**
Grand total							**1,015,556**

** VAPSD is short for VAP, sales & distribution (VAP = Value Added Processing)*

Carrying value on associates and income from associates

2018	Seafood Danmark A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
Acquisition year	2017	2015	2001		
Reconciliation of changes in book value in 2018					
Opening balance 01.01	93,230	95,324	746,934	25,100	960,587
Companies acquired				7,105	7,105
Companies sold *				13,658	13,658
Share of this year's profit	17,941	15,985	264,993	-12,345	286,573
Dividend distributed		-3,000	-242,200		-245,200
Currency translation differences **	1,224		-2,864		-1,639
Other changes over equity			-5,525	-3	-5,528
Closing balance as of 31.12	**112,395**	**108,309**	**761,339**	**33,514**	**1,015,556**
Acquisition cost	77,170	61,500	163,273		
Income from associates including and before fair value adjustments related to biological assets					
Share of this year's profit	17,941	15,985	264,993	-12,345	286,573
Gain from disposal of associate	0	0	0	0	0
Income from associates, including fair value adjustments	**17,941**	**15,985**	**264,993**	**-12,345**	**286,573**
Fair value adjustments (after tax) from associates			2,958		2,958
Income from associates, before fair value adjustments	**17,941**	**15,985**	**267,952**	**-12,345**	**289,532**

** Due to the Group`s acquisition of the remaining 50% of the shares in Lerøy Sommarøy AS, this company has changed its status from an associate to a subsidiary. As a result from the facts that the equity in this company was negative and Lerøy Seafood Group ASA had granted for the company`s bank loan, the net book value was negative on the time of disposal (change from associate to subsidiary), in line with the equity method (thus a positive amount on the disposal in the table above). See note on business combinations for further details.*
*** Currency translation differences relate to translation for the sub-group Scottish Seafarms, owned by Norskott Havbruk AS, where functional and reporting currency is GBP*

Note 8
Associates and other investments cont.

(All figures in NOK 1,000)

Other information on associates considered material to the Group

Information on subsidiaries of associates

Company	Owner (associate)	Operating segment	Country	Ownership / voting share 01.01	Ownership / voting share 31.12
Scottish Seafarms Ltd	Norskott Havbruk AS	Farming	Scotland	100 %	100 %
Ettrick Trout Ltd	Scottish Seafarms Ltd	Farming	Scotland	100 %	100 %
Orkney Sea Farms Ltd	Terregles Salmon Company Ltd	Farming	Scotland	100 %	100 %
Brødrene Schlie`s Fiskeeksport A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Scanfish A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Thorfisk A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Lerøy Schlie A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Tip Top Fiskeindustri A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Nigra Fiskeoppdrett A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Wannebo International A/S	Seafood Danmark A/S	VAPSD	Denmark	50 %	50 %
Mowi Star AS	Seistar Holding AS	Farming	Norway	100 %	100 %
Seivåg Shipping AS	Seistar Holding AS	Farming	Norway	100 %	100 %
Seigrunn AS	Seistar Holding AS	Farming	Norway	100 %	100 %

Financial information (100%)

The accounting figures for associates, as shown below, are prepared in accordance with IFRS

Companies	Seafood Danmark A/S		Seistar Holding AS		Norskott Havbruk AS	
Consolidated figures	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	1,738,814	1,920,189	146,774	142,692	2,057,006	2,088,007
Pre-tax profit	63,902	65,434	31,505	23,284	639,938	670,275
Annual profit	**48,664**	**38,726**	**30,500**	**22,586**	**522,614**	**541,320**
Comprehensive income	0	0	0	0	-11,050	-5,544
Fixed assets	379,392	329,956	427,805	425,874	1,330,163	983,398
Current assets	379,687	360,623	92,433	82,156	1,303,476	1,360,089
Total assets	**759,079**	**690,579**	**520,239**	**508,030**	**2,633,639**	**2,343,487**
Long-term debt	85,367	117,110	271,763	294,549	774,567	557,360
Short-term debt	336,493	293,750	31,858	22,834	336,395	292,255
Total debt	**421,860**	**410,860**	**303,621**	**317,382**	**1,110,962**	**849,615**
Net interest-bearing debt	203,943	173,214	195,549	222,631	508,378	180,906
Equity	**337,219**	**279,719**	**216,618**	**190,648**	**1,522,677**	**1,493,872**

Information on biological assets in associates

Norskott Havbruk AS (group) has farming operations in Scotland, and therefore has biological assets on the balance sheet. The key figures for inventory of fishin the sea for Norskott Havbruk AS group are as follows:

Information on fish in sea and harvested volume in the period, in tonnes	2018		2017	
Ownership	**100 %**	**50 %**	**100 %**	**50 %**
Total fish in sea (LWT)	15,373	7,687	16,303	8,152
Total harvest volume in the period (GWT)	27,464	13,732	30,996	15,498

Fair value adjustment related to biological assets in the statement of financial position	2018		2017	
Ownership	**100 %**	**50 %**	**100 %**	**50 %**
Fair value adjustment as of 01.01	187,226	93,613	178,237	89,119
Fair value adjustment through the income statement	-9,985	-4,993	8,989	4,495
Fair value adjustment as of 31.12	177,241	88,621	187,226	93,613
Cost price of biological assets 31.12	700,200	350,100	625,308	312,654
Carrying value of biological assets 31.12	**877,441**	**438,720**	**812,534**	**406,267**

Fair value adjustment related to biological assets in the income statement	2018		2017	
Ownership	**100 %**	**50 %**	**100 %**	**50 %**
Profit and loss impact before tax	-9,985	-4,993	8,989	4,495
Tax cost before effect of change in tax rate	2,297	1,148	-2,157	-1,079
Effect of change in tax rate (change in deferred tax in the balance sheet)	1,772	886	1,872	936
Net fair value adjustment, after tax *	**-5,916**	**-2,958**	**8,704**	**4,352**

** In alternative performance measures (APM), such as pre-tax profit before fair value adjustments related to biological assets, the APM will be adjusted by this amount.*

Tax rate applied during the accounting period (for calculation of tax cost)	23 %	23 %	24 %	24 %
Tax rate applied for future periods (for calculation of deferred tax)	22 %	22 %	23 %	23 %

Other investments

Other shares as of 31.12.2018	Ownership / voting share	Cost price	Fair value 31.12	Carrying value
Various minor shareholdings	Insignificant	7,247	7,247	7,247
Total		**7,247**	**7,247**	**7,247**

Considering the immaterial value of the assets, historic cost has been applied as the best estimate for fair value.

Note 9
Biological assets

(All figures in NOK 1,000)

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, which has a limited value compared with the total stock, 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 at the same time. 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 (I) on 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 Fishpool.

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

Carrying amount of biological assets	**2018**	**2017**
Fish in sea at historical cost *	3,746,634	3,466,270
Roe, fry, smolt and cleaner fish at cost *	270,233	244,227
Total biological assets before fair value adjustment	4,016,867	3,710,497
Fair value adjustment of biological assets	1,547,580	747,598
Total biological assets 31.12	**5,564,447**	**4,458,095**
Fish in sea at fair value	5,294,214	4,213,868
Roe, fry, smolt and cleaner fish at fair value	270,233	244,227
Total biological assets 31.12	**5,564,447**	**4,458,095**
** Historical cost minus expensed mortality*		
Total loss-making contracts 31.12	**-51,974**	**-5,455**
Total Fish Pool contracts 31.12	**-15,633**	**-16,988**

Recognised fair value adjustment related to biological assets	**2018**	**2017**
Change in fair value adjustment of biological assets (fish in sea)	799,983	-1,953,500
Change in fair value of onerous contracts	-46,519	278,926
Change in fair value of Fish Pool contracts	1,474	-41,735
Fair value adjustments related to biological assets	**754,938**	**-1,716,309**

Reconciliation of carrying amount of biological assets	**Roe, fry, smolt and cleaner fish ***	**Fish in sea (salmon and trout) ***	**Fair value adjustment**	**Total biological assets**
Biological assets 01.01.2017	**283,234**	**3,433,980**	**2,701,098**	**6,418,313**
Changes in 2017				
Increase from biological transformation (released and net growth)	684,329	5,667,328		6,351,657
Reduction due to sale and internal use (smolt and cleaner fish)	-723,335	0		-723,335
Reduction due to harvest (salmon and trout)	0	-5,348,683		-5,348,683
Reduction due to incident-based mortality	0	-286,353		-286,353
Reduction due to accidental release	-2	-1		-3
Net change in fair value (fish in sea)	0	0	-1,953,500	-1,953,500
Biological assets 31.12.2017	**244,226**	**3,466,270**	**747,598**	**4,458,095**
Changes in 2018				
Increase from biological transformation (released and net growth)	516,265	5,851,263		6,367,528
Reduction due to sale and internal use (smolt and cleaner fish)	-490,257			-490,257
Reduction due to harvest (salmon and trout)		-5,433,680		-5,433,680
Reduction due to incident-based mortality	0	-137,211		-137,211
Reduction due to accidental release	0	-10		-10
Net change in fair value (fish in sea)	0	0	799,983	799,983
Biological assets 31.12.2018	**270,234**	**3,746,633**	**1,547,580**	**5,564,447**

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

Reconciliation of volume (LWT) for stock of fish in sea	**2018**	**2017**
	LWT	**LWT**
Live weight of fish in sea at 01.01 (tonnes)	**112.489**	**108.413**
Changes through the year		
Increase from biological transformation (released and net growth)	195.163	199.795
Reduction due to harvesting	-193.188	-187.581
Reduction due to incident-based mortality	-4.359	-8.137
Reduction due to accidental release	0	0
Live weight of fish in sea at 31.12 (tonnes)	**110.105**	**112.489**

The table below shows how the total volume for fish in the sea, live weight measured in tonnes, is distributed by weight:

Groups of biological assets (LWT)	**2018**	**2017**
Distribution by live weight	**LWT**	**LWT**
Fish in sea, 0-1 kg	14,164	11,526
Fish in sea, 1-2 kg	13,538	13,581
Fish in sea, 2-3 kg	36,970	12,934
Fish in sea, 3-4 kg	23,133	45,596
Fish in sea, 4-4.8 kg	15,728	14,456
Fish in sea, more than 4.8 kg	6,572	14,396
Fish in sea, total salmon and trout	**110,105**	**112,489**

Note 9
Biological assets cont.

(All figures in NOK 1,000)

Table cont.

Groups of biological assets (LWT)	2018	2017
Distribution according to type of fish	**LWT**	**LWT**
Fish ready for harvest (fish with live weight > 4.8 kg)	**6,572**	**14,396**
- Salmon	5,147	13,129
- Trout	1,425	1,267
Fish not ready for harvest (fish with live weight < 4.8 kg)	**103,533**	**98,093**
- Salmon	87,646	83,321
- Trout	15,887	14,772
Total volume:	**110,105**	**112,489**
- Salmon	92,793	96,450
- Trout	17,312	16,039
Number of individuals		
Number of individuals, all groups (in 1,000)	56,941	53,531

Parameters applied for calculation of fair value

Price parameters

2017 - Estimated future price during expected harvesting period	Forward price *	Exporter fee	Clearing cost	Net forward price
Q1 2018	52.92	-0.75	-0.185	51.99
Q2 2018	52.12	-0.75	-0.185	51.19
Q3 2018	52.12	-0.75	-0.185	51.19
Q4 2018	54.07	-0.75	-0.185	53.14
Q1 2019	56.87	-0.75	-0.185	55.94
Q2 2019	54.87	-0.75	-0.185	53.94

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 29 December 2017.*

2018 - Estimated future price during expected harvesting period	Forward price *	Exporter fee	Clearing cost	Net forward price
Q1 2019	64.02	-0.75	-0.185	63.08
Q2 2019	65.00	-0.75	-0.185	64.07
Q3 2019	59.52	-0.75	-0.185	58.58
Q4 2019	61.48	-0.75	-0.185	60.55
Q1 2020	62.90	-0.75	-0.185	61.97
Q2 2020	62.90	-0.75	-0.185	61.97

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 31 December 2018.*

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

Deductions are also made for well boat services, slaughtering and packaging (primary processing), and transport to Oslo from the locality being measured.

Based on the above parameters, an estimated net price is calculated for each locality, and is then included in the cash flow calculation in relation to the assessment of fair value. In connection with the sensitivity analysis conducted in the note on significant accounting estimates and assessments, an estimated average net price is applied to all sizes. This is calculated by dividing the total estimated net sales revenue per locality by the total estimated volume (measured as slaughter weight), based on projected weight on the the date of harvest.

	2018	2017
Estimated average net price, all sizes (kr/kg), after primary processing and freight costs	**56.07**	**48.51**
Other parameters		
Projected mortality in relation to number of individuals per month in North Norway	0.50 %	0.50 %
Projected mortality in relation to number of individuals per month in other regions	1.00 %	1.00 %
Projected slaughter weight (live weight)	4.8 kg	4.8 kg
Discount rate (monthly)	6 %	6 %

Description of significant cost items originating from an incident, disease or other factor related to biological assets

Accidental release in 2018

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

Incident-based mortality

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

Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2018 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. There positive trend in the number of sea lice treatments and related mortality, have continued in 2018.

Note 10
Other inventories

(All figures in NOK 1,000)

Other inventories consist of	2018	2017
Feed, packaging materials, auxiliary and other raw materials	372,530	337,048
Finished goods / goods for sale	948,090	661,644
Write-down of inventories re obsolescence	-5,328	-7,506
Total other inventories	**1,315,292**	**991,186**

Note 11
Receivables

(All figures in NOK 1,000)

Non-current receivables	2018	2017
Loan to associates	38,479	22,597
Prepayments	4,067	72,607
Deposits (mainly Norges Råfisklag)	6,096	12,827
Loans to fishermen	5,163	7,163
Loans to employees	3,375	2,641
Positive value on interest swap	5,849	0
Other receivables and periodisations	4,747	5,001
Total	**67,776**	**122,836**

Trade receivables	2018	2017
Nominal value	2,181,376	2,013,695
Provision for bad debts	-28,962	-41,258
Total trade receivables	**2,152,414**	**1,972,438**

The Group normally invoices the agreed transaction price upon delivery of the goods. Payment is typically due within 30 - 60 days. The Group arranges for third parties to distribute the goods to the customers and carries the incurred distribution costs itself. The customers cover these costs through the agreed transaction price

All but an insignificant part of the Group's trade receivables are covered by credit insurance or other forms of surety. The loss deductible on credit insured trade receivables is 10%.

By the end of February 2018, 96.6% of trade receivables (nominal value) had been collected, compared with 95.5% in the previous year. This represents 97.9% of book value, compared with 97.5% in the previous year.

Trade receivables 31.12 - aging	2018	2017
Not due	1,719,667	1,567,352
Due, 0 to 3 months	386,644	408,496
Due, 3 to 6 months	49,791	13,348
Due, more than 6 months	25,274	24,499
Total	**2,181,376**	**2,013,695**

Trade receivables 31.12 - provision	2018	2017
Not due	16,354	18,162
Due, 0 to 3 months	7,591	4,052
Due, 3 to 6 months	2,490	2,217
Due, more than 6 months	2,527	16,826
Total	**28,962**	**41,258**

Note 11
Receivables cont.

(All figures in NOK 1,000)

Trade receivables 31.12 - no provision	2018	2017
Not due	1,703,313	1,549,190
Due, 0 to 3 months	379,053	404,444
Due, 3 to 6 months	47,302	11,131
Due, more than 6 months	22,746	7,673
Total	**2,152,414**	**1,972,438**

Bad debt, including change in provision, amounted to NOK -5,295 in 2018 (cost reduction), compared with NOK 15,732 in 2017.

Trade receivables by currency	2018	2017
NOK	768,267	746,165
SEK	178,798	175,831
GBP	85,325	63,124
EUR	878,069	742,861
USD	207,947	154,988
JPY	27,565	29,974
Other currencies	6,443	59,495
Total trade receivables	**2,152,414**	**1,972,438**

The Group has international operations and is exposed to currency risk in several currencies. Receivables are recognised at market rate on balance sheet date. Forward contracts are utilised to the greatest extent possible to eliminate currency risk related to outstanding trade receivables. See the note on financial instruments.

Other current receivables	2018	2017
VAT to be refunded	240,855	228,920
Pre-payments	44,566	96,975
Derivatives used for hedging (ref note 12)	73,100	15,400
Other	67,990	95,295
Total other receivables	**426,511**	**436,590**

Note 12
Financial instruments

(All figures in NOK 1,000)

The fair value of interest rate swaps (gross liability) is carried under the accounting item for "other liabilities" under long-term debt, unless the agreement acquired has a duration of less than one year. In such an event, the value is entered under "other short-term debt". The effective share of the change in value of the interest rate swap is recorded through other comprehensive income (cash flow hedging).

The gross liability carried is a taxable temporary difference. The change in deferred tax caused by the change in gross carrying amount is also recorded through other comprehensive income, and is therefore not included in the tax cost for the year in the income statement.

At year-end, the Group had the following interest rate swaps
Agreement from 2011: *NOK 500,000, Start date when agreement was signed, Duration 10 years, Terminates 16.11.2021, Interest rate 3.55%, LSG ASA*
Agreement from 2012: *NOK 500,000, Start date when agreement was signed, Duration 10 years, Terminates 16.01.2022, Interest rate 3.29%, LSG ASA*
Agreement from 2016: *NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.01%, Havfisk AS*
Agreement from 2016: *NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.02%, Havfisk AS*

The periodic interest payments related to the hedging instrument (interest rate swaps) are calculated as the difference between fixed and floating interest rate multiplied with the nominal value of the agreement. The fixed rate, expectations about the future floating rate, and the remaining life time to expiery, are the most important parameters in the calculation of the fair value.

The periodic interest payments related to the hedged item (the long term loans) are calculated as the floating rate plus margin multiplied with the nominal value of the loan.

	2018	2017
Nominal value on interest rate swap agreements		
Nominal amount 01.01	2,218,835	2,298,835
Agreements expired during the period	-571,835	-50,000
New agreemets during the period	0	0
Change in nominal value on existing agreements	0	-30,000
Nominal amount 31.12	**1,647,000**	**2,218,835**
Book value 01.01.		
Fair value of interest rate swaps at 01.01	-90,411	-117,635
Deferred tax asset related to interest rate swaps	20,795	28,232
Net value after tax 01.01	**-69,617**	**-89,403**
Tax rate applied	23 %	24 %
Change through other comprehensive income (FVOCI)		
Change in fair value of interest rate swaps	40,800	27,750
Change in related deferred tax	-9,384	-6,660
Net change in fair value through other comprehensive income (cash flow hedgning)	**31,416**	**21,090**
Tax rate applied	23 %	24 %
Changes through profit or loss (FVPL)		
Change in fair value of interest rate swaps from estimation deviation on expired agreement	0	-526
Change in related deferred tax	0	126
Change in deferred tax related to 1% reduction in tax rate (change in estimate)	-496	-904
Net change in fair value through profit or loss	**-496**	**-1,304**

Note 12
Financial instruments cont.

(All figures in NOK 1,000)

Table cont.

	2018	2017
Book value 31.12		
Fair value of interest rate swaps at 31.12	-49,611	-90,411
Deferred tax asset related to interest rate swaps	10,915	20,795
Net value after tax 31.12	**-38,697**	**-69,617**
Tax rate applied	22 %	23 %
Interest charged related to interest rate swaps	34,558	39,728

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

At 31.12.2018 Lerøy Seafood Group has currency forward contracts with a net negative fair value of NOK 79.5 million. The currency forward contracts is classified as other short-term debt at 31.12.18. NOK 73.1 million 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 gain in 2018 is NOK 65.3 million, which is recognized in cost of materials in the income statement, as it relates to the inventory cycle.

Financial purchase and sales contracts for salmon (fish pool contracts)

At 31.12.2018 Lerøy Seafood Group has open financial purchase contracts for salmon (Fish Pool contracts) with a total negative fair value of NOK 15.6 million. At the end of 2017 the Group had open contracts with a negative fair value of NOK 17.0 million.

The contracts expire within one year. Unrealised gains and losses on the Fish Pool contracts, which also represent market value, are settled daily by means of crediting/debiting the settlement account. The Group's bank accounts with locked-in deposits and daily clearing ensure the contractual parties receive full settlement of the contract. Since the settlements are provisional, the fair value of Fish Pool contracts is classified as other current receivables if positive and as other current liabilities if negative. At the same time, provisional settlements credited to the settlement account are classified as other current liabilities with respect to the settlement centre. If the fair value is negative, the provisional settlement debited from the bank account is classified as other current receivables with respect to the settlement centre.

The change in value of the purchase contracts is recognised on the accounting line for fair value adjustment related to biological assets. The change in value (increase) recognised in 2018 is NOK 1.5 million. The corresponding figure in 2017 was a decrease of NOK 41.7 million. The effect is charged to cost of goods when realised.

Bunker derivatives

At the end of 2018 Lerøy Seafood Group has open financial purchase contracts for bunkers (bunker derivatives) with a negative fair value of 7.75 million. At the end of 2017 the group had contracts with a total positive fair value of NOK 5.0 million.

The majority of the contracts expire within one year. The fair value of the bunker derivatives (gross asset) is carried under the item for "other short-term receivables" when positive and other short-term debt when negative. The effective share of the change in value of the derivatives is recorded through other comprehensive income (cash flow hedging). The gross liability carried is a taxable temporary difference. The change in deferred tax caused by the change in gross carrying amount is also recorded through other comprehensive income, and is therefore not included in the tax cost for the year in the income statement.

Financial instruments by category

The following principles have been used for the subsequent measurement of financial instruments in the balance sheet.

As of 31.12.2017	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Assets				
Other investments		5,534		5,534
Trade receivables and other receivables *	2,083,133			2,083,133
Cash and cash equivalents	3,514,096			3,514,096
Total	**5,597,229**	**5,534**	**0**	**5,602,763**
Liabilities				
Long-term liabilities (interest rate swaps)			90,411	90,411
Loans (excl. finance leases)	4,769,692			4,769,692
Finance leases	804,021			804,021
Overdraft facility	202,550			202,550
Trade payables and other debt **	1,889,468	10,342		1,899,810
Total	**7,665,731**	**10,342**	**90,411**	**7,766,484**

As of 31.12.2018	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Assets:				
Other investments		7,247		7,247
Trade receivables and other receivables *	2,282,543		5,849	2,288,392
Cash and cash equivalents	3,036,154			3,036,154
Total	**5,318,697**	**7,247**	**5,849**	**5,331,793**
Liabilities				
Long-term liabilities (interest rate swaps)			55,460	55,460
Loans (excl. finance leases)	4,200,680			4,200,680
Finance leases	940,718			940,718
Overdraft facility	441,168			441,168
Trade payables and other debt **	2,153,672	79,500	7,750	2,240,922
Total	**7,736,238**	**79,500**	**63,210**	**7,878,948**

** Trade receivables and other receivables excl. advance payments and public duties receivable*
*** Trade payables and other debt, excl. statutory liabilities*

Financial instruments included in other term liabilities

Other long-term liabilities in the statement of financial positions consists of	2018	2017
Interest rate swaps	55,460	90,411
Other long term liabilities	7,383	5,791
Total	**62,843**	**96,202**

Note 12
Financial instruments cont.

(All figures in NOK 1,000)

Change in value of financial instruments trough other comprehensive income

Specification of change in value of financial instruments that is booked through other comprehensive income (OCI)

Change in fair value through other comprehensive income	2018	2017
Interes swap agreements	31,416	21,090
Bunker derivates	-9,863	-752
Currency forward contracts	0	0
Total	**21,553**	**20,338**

Financial instruments at fair value by level

The table below shows financial instruments at 31.12 at fair value (before tax) according to valuation method. The different levels are defined as follows:

Level 1: Listed price on an active market for an identical asset or liability

Level 2: Valuation based on observable factors other than listed price (used in level 1), either direct (price) or indirect (derived from prices) for the asset or liability

Level 3: Valuation based on factors that are not sourced from observable markets (non-observable premises)

As of 31.12.2018 – Assets	Level 1	Level 2	Level 3
Financial instruments used for hedging			
– Currency forward contracts (fair value hedging) - fair value through profit or loss		0	
– Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		0	
– Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		5,849	
Other financial instruments			
– Other shares - fair value through profit or loss			7,247
Total	**0**	**5,849**	**7,247**

As of 31.12.2018 – Liabilities	Level 1	Level 2	Level 3
Financial instruments used for hedging			
– Currency forward contracts (fair value hedging) - fair value through profit or loss		79,500	
– Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		7,750	
– Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		55,460	
Total	**0**	**142,710**	**0**

Note 13
Loans, mortgages and guarantees

(All figures in NOK 1,000)

Interest-bearing debt	2018	2017
Long-term interest-bearing debt		
Debt to credit institutions, etc.	4,197,457	4,767,453
Leasing liabilities	940,718	804,021
Other long-term debt	3,223	2,239
Total long-term interest-bearing debt including next year`s instalments	**5,141,398**	**5,573,713**
Next year's instalments on long-term debt	-590,700	-627,459
Total long-term interest-bearing debt 31.12	**4,550,698**	**4,946,254**
Short-term interest-bearing debt		
Next year's instalments on debt to credit institutions	403,472	477,629
Next year's instalments on leasing liabilities	185,748	149,574
Next year's instalments on other long-term debt	1,479	257
Next year's instalments on long-term liabilities	**590,700**	**627,459**
Debt to credit institutions (overdraft and multi-currency credit)	441,168	202,550
Factoring debt	0	0
Total short-term interest-bearing debt 31.12	**1,031,868**	**830,009**
Total interest-bearing debt 31.12	**5,582,566**	**5,776,263**
Interest-bearing debt specified by currency		
NOK	5,103,783	5,212,638
SEK	156,754	99,468
EUR	296,175	453,328
Other currencies	25,855	10,829
Total	**5,582,566**	**5,776,263**

Net interest-bearing debt (NIBD)	2018	2017
Long-term interest-bearing debt	4,550,698	4,946,254
Short-term interest-bearing debt	1,031,868	830,009
Bank deposits	-3,036,154	-3,514,096
Net interest-bearing debt 31.12	**2,546,412**	**2,262,167**

	Assets		Short term debt		Long term debt			
Reconciliation of changes in NIBD	**Bank deposits**	**Loans to fishermen**	**Overdraft**	**Factoring**	**Loans from credit institutions**	**Leasing liabilities**	**Other debt**	**Total**
NIBD as of 01.01.2017	**2,233,700**	**33,534**	**-530,368**	**-65,355**	**-4,486,760**	**-609,679**	**-8,559**	**-3,433,487**
Change in bank deposits	1,280,396							1,280,396
Cash flows - in					-700,859		6,788	-694,071
Cash flows - out			327,818	65,355	449,897	144,737	251	988,058
New leasing liabilities						-337,856		-337,856
Currency translation differences					-7,329	-1,223	-719	-9,271
Business combinations					-1,142			-1,142
Other non-cash movements		-33,534			-21,259			-54,793
NIBD as of 31.12.2017	**3,514,096**	**0**	**-202,550**	**0**	**-4,767,452**	**-804,021**	**-2,239**	**-2,262,166**

Note 13
Loans, mortgages and guarantees

(All figures in NOK 1,000)

Table cont.

	Assets		Short term debt		Long term debt			
Reconciliation of changes in NIBD	**Bank deposits**	**Loans to fishermen**	**Overdraft**	**Factoring**	**Loans from credit institutions**	**Leasing liabilities**	**Other debt**	**Total**
Change in bank deposits	-477,942		0					-477,942
Cash flows - in			-238,925		-764,227			-1,003,152
Cash flows - out			0		1,334,414	180,364	258	1,515,036
New leasing liabilities			0			-317,475	0	-317,475
Currency translation differences			0		1,155	415	-21	1,549
Business combinations			307				-1,220	-913
Other non-cash movements			0		-1,347	-1	-1	-1,349
NIBD as of 31.12.2018	**3,036,154**	**0**	**-441,168**	**0**	**-4,197,457**	**-940,718**	**-3,223**	**-2,546,412**

Loans secured by mortgages	**2018**	**2017**
Long-term debt to credit institutions, etc.	4,197,457	4,767,453
Short-term debt to credit institutions (multi-currency credit)	441,168	202,550
Other long-term interest-bearing debt	3,223	2,239
Leasing liabilities	940,718	804,021
Total liabilities secured by mortgages 31.12	**5,582,566**	**5,776,263**

Mortgaged assets	**2018**	**2017**
Trade and other receivables	624,318	674,295
Shares in associates (Norskott Havbruk AS)	761,339	746,935
Biological assets and other goods	6,610,445	5,203,755
Buildings and other fixed assets	5,810,399	4,610,553
Licences *	644,100	644,100
Total	**14,450,601**	**11,879,638**

** Mortgaged licences concern licences owned by Lerøy Midt AS*

Payment profile financial liabilities	**2019**	**2020**	**2021**	**2022**	**2023**	**Later**	**Total**
Instalment profile long-term debt							
Instalments on debt to credit institutions	403,472	408,901	1,539,214	437,082	369,024	1,039,764	4,197,457
Instalments on leasing debt	185,749	164,870	129,757	110,629	194,759	154,954	940,718
Instalments on other long-term interest-bearing debt	1,479	267	275	283	292	627	3,223
Total	**590,700**	**574,038**	**1,669,246**	**547,994**	**564,075**	**1,195,345**	**5,141,398**
Interest payment profile long-term debt							
Interest on debt to credit institutions	138,369	126,336	97,534	63,651	41,638	49,306	516,835
Interest on leasing debt	20,343	16,136	12,602	9,718	6,054	10,444	75,297
Total	**158,712**	**142,472**	**110,136**	**73,369**	**47,693**	**59,750**	**592,132**

Table cont.

Payment profile financial liabilities	**2019**	**2020**	**2021**	**2022**	**2023**	**Later**	**Total**
Other short-term financial liabilities							
Overdraft	441,168						441,168
Accrued interests	14,117						14,117
Total	**455,285**	**0**	**0**	**0**	**0**	**0**	**455,285**
Grand total	**1,204,697**	**716,510**	**1,779,382**	**621,363**	**611,768**	**1,255,095**	**6,188,815**

Instalments for next year are classified as short-term debt in the balance sheet (short-term credits).

The Group's financial liabilities are classified according to payment profile. Classification is based on contractually agreed date of maturity. The financial liability from the interest rate swap defined as cash flow hedge is included in the estimated interest costs on the hedged item. All amounts in the table are undiscounted cash flows.

Interest risk related to existing interest-bearing debt	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Later**
Interest-bearing debt 01.01	5,582,566	4,550,698	3,976,660	2,307,414	1,759,420	1,195,345	507,040
Instalments	-1,031,868	-574,038	-1,669,246	-547,994	-564,075	-688,305	-507,040
Interest-bearing debt 31.12	**4,550,698**	**3,976,660**	**2,307,414**	**1,759,420**	**1,195,345**	**507,040**	**0**
Interest-bearing debt secured with fixed interest							
NOK 500 mill, until 16.01.2022	500,000	500,000	500,000	0	0	0	0
NOK 500 mill, until 16.11.2021	500,000	500,000	0	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	323,500	0	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	323,500	0	0	0	0	0
Secured interest-bearing debt	**1,647,000**	**1,647,000**	**500,000**	**0**	**0**	**0**	**0**
Unsecured interest-bearing debt	**2,903,698**	**2,329,660**	**1,807,414**	**1,759,420**	**1,195,345**	**507,040**	**0**
Total interest-bearing debt (NIBD)	**4,550,698**	**3,976,660**	**2,307,414**	**1,759,420**	**1,195,345**	**507,040**	**0**
Portion of NIBD exposed to interest rate changes	64 %	59 %	78 %	100 %	100 %	100 %	100 %

Fair value, borrowing costs etc.

The book value of long-term debt approximates fair value. The book value of long-term debt includes interest rate swaps (reported on the line for "other long-term liabilities), see note on financial instruments. There are no significant new loan charges that are not amortised over the life of the loan.

An increase (reduction) in the interest level of 1% would have caused an increase (reduction) in interest costs of NOK 31 990 for 2019. Average interest-bearing debt according to the payment profile above has been used as the base for this calculation. NOK 1.65 billion of total interest-bearing debt will not be impacted by a potential change in the interest level due to the interest rate swaps.

Covenants

The Group's main borrowing conditions ("covenants") are to maintain an equity ratio of at least 30% and to ensure that net interest-bearing debt over EBITDA does not exceed 5.0. When calculating the equity ratio, the balance sheet value is adjusted for bank deposits and deferred tax associated with licences. There are also some capital adequacy requirements in some of the subsidiaries that are all 30% or lower. Finally, there are requirements regarding a so-called "borrowing base" in Lerøy Midt AS, Lerøy Vest AS and Sjøtroll Havbruk AS for the short-term overdraft facilities. More specifically, this means that the utilisation of the facility must not exceed a certain level of one or more accounting lines. In this case the relevant accounting lines are inventory, trade receivables and other receivables.

None of the Group companies has entered into a position where they have become in breach of their covenants in 2018.

Note 14
Lease liabilities

(All figures in NOK 1,000)

Financial leases	2018	2017
Book value of leasing debt (present value)	940,718	804,021
Book value of leased assets:	908,160	819,366
- Buildings	15,376	15,882
- Production equipment and other operating assets	892,784	803,484
Minimum rent, financial leases		
0-1 year	206,091	162,128
1-5 years	644,525	467,097
5 years -	165,396	236,050
Total	**1,016,012**	**865,275**
Interest costs, financial leases		
0-1 year	20,343	12,022
1-5 years	44,510	31,359
5 years -	10,444	17,872
Total	**75,297**	**61,254**
Instalments, financial leases		
0-1 year	185,748	150,105
1-5 years	600,015	435,738
5 years -	154,952	218,179
Total	**940,715**	**804,020**

Operating leases	2018	2017
Minimum rent, operating leases		
0-1 year	279,698	50,569
1-5 years	911,048	117,322
5 years -	570,772	48,004
Total	**1,761,518**	**215,896**
Net present value of future minimum rent		
0-1 year	224,226	46,692
1-5 years	769,155	108,585
5 years -	469,108	45,718
Total	**1,462,489**	**200,996**

The Group has reviewed all its contracts in order to identify lease components, due to the coming implementation of IFRS 16 (see note 26). Based on the contract review several contracts, which have not earlier been considered as operational leases, have now been included. These contracts concern rental of well boats on time charter, where the net present value of the future minimim rent summarises to aproximately NOK 500,000. In addition the group has moved its head office to another new rented building, with a new lease agreement, running from December 2018.

Note 15
Pensions

(All figures in NOK 1,000)

All 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.

Some of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The current AFP scheme which came into effect on 1 January 2011, is to be considered as a defined benefit multi-enterprise scheme but is recognised 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.

Moreover, certain Group companies have defined benefit schemes, and other companies have unsecured schemes which are financed by operations. In line with IAS 19 Employee Benefits, all estimate differences are reported through comprehensive income as they occur (no corridor). When it comes to the demographic assumptions and attrition, the actuarial assumptions are based on common standard components from insurance.

The defined benefit schemes are considered to be immaterial regarding further disclosure in the notes. Information on the pension cost for the year is also provided in the note on payroll costs.

Defined benefit scheme	2018	2017
Present value of future pension liabilities	28,478	26,428
Fair value of pension funds	-24,922	-23,315
Net pension liabilities	**3,556**	**3,113**

Change in capitalised liabilities	2018	2017
Carrying value as of 01.01	3,113	5,219
Costs booked during the year	410	403
Estimate differences recognised through comprehensive income (before tax)	1,148	-1,694
Pension payments and payments of pension premiums	-1,115	-815
Change in liability from business combination	0	0
Carrying value at 31.12. defined benefit scheme	**3,556**	**3,113**

Total pension cost through profit or loss	2018	2017
Net pension cost, defined contribution scheme	88,560	76,702
Net pension cost, defined benefit scheme	410	403
Total	**88,970**	**77,105**

Total pension cost through comprehensive income	2018	2017
Net pension cost (before tax) from benefit plans - comprehensive income	1,148	-1,694
Total pension cost through comprehensive income	**1,148**	**-1,694**

Note 16
Taxation

(All figures in NOK 1,000)

Tax cost	2018	2017
Tax payable	703,796	836,520
Change in deferred tax	147,206	-492,536
Total tax cost	**851,002**	**343,984**

Expensed tax payable is higher than the Group's carried tax payable at 31 December. This is principally due to the fact that parts of the year's tax payable in foreign companies has been paid in advance at 31 December.

Tax on the Group's pre-tax profit deviates from what it would have been if the Group's weighted average tax rate had been applied. The difference is determined as follows:

	2018	2017
Pre-tax profit/loss	4,448,961	2,093,467
Tax based on tax rates in the various countries	1,018,367	508,522
Effect on deferred tax of changed tax rate	-105,637	-99,562
Tax effect of change in US positions not booked on accounts	0	-5,364
23% / 24% of net permanent differences etc.	2,576	6,678
23% / 24% of recycled translation differences	0	117
23% / 24% of gain related to withdrawal from associate etc.	0	-1,952
23% / 24% of share of profit/loss from associate	-65,912	-70,684
23% / 24% of other differences	1,608	6,230
Tax cost	**851,002**	**343,984**
Effective tax rate	19.1 %	16.4 %

Change in book value of deferred tax	2018	2017
Capitalised value 01.01	2,285,098	2,771,212
Business combination	-9,097	0
Tax effect through total profit/loss (equity)	6,438	6,422
Recognised change	147,206	-492,536
Net capitalised value 31.12	**2,429,645**	**2,285,098**
Capitalised deferred tax asset *	-14,312	-28,852
Capitalised deferred tax	2,443,957	2,313,950

** Negative temporary differences that cannot be eliminated against positive temporary differences. Deferred tax asset is presented as a negative amount.*

Deferred tax liabilities (+)	Licences, rights and goodwill	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2017	1,263,235	497	1,538,539	0	0	2,802,271
Recognised in the period	-85,148	82,035	-520,297	0	35,089	-488,321
31.12.17	**1,178,087**	**82,532**	**1,018,242**	**0**	**35,089**	**2,313,950**
Recognised in the period	-66,727	27,487	197,725	0	-14,575	143,910
Deferred tax on records through other comprehensive income	0	0	0	0	6,438	6,438
31.12.18	**1,111,360**	**110,019**	**1,215,967**	**0**	**26,952**	**2,464,298**

Utsatt skatt på eiendeler (–)	Loss carryfor-ward	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2017	-1,073	-15,216	0	-4,936	-9,834	-31,059
Recognised in the period	-17,454	14092	0	-2,873	2,020	-4,215
Deferred tax on records through other comprehensive income	0	0	0	0	6,422	6,422
31.12.17	**-18,527**	**-1,124**	**0**	**-7,809**	**-1,392**	**-28,852**
Business combination	-8,077	-1,020	0	0	0	-9,097
Recognised in the period	9,346	-5,240	0	2,235	-3,045	3,296
31.12.18	**-17,258**	**-7,384**	**0**	**-5,574**	**-4,437**	**-34,653**

Deferred tax	31.12.18	31.12.17
Deferred tax on positive temporary differences 31.12.	2,464,298	2,313,950
Deferred tax on negative temporary differences 31.12.	-34,653	-28,852
Net	**2,429,645**	**2,285,098**
Short-term tax positions	1,210,393	1,010,433
Long-term tax positions	1,219,252	1,274,665
Total	**2,429,645**	**2,285,098**

Note 17
Other short-term debt

(All figures in NOK 1,000)

Other short-term debt	2018	2017
Accrued wages and holiday pay	296,118	258,926
Other accruals	201,037	192,733
Accrued customer discounts	51,315	63,237
Prepayments from customers	32,249	30,878
Accrued interest costs	14,117	19,338
Loss-making contracts (related to fair value adjustment of biological assets)	51,974	5,455
Impacts of cash flow hedging from bunker derivates	7,750	0
Impacts of fair value hedging from currency forward contracts	79,500	10,342
Unrealised loss from fishpool contracts	15,633	16,988
Other short-term debt	5,110	24,601
Total other short-term debt	**754,803**	**622,498**

Note 18
Earnings per share

(All figures in NOK 1 000, wiht exception of earnings per share)

Earnings per share	2018	2017
This year's earnings to LSG shareholders (NOK 1,000)	**3,437,042**	**1,749,494**
Number of issued shares as of 31.12 (in 1,000)	595,774	595,774
Number of treasury shares as of 31.12 (in 1,000)	-298	-298
Number of outstanding shares as of 31.12 (in 1,000)	**595,476**	**595,476**
Average number of outstanding shares (in 1,000)	595,476	595,476
Average number of outstanding shares with dilution (in 1,000)	595,476	595,476
Earnings per share	**5.77**	**2.94**
Diluted earnings per share	5.77	2.94

Earnings per share since the date of listing

	After fair value adjustment			Before fair value adjustment *		
Year	Share of profit for the year to LSG shareholders	Earnings per share	Recommended dividend relative to profit	Share of profit for the year to LSG shareholders *	Earnings per share *	Recommended dividend relative to profit *
2018	**3,437,042**	**5.77**	**35 %**	**2,918,324**	**4.90**	**41 %**
2017	1,749,494	2.94	51 %	2,919,657	4.90	31 %
2016	3,224,143	5.65	24 %	2,192,909	3.84	35 %
2015	1,179,718	2.16	56 %	1,057,767	1.94	62 %
2014	1,055,916	1.93	62 %	1,312,258	2.40	50 %
2013	1,733,352	3.18	31 %	1,152,700	2.11	47 %
2012	480,797	0.88	79 %	278,958	0.51	137 %
2011	382,705	0.70	100 %	825,625	1.51	46 %
2010	1,419,507	2.62	38 %	1,193,765	2.21	46 %
2009	729,488	1.36	51 %	685,940	1.28	55 %
2008	124,730	0.23	120 %	151,416	0.28	99 %
2007	277,014	0.57	35 %	279,611	0.58	34 %
2006	651,516	1.59	33 %	575,141	1.40	37 %
2005	319,312	0.87	22 %	248,443	0.67	29 %
2004	83,402	0.24	36 %	82,216	0.24	37 %
2003	30,518	0.12	68 %	30,518	0.12	68 %
2002	25,650	0.11	69 %	25,650	0.11	69 %
Total	**16,904,303**	**30.92**	**41 %**	**15,930,898**	**29.01**	**44 %**

** The amounts are adjusted with the fair value adjustment related to biological assets. The adjustment is after tax. Included in the adjustment is also the Groups' share of such adjustments from associates (after tax). Earnings per share before fair value adjustment is an Alternative Performance Measure.*

Note 19
Dividend per share

(All figures in NOK 1 000, with exception of dividend per share)

Distributed dividend in current financial year

Distributed dividend in 2018, based on 2017 profit, was NOK 1.50 per share. This amounts to NOK 893,661.

Recommended dividend

Based on the 2018 profit, a corresponding dividend of NOK 2.00 per share is recommended for distribution in 2019. This amounts to NOK 1,191,547. A final decision will be made by the general meeting on 23 May 2019.

Dividend per aksje since the date of listing

	Dividend recommended			Dividend distributed		
Year	**Number of issued shares 31.12 (in 1,000)**	**Recommended dividend per share**	**Recommended dividend**	**Number of shares as basis for distribution (in 1,000)**	**Dividend distributed per share**	**Dividend distributed**
2018	**595,774**	**2.00**	**1,191,547**	**595,774**	**1.50**	**893,661**
2017	595,774	1.50	893,661	595,774	1.30	774,506
2016	595,774	1.30	774,506	545,774	1.20	654,928
2015	545,774	1.20	654,928	545,774	1.20	654,928
2014	545,774	1.20	654,928	545,774	1.00	545,774
2013	545,774	1.00	545,774	545,774	0.70	382,042
2012	545,774	0.70	382,042	545,774	0.70	382,042
2011	545,774	0.70	382,042	545,774	1.00	545,774
2010	545,774	1.00	545,774	535,774	0.70	375,042
2009	535,774	0.70	375,042	535,774	0.28	150,017
2008	535,774	0.28	150,017	535,774	0.18	96,439
2007	535,774	0.18	96,439	535,774	0.40	214,309
2006	427,774	0.50	214,309	427,770	0.18	76,999
2005	393,774	0.18	70,879	378,848	0.08	30,308
2004	344,408	0.09	30,308	344,408	0.06	20,665
2003	344,408	0.06	20,664	294,408	0.06	17,664
2002	294,408	0.06	17,664	194,408	0.06	11,664
Total		**12.65**	**7,000,524**		**10.60**	**5,826,760**
Accumulated dividend distributed, plus dividend recommended for distribution in 2019					**12.60**	**7,018,308**

Note 20
Share capital and shareholder information

The share capital consists of	**Total number of shares**	**Nominal value per share**	**Book value**
Share capital 01.01.2018	595,773,680	0.10	59,577,368
Share capital 31.12.2018	**595,773,680**	**0.10**	**59,577,368**

Lerøy Seafood Group ASA had 7,027 shareholders at 31.12.18. The corresponding number at year end 2017 was 5,297. All shares confer the same rights in the company. End of 2018 it was 719 foreign shareholders. The correspondig number at year end 2017 was 611. End of 2018 foreign shareholders owned 169,047,767 shares in total, representing 28.37% of the total capital. Corresponding numbers at year end 2017 was 167,798,385 shares, representing 28.16% of the total capital.

	2018		2017	
Overview of the 20 largest shareholders at 31.12	**No. of shares**	**Ownership**	**No. of shares**	**Ownership**
AUSTEVOLL SEAFOOD ASA	313,942,810	52.69 %	313,942,810	52.69 %
FOLKETRYGDFONDET	31,628,586	5.31 %	29,411,286	4.94 %
STATE STREET BANK AND TRUST COMP (OM80)	9,544,858	1.60 %	13,582,499	2.28 %
JPMORGAN CHASE BANK, N.A., LONDON	7,000,000	1.17 %	8,877,585	1.49 %
CLEARSTREAM BANKING S.A.	5,830,940	0.98 %	7,388,608	1.24 %
PARETO AKSJE NORGE VERDIPAPIRFOND	5,698,909	0.96 %	5,886,998	0.99 %
STATE STREET BANK AND TRUST COMP (OMNIBUS F, REF:OM06)	5,251,545	0.88 %	4,748,656	0.80 %
HANDELSBANK NORDISKA SMABOLAGSFOND	5,214,000	0.88 %		
STATE STREET BANK AND TRUST COMP (OM01)	4,652,154	0.78 %		
INVESCO FUNDS	4,388,395	0.74 %		
DANSKE INVEST NORSKE INSTIT. II.	4,136,795	0.69 %	5,949,077	1.00 %
JPMORGAN CHASE BABK, N.A., LONDON	3,913,727	0.66 %	3,339,030	0.56 %
STOREBRAND NORGE I VERDIPAPIRFOND	3,906,986	0.66 %		
EUROCLEAR BANK S.A./N.V.	3,891,964	0.65 %		
State Street Bank and Trust Comp (OMNI E, FUND OM06)	3,806,513	0.64 %		
J.P. MORGAN BANK LUXENBURG S.A.	3,556,288	0.60 %	3,150,940	0.53 %
KLP AKSJENORGE	3,441,349	0.58 %		
CACEIS Bank	3,299,045	0.55 %	3,132,951	0.53 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	3,148,276	0.53 %	3,434,840	0.58 %
POCTET & CIE (EUROPE) S.A.	3,023,008	0.51 %	4,314,846	0.72 %
STATE STREET BANK AND TRUST COMP (West non-treaty account)			4,289,176	0.72 %
BNP PARIBAS SECURITIES SERVICES			4,142,901	0.70 %
SKANDINAVISKA ENSKILDA BANKEN AB			3,949,193	0.66 %
FERD AS			3,915,000	0.66 %
SOCIÉTÉ GÉNÉRALE			3,207,546	0.54 %
DANSKE INVEST NORSKE AKSJER INST			3,206,690	0.54 %
STATE STREET BANK AND TRUST COMP (clients FDOY59)			5,146,038	0.86 %
Total 20 largest shareholders	**429,276,148**	**72.05 %**	**435,016,670**	**73.02 %**
Others	166,497,532	27.95 %	160,757,010	26.98 %
Total share capital	**595,773,680**	**100.00 %**	**595,773,680**	**100.00 %**

Chairman of the Board Helge Singelstad and Board members Britt Kathrine Drivenes, Arne Møgster and Karoline Møgster have indirect ownership in Lerøy Seafood Group ASA through the parent company Austevoll Seafood ASA. Arne Møgster and Karoline Møgster own their shares through the ultimate parent company Laco AS.

Board member (employees' representative) Hans Petter Vestre owns 1 200 shares in Lerøy Seafood Group ASA at year end, which is the same number as the previous year.

Note 21
Payroll costs, number of employees, remuneration, loans to staff, etc.

(All figures in NOK 1,000)

Payroll costs	2018	2017
Salary	2,163,834	1,972,415
Employer's national insurance contribution	195,885	177,802
Hired personnel	128,318	116,771
Pension costs	91,701	77,105
Other remuneration	17,768	36,597
Other personnel expenses	71,324	57,570
Total	**2,668,829**	**2,438,259**

Number of full-time equivalents	2018	2017
Men	2,964	2,880
Women	1,625	1,418
Total	**4,589**	**4,298**
Percentage of women	35.4 %	3,0 %

	CEO		CFO		EVP Farming		EVP Wildcatch *	
Remuneration of senior executives	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Salary	3,017	3,000	2,464	2,343	2,410	2,375	2,264	367
Bonus including extraordinary bonus	3,000	2,100	1,786	1,339	1,700	1,600	800	0
Premium recognised for defined contribution scheme	160	158	162	158	158	156	97	7
Other remuneration	16	33	12	10	110	100	20	152

** The position Executive Vice President Wildcatch (EVP Wildcatch) was established 01.11.2017, and is a part of corporate management. The amounts in the table above includes remuneration for November and December only, in the new position, including a sign-on bonus of NOK 150 in other remuneration.*

No remuneration with mandatory reporting is paid to the Chairman of the Board. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees from the Group's ultimate parent company, Laco AS, where the Chairman of the Board is an employee. See also note 24. Remuneration of other board members totalled NOK 1 200 in 2018 (equally distributed), the same as in 2017. The number of Board members is also the same as it was in 2017.

Remuneration of the nomination committee is unchanged compared to the previous year, and amounts to NOK 105 in 2018. As for the members of the Board, the remuneration is equally distributed.

Remuneration of the audit committee is unchanged compared to the previous year, and amounts to NOK 80 in 2018. The remuneration is equally distributed.

A description of the main principles for the company`s salary policy is included in the Board of Directors' statement regarding salary and other remuneration of executive personnel.

Mandates granted to the Board of Directors
Mandates are granted to the Board of Directors in accordance with the Public Limited Companies Act (Norway), cf. in particular chapters 9 and 10 of the Act.

The first time the Board was authorised to acquire the company's own shares was at the ordinary general meeting on 12 May 2000. This mandate has been replaced with a new mandate at the ordinary general meeting on 23 May 2018. The mandate remains valid for 18 months from the date on which the resolution was adopted. The Board has authority to acquire up to 50 million shares, each with a face value of NOK 0.1. The lowest price to be paid is NOK 1 per share, and the highest price per share is NOK 100. The mandate has not been exercised in 2018. Renewal of the mandate will be recommended to the general meeting on 23 May 2019.

The Board has authority to increase the share capital by up to NOK 5,000,000 by issuing up to 50,000,000 shares in Lerøy Seafood Group ASA, each with a nominal value of NOK 0.1, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the ordinary general meeting of 4 May 1999 and subsequently renewed by the ordinary general meeting on 23 May 2018, and is to remain valid for 24 months from the date on which the resolution was adopted. The mandate was not exercised in 2018. It will be recommended that an equivalent mandate be approved by the ordinary general meeting on 23 May 2019.

The Board's powers to distribute shares has a maximum validity exceeding a year, and are not limited to only certain expressed purposes as recommended in the NUES. This is mainly for operational reasons, but also in order to clearly show that the company is growth oriented and that shares are regarded as an important means of payment. This practice is established to ensure an optimum strategic business development for the company. However the Board has established the practice of having the mandates renewed at each ordinary general meeting.

Loans to employees
No loans have been granted to the CEO, Chairman of the Board or other related parties. No single loan or guarantee has been granted for more than 5% of the company's equity.

Auditor
The Group auditor is PricewaterhouseCoopers AS. Fees invoiced from the Group auditor also include the law firm PricewaterhouseCoopers AS and other PricewaterhouseCoopers companies abroad. The auditing fee for the Group's auditor specified below is the agreed fee for the audit of the present year. Other fees concern services received during 2018, and have been as follows:

Fees to auditor	2018	2017
Auditing fees Group auditor	7,076	6,221
Auditing fees other auditors	1,437	2,670
Other certification services Group auditor	177	104
Other certification services other auditors	0	81
Tax advice Group auditor	1,926	767
Tax advice other auditors	47	607
Other services Group auditor	2,902	2,290
Other services other auditors	383	1,062
Total	**13,948**	**13,802**

Fees for tax advice in 2018 are mainly related to support in the process of updating the transfer pricing documentation for the group, and to some extent also technical support related to annual tax filing. Other services is mainly related to assistance in the process of moving the headquarter to another physical building, in December 2018.

Note 22
Items that are combined in the financial statements

(All figures in NOK 1,000)

Change in inventories	Biological assets (NBV)	Fair value adjustment on biological assets	Biological assets before fair value adjustment	Other inventory (NBV)	Total (before fair value adjustment)
2017					
Biological assets and other inventory 01.01	6,418,313	-2,701,099	**3,717,214**	721,803	**4,439,017**
Biological assets and other inventory 31.12	4,458,095	-747,598	**3,710,497**	991,186	**4,701,683**
Change	-1,960,218	1,953,500	**-6,718**	269,383	**262,665**
Change in inventories	-6,718		**-6,718**	269,383	**262,665**
Change in fair value adjustment of biological assets	-1,953,500	1,953,500	**0**	0	**0**
Total change, net	-1,960,218	1,953,500	**-6,718**	269,383	**262,665**
2018					
Biological assets and other inventory 01.01	4,458,095	-747,598	**3,710,497**	991,186	**4,701,683**
Biological assets and other inventory 31.12	5,564,447	-1,547,580	**4,016,867**	1,315,292	**5,332,159**
Change	1,106,352	-799,982	**306,371**	324,106	**630,477**
Change in inventories	306,371		**306,371**	324,106	**630,477**
Change in fair value adjustment of biological assets	799,982	-799,982	**0**	0	**0**
Total change, net	1,106,352	-799,982	**306,371**	324,106	**630,477**

Financial revenue	2018	2017
Other interest revenue	26,229	24,105
Currency gain *	4,836	0
Other financial revenue	6,148	4,173
Total financial revenue	**37,213**	**28,278**

Financial costs	2018	2017
Other interest costs	203,557	191,605
Capitalised interests	-13,718	0
Currency loss *	0	23,790
Other financial costs	8,461	22,506
Total financial costs	**198,300**	**237,901**
Net financial items	**-161,087**	**-209,623**

** Currency gains and losses related to purchases and sales are presented as a part of the accounting line for cost of materials. Net currency gain in 2018 is NOK 65.3 million. In 2017, net gain was NOK 41.7 million.*

Note 23
Currency translation differences

(All figures in NOK 1,000)

Assets and liabilities in foreign enterprises are converted to Norwegian krone according to the exchange rate on balance sheet date. Revenues and expenses from foreign enterprises are converted to Norwegian krone according to the average exchange rate. Translation differences are charged to comprehensive income.

In the event of a disposal of a foreign enterprise, the relevant accumulated translation differences allocated to the parent company's owners are reversed over the income statement.

The disposal of a foreign enterprise may take the form either of a whole or partial sale of a subsidiary, joint venture or associate. When selling shares in a subsidiary without losing control, the relative share of the translation difference is transferred to non-controlling interests in the equity statement. For other sale of shares without the loss of joint control or significant influence, the relative share of the accumulated translation difference is reversed over profit or loss.

	LSG shareholders	Non-controlling interests	Total
Accumulated currency translation differences as of 01.01.17	**23,318**	**0**	**23,318**
Currency translation differences 2017	74,086	0	74,086
Redemption of foreign non-controlling interests	0	0	0
Accumulated currency translation differences as of 31.12.17	**97,404**	**0**	**97,404**
Accumulated currency translation differences as of 01.01.18	**97,404**	**0**	**97,404**
Currency translation differences 2018	-13,633	0	-13,633
Redemption of foreign non-controlling interests	0	0	0
Accumulated currency translation differences as of 31.12.18	**83,771**	**0**	**83,771**

Note 24
Related parties

(All figures in NOK 1,000)

2017	Ownership	Sales	Purchases	Receivables	Debt
Transactions with parent company and its related parties:					
Laco AS	"Ultimate parent"	0	5,527	0	0
Fitjar Mekaniske Verksted AS	Laco AS (100%)	0	19,450	0	1,270
Pelagia AS	Laco AS (50%)	0	821	0	0
Austevoll Seafood ASA	Laco AS (55.55%)	0	0	0	0
Hordafor AS	Pelagia AS (50%)	55,154	26,684	5,290	666
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)	1,676	117,252	195	10,121
Brødrene Birkeland Farming AS	Austevoll Seafood ASA (51.69 %)	0	0	0	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland Farming AS (100%)	864	276,269	2	9,374
Hardingsmolt AS	Kobbevik og Furuholmen Oppdrett AS (50 %)	0	0	0	0
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries:					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50%)	51	0	0	0
Scottish Seafarms	Norskott Havbruk AS (100%)	0	294,474	0	27,999
Seistar Holding AS corporation	Lerøy Seafood Group ASA (50%)	0	87,895	0	5,874
Seafood Danmark A/S broup	Lerøy Seafood Group ASA (33.33%)	88,483	0	14,690	0
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50%)	0	24,134	4,014	-137
Ocean Forest AS	Lerøy Seafood Group ASA (50%)	66	4,500	37	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20%)	0	724	0	0
Norway Salmon AS	Lerøy Midt AS (20%)	0	0	2,000	0
Romsdal Processing AS	Lerøy Aurora AS (50%)	15	46,532	1,530	10,051
Kirkenes Processing AS	Lerøy Aurora AS (50%)	300	20,969	7,474	929
Nesset Kystfiske AS	Sørvær Kystfiskeinvest AS (34%)	0	0	0	0
Holmen Fiske AS	Sørvær Kystfiskeinvest AS (34%)	0	0	1,700	0
Itub AS	Norway Seafoods Group AS (22.3%)	0	4,821	0	246
Finnmark Kystfiske AS	Havfisk AS (48%)	0	0	11,483	0
NCIs in subsidiaries		0	0	2,330	0
Total transactions and intercompany accounts with all identified related parties		**146,609**	**930,052**	**50,745**	**66,393**

NCI means "non controlling interests"
Dividend received from Norskott Havbruk AS in 2017 was NOK 161,015.
Dividend received from Seistar Holding AS in 2017 was NOK 3,000.

2018	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties:					
Laco AS	"Ultimate parent"	0	5,531	0	0
Fitjar Mekaniske Verksted AS	Laco AS (100%)	8	20,189	0	552
Pelagia AS	Laco AS (50%)	0	344	0	0
Austevoll Seafood ASA	Laco AS (55.55%)	0	0	0	0
Hordafor AS	Pelagia AS (50%)	61,137	25,315	13,246	2,425
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)	1,768	129,317	138	13,276
Brødrene Birkeland Farming AS	Austevoll Seafood ASA (51.9%)	0	0	0	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland Farming AS (100%)	6,011	61,691	0	2,005
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries:					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50%)	171	0	166	0
Scottish Seafarms	Norskott Havbruk AS (100%)	0	273,534	0	25,003
Seistar Holding AS corporation	Lerøy Seafood Group ASA (50%)	0	91,263	0	2,562
Seafood Danmark A/S broup	Lerøy Seafood Group ASA (33.33%)	68,543	1,160	3,120	0
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50%)	0	24,134	0	0
Ocean Forest AS	Lerøy Seafood Group ASA (50%)	541	4,500	73	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20%)	0	785	0	0
Norway Salmon AS	Lerøy Midt AS (20%)	0	0	2,000	0
Romsdal Processing AS	Lerøy Aurora AS (50%)	0	42,998	1,733	7,580
Kirkenes Processing AS	Lerøy Aurora AS (50%)	245	20,426	10,266	864
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS (44.7%)	0	0	1,317	
Holmen Fiske AS	Sørvær Kystfiskeinvest AS (34%)	0	0	1,300	0
Vågen Fiskeriselskap AS	Sirevaag AS (49.9 %)	0	0	2,000	
Itub AS	Norway Seafoods Group AS (22.3%)	0	10,300	0	183
Fryserienes Fôromsetning SA	Lerøy Norway Seafoods AS (23.5%)	0	0	133	
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS (33.5%)	0	0	20	
Dragøy Grossist AS	Lerøy Nord AS (34%)	0	0	141	8
Finnmark Kystfiske AS	Havfisk AS (48%)	0	0	8,500	0
NCIs in subsidiaries		0	0	20,485	0
Total transactions and intercompany accounts with all identified related parties		**138,424**	**711,487**	**64,638**	**54,458**

NCI means "non controlling interests"
Dividend received from Norskott Havbruk AS in 2018 was NOK 242,200.
Dividend received from Seistar Holding AS in 2018 was NOK 3,000.

Note 25
Events after balance sheet date

Fire at Lerøy Seafood Group`s smolt facility in Laksefjord in Finnmark
On the 27th of January, a fire broke out at Lerøy Seafood Group`s smolt facility in Laksefjord in Finnmark, resulting in a tragic event. An employee of a firm which was performing maintenance work died. Lerøy Seafood Group assists the police and other public bodies in conducting an enquiry into what has happened. The facility was insured, and the process with rebuilding the facility is assumed to be completed in second quarter. As a consequence of the fire, 2.6 million salmon smolt between 50 and 60 grams, which were planned for release in April 2019, was lost. The group has initiated a plan for replacement of the smolt and expects the total number to be replaced. However, the time for release to the sea is likely to be a little bit delayed. This incident had no effect on status as of 31.12.2018, and the values in the statement of financial positions for 2018.

The Board is not aware of any other material events in the period from the balance sheet date and until publishing of the financial statements in April 2016, or other events that should be addressed according to IAS 10.

Note 26
New IFRS standards

The Group has implemented the following new IFRS standards with effect from 1 January 2018:

– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers

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

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. IFRS 9 was adopted retrospectively without restating comparative information. Any reclassifications and adjustments arising from the new standard are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.The new accounting policies, however, did not result in any reclassification or change in measurement for existing financial assets. The new accounting policies are set out in note 1 (Accounting Policies). Furthermore, additional disclosures have been added to note 12 (Financial Instruments) due to the requirements of IFRS 9.

IFRS 9' expected credit loss model impacts the Group's trade receivables for sales of inventory. The Group was required to revise its impairment methodology under IFRS 9 for the trade receivables. The Group applies IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. This resulted in no adjustments to the loss allowance.

The company seeks to hedge against currency fluctuations and changes in interest rate by means of derivatives, respectively currency forward contracts, interest rate swaps, and bunker derivatives.
Cash flow hedge accounting was in 2017 applied to the derivatives that qualified for such according according to IAS 39. The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges. No additional derivatives that qualifiy for cash flow hedge accounting have been identified in 2018. The accounting for financial instruments that qualifiy as cash flow hedges is further described in note 1 (Accounting Policies).

IFRS 15 Revenue from Contracts with Customers
The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. IFRS 15 replaces IAS 11 which covers Construction Contracts and IAS 18 which covers contracts for goods and services.

The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. Thus, the notion of control replaces the existing notion of risks and rewards. Control is generally passed when delivered to the customer according to agreed upon Incoterms / contractual terms, and this is the point in time in which the revenue is recognised. Volume discounts are deducted from operating revenue for each sale based on the agreed conctractual terms and are presented as current provisions.

The adoption of IFRS 15 Financial Instruments from 1 January 2018 resulted in changes in the Group's accounting policies. IFRS 15 was adopted retrospectively without restating comparative information. Any reclassifications and adjustments arising from the new standard are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. The new accounting policies, however, did not result in any adjustments to the amounts recognised in the financial statements. The new standard requires some additional information in the disclosures about the Groups revenue streams for 2018, which is given in the notes accordingly.

The Group has the following three main segments: (1) Wild catch, (2) Farming, (3) Value-added processing (VAP), sales and distribution. The Group's revenue streams mainly flow from the following activities:
- production of atlantic salmon and trout for consumption
- wild catching of whitefish (cod, haddock, pollock etc.) for consumption
- value-added processing (VAP) and sale of the above mentioned fish species

Note 26
New IFRS standards cont.

The Group has evalutated the impact of IFRS 15 on the financial statements. The basis for evaluation is a five-step process which must be applied before revenue can be recognised:

1. Identify contracts with customers
All the Group's sales and deliveries are executed in accordance with contracts with customers.

2. Identify the separate performance obligations
IFRS 15 requires identification of the separate performance obligations in the contract. A good or service can be considered as a separate performance obligation if the customer can benefit from the good or service on its own or together with other readily available resources and is separately identifiable from the other elements of the contract. For the vast majority (and most material) of the Group's contracts with customers there are no separable performance obligations. In some cases, the performance obligation of a contract might be fulfilled at various points in time due to for example partial deliveries. In the Groups opinion, this does not change the recognition of revenue compared to previous accounting practices.

3. Determine the transaction price of the contract
The transaction price is described in the contracts, and is in most cases a funcion of delivered quantity and agreed price (for example price per kilo). The transaction price does also reflect direct costs related to the sale, as distribution and fees. In some cases there are other variable elements outlined in the contracts, for example discounts or returns. When control is transferred the customer, discounts will in most cases already be known and they entail a limited degree of estimation as such. Product returns can happen in the case of quality deviation. The Group makes provisions for returns based on historical numbers and specific information regarding the respective deliveries. The Group delivers, to a large degree, fresh food and returns will therefore usually be processed shortly after the customer has received the goods. It is therefore the assessment of the Group that the new standard does not provide any material changes concerning the accounting of variable contract elements.

4. Allocate the transaction price to each of the separate performance obligations, and
The allocation of the transaction price to the various performance obligations is not considered relevant in the Group's case as described under (2).

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

IFRS 16 Leases
IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. The Group has decided not to implement the standard before 1 January 2019.

IFRS 16 entails that virtually all lease agreements is to be recognised in the balance sheet as the differentiation between financial leases and operational leases will cease to apply. According to the new standard, the asset (right to 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 does not have any material impact on the financial statements.

The new standard will have an impact on lease agreements that are currently accounted for as operational leases. The lease agreements that are currently being accounted for as financial leases will be impacted to a lesser extent.

The Group has revised all lease agreements from recent years according to the new standard. The Group expects to recognise right to use assets for a total value of NOK 1 400 million per 1 January 2019 and an equivalent value of liabilities. It is expected that in 2019 EBITDA will increase by about NOK 275 million and EBIT by approximately NOK 30 million due to the new leasing standard.

Parent company financial statements

Parent company financial statements consist of

Notes to the parent company financial statements consist of

Income statement

All figures in NOK 1 000 (period 01.01 - 31.12)

Lerøy Seafood Group ASA	**Notes**	**2018**	**2017**
Operating revenue and costs			
Operating revenue	1	69,120	60,720
Wages and other personnel costs	10	45,998	38,425
Other operating costs	10	99,630	71,827
Depreciation	4	38	0
Total operating costs		**145,666**	**110,252**
Operating profit		**-76,546**	**-49,532**
Financial revenue and costs			
Income from investments in subsidiaries	3	3,094,925	3,367,560
Income from associates	3	238,896	175,881
Change in fair value of financial instruments at fair value	8	-15,925	7,330
Impairment loss on financial assets	4	-359,810	0
Other financial items, net	11	-29,810	-69,902
Profit before tax		**2,851,729**	**3,431,337**
Total tax cost (-)	9	-562,310	-656,438
The year's profit		**2,289,419**	**2,774,899**
Information regarding			
Transferred to (+) / from (-) other equity		1,097,872	1,881,238
Allocated to dividend		1,191,547	893,661

Balance sheet

(All figures in NOK 1,000)

Lerøy Seafood Group ASA	Notes	31.12.18	31.12.17
Non-current assets			
Intangibles			
Licences	4	24,951	6,150
Deferred tax assets	9	8,525	21,987
Total intangibles		**33,475**	**28,137**
Fixed assets			
Buildings and real estate	4	1,695	1,695
Other fixtures	4	3,789	148
Total fixed assets		**5,484**	**1,843**
Financial assets			
Shares in subsidiaries	5	7,623,562	7,703,672
Shares in associates	6	301,989	316,989
Shares in other companies	6	3,941	2,093
Loans to subsidiaries	3	138,720	46,810
Other long-term receivables		0	3,166
Total non-current financial assets		**8,068,211**	**8,072,730**
Total non-current assets		**8,107,171**	**8,102,710**
Current assets			
Receivables			
Receivables from Group companies	3	2,746,905	3,005,113
Other receivables		11,150	16,667
Total receivables		**2,758,055**	**3,021,780**
Cash and cash equivalents	**7**	**1,553,251**	**943,580**
Total current assets		**4,311,306**	**3,965,360**
Total assets		**12,418,477**	**12,068,070**

Lerøy Seafood Group ASA	Notes	31.12.18	31.12.17
Equity			
Share capital	2	59,577	59,577
Treasury shares	2	-30	-30
Share premium reserve	2	4,778,346	4,778,346
Other paid in capital	2	104,573	104,573
Total paid in capital		**4,942,467**	**4,942,467**
Other equity	2	5,167,086	4,037,315
Total retained earnings		**5,167,086**	**4,037,315**
Total equity		**10,109,553**	**8,979,782**
Long-term liabilities			
Other long-term liabilities	8	55,460	83,779
Total long-term liabilities		**55,460**	**83,779**
Long-term debt			
Mortgage debt	7	320,375	1,288,527
Total long-term debt		**320,375**	**1,288,527**
Short-term debt			
Trade payables		16,109	2,888
Taxes payable	9	510,106	621,488
Public duties payable		0	1,655
Allocated to dividend	2	1,191,547	893,661
Short-term group debt	3	201,450	173,677
Other short-term debt		13,876	22,613
Total short-term debt		**1,933,089**	**1,715,982**
Total debt		**2,308,924**	**3,088,288**
Total equity and debt		**12,418,477**	**12,068,070**

Bergen, 12. April 2019
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Didrik Munch
Board member

Karoline Møgster
Board member

Britt Kathrine Drivenes
Board member

Siri Lill Mannes
Board member

Arne Møgster
Board member

Hans Petter Vestre
Employees' representative

Henning Beltestad
CEO Lerøy Seafood Group ASA

Statement of cash flows

All figures in NOK 1,000 (period 01.01 - 31.12)

Lerøy Seafood Group ASA	2018	2017
Cash flow from operating activities		
Pre-tax result	2,851,729	3,431,337
Taxes paid during the period	-630,131	-343,126
Loss/gain on disposal of shares in subsidiaries and associated companies	6,279	-11,866
Depreciation	38	0
Write-down of financial assets	359,810	0
Change in trade receivables	-544	0
Change in trade payables	27,128	-268
Effect from currency rate changes	1,347	21,259
Items classified as investing activities	-3,337,363	-3,531,575
Change in financial instruments recognised at fair value	15,925	-7,330
Other items classified as financing activities	28,463	48,642
Change in other accruals	-12,695	16,006
Net cash flow from operating activities	**-690,015**	**-376,921**
Cash flow from investing activities		
Proceeds from sale of fixed assets	821	0
Payments for acquisitions of fixed assets and intangibles	-23,301	-6,298
Proceeds from disposal of Group companies and associates	8,749	15,659
Payments for acquisitions of Group companies and associates	-135,687	-78,034
Proceeds from sale of shares in other companies	-1,848	3,169
Proceeds from previous year's accrual of group contributions and dividends from subsidiaries	3,424,151	2,302,074
Payment for previous year's accrual of group contribution to subsidiaries	-158,253	-309,564
Proceeds from dividends received during the year from associates	245,200	164,015
Proceeds/payments for short-term intragroup receivables (loans)	-75,710	-139,982
Proceeds/payments for long-term intragroup receivables (loans)	-91,910	9,952
Proceeds/payments for other long-term receivables (loans)	3,167	666
Net cash flow from investing activities	**3,195,379**	**1,961,658**
Cash flow from financing activities		
Instalments paid on long-term liabilities	-969,499	-168,727
Net interest paid and financial expenses	-32,979	-50,280
Payment of dividends	-893,661	-774,506
Proceeds from dividends on treasury shares	447	387
Net cash flow from financing activities	**-1,895,692**	**-993,126**
Net cash flow for the accounting period	**609,672**	**591,611**
Cash and cash equivalents at the start of the period	943,580	351,969
Cash and cash equivalents at the end of the period	**1,553,251**	**943,580**
This consists of:		
Bank deposits etc.	1,553,251	943,580
Of which restricted funds	1,204	1,057
Unutilised overdraft/drawdown facilities	1,150,000	350,000

Additional information

Net cash flow from operating activities can also be summarised as follows	**2018**	**2017**
Operating profit	-76,546	-49,532
Depreciation	38	0
Taxes paid during the period	-630,131	-343,126
Change in capital employed	16,624	15,737
Net cash flow from operating activities	**-690,015**	**-376,921**

Note 1
Accounting policies

(A) Comments on accounting policies
The financial statements have been prepared according to the regulations of the Accounting Act of 1998 and good accounting practice. All figures in the notes to the accounts are in NOK 1,000.

(B) Sales revenue
Revenue is booked when earned. Sales of goods and services are therefore normally booked at the time of delivery. The operating revenues derives from fees from shared services delivered to group companies.

(C) Classification and assessment of balance sheet items
Current assets and short-term debt comprise normal items due for payment within one year after balance sheet date, and items related to the circulation of goods. Other items are classified as fixed assets/long-term debt.

Current assets are valued at the lowest of acquisition cost and fair value. Short-term debt is carried at nominal amount at the time it is established.

Fixed assets are valued at acquisition cost, but are written down to fair value when the fall in value is not expected to be temporary. Long-term debt is carried at nominal amount at the time it is established.

(D) Receivables
Trade receivables and other receivables are carried on the balance sheet at nominal amount after deduction of provision for bad debts. Provision for bad debts is made according to individual assessments of the individual receivables.

(E) Short-term investments
Short-term investments (shares and units classified as current assets) are valued at the lower of average acquisition cost and fair value on the balance sheet date. Dividends and other distributions received from the companies are booked as Other financial revenues.

(F) Long-term investments
Long-term investments (shares and units classified as fixed assets) are booked in the balance sheet at acquisition cost. The investments are written down to fair value if a decline in value is not considered to be temporary. Dividends and other distributions received from the companies are booked as Other financial revenues.

(G) Associates
Associates are companies in which the Group holds an interest of 20-50%, and where the investment is long-term and strategic. In the company financial statements, the associate is valued according to the cost method.

(H) Fixed assets
Fixed assets are booked in the financial statements at acquisition cost less accumulated depreciation. This depreciation is distributed linearly over assumed economic life. Similar policies apply to intangible assets.

(I) Tax
Tax payable in the income statement includes both the tax payable during the period and changes in deferred tax. Deferred tax is calculated at a rate of 22% on the basis of the provisional differences that exist between accounting and taxable values, as well as the assessed deficit to be carried forward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences, which reverse or may reverse the figures in the same period, have been offset and booked at net value.

(J) Interest rate swaps (derivatives)
The company seeks to hedge against fluctuations in interest rate by making use of interest rate swaps. Derivatives are carried at fair value at the time the derivative contract is signed, then subsequently at fair value. The company utilises cash flow hedging when recognising interest rate swaps. The effective share of the change in fair value of derivatives which qualify as hedging instruments for cash flow hedging is recognised in equity. Hedging gains or losses which are recognised in equity are re-classified to the income statement during the period in which the hedging object has an impact on the income statement. Gains or losses related to the effective share of the interest rate swaps which secure loans with a floating rate of interest are recognised under Financial Items. Interest rate swaps are considered to be a derivative. The fair value of a derivative is classified as a fixed asset or long-term debt if the remaining maturity of the hedging object is more than 12 months, and as a current asset or short-term debt if the remaining maturity of the hedging object is less than 12 months. The company uses the market to marked value calculated by the credit institution as basis for the accounting.

(K) Currency
The financial statements are presented in NOK, the functional currency for the company. Cash items in foreign currency are valued at the respective rates of exchange at the end of the financial year. See also item (V) in the consolidated accounts on derivatives, including currency forward contracts utilised to control currency risk.

Note 2
Equity

(All figures in NOK 1,000)

2017	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2017	59,577	-30	4,778,346	104,572	2,149,112	7,091,577
The year's result to equity					2,774,899	2,774,899
Dividend received on treasury shares					387	387
Change in value of interest swap (cash flow hedge)					6,579	6,579
Group contribution given to subsidiaries					-120,272	-120,272
Change in value of shares in subsidiaries due to Group contribution					120,272	120,272
Provision for dividend					-893,661	-893,661
Equity as of 31.12.17	**59,577**	**-30**	**4,778,346**	**104,572**	**4,037,317**	**8,979,782**

2018	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2018	59,577	-30	4,778,346	104,572	4,037,317	8,979,782
The year's result to equity					2,289,419	2,289,419
Dividend received on treasury shares					447	447
Change in value of interest swap (cash flow hedge)					0	0
Reversal of cumulative value change in interest swap when hedging expires					31,452	31,452
Group contribution given to subsidiaries					-144,039	-144,039
Change in value of shares in subsidiaries due to Group contribution					144,039	144,039
Provision for dividend					-1,191,547	-1,191,547
Equity as of 31.12.18	**59,577**	**-30**	**4,778,346**	**104,572**	**5,167,087**	**10,109,553**

Share capital	Total number of shares	Nominal value per share	Book value
Ordinary shares	595,773,680	0.10	59,577,368
Total	**595,773,680**		**59,577,368**

Number of shareholders
Lerøy Seafood Group ASA had 7,027 shareholders as per 31.12.18. All shares confer the same rights in the company. An overview of share capital and the 20 largest shareholders are shown in the note on shareholders for the Group.

Treasury shares
Lerøy Seafood Group ASA owns 297,760 treasury shares of a total number of 595,773,680 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where nominal value of treasury shares is included in "paid in capital" (- NOK 30,000), and the purchase price exceeding nominal value of treasury shares (- NOK 2,389,000) is included in "other equity". The average purchase price of own shares is NOK 8.12 per share.

Note 3
Transactions and balances with subsidiaries and associates

(All figures in NOK 1,000)

Income from investments in subsidiaries	2018	2017
Intragroup contributions received from subsidiaries	2,528,865	2,863,314
Dividend received from subsidiaries	566,034	504,246
Gain from disposal of subsidiaries	26	0
Total income from investments in subsidiaries	**3,094,925**	**3,367,560**

Intragroup contributions received from subsidiaries	2018	2017
Lerøy Midt AS	1,093,923	1,218,482
Lerøy Aurora AS	899,106	1,040,246
Lerøy Vest AS	286,312	349,270
Lerøy Seafood AS	232,800	250,000
Laks- & Vildtcentralen AS	15,584	0
Lerøy Trondheim AS	1,140	1,429
Lerøy Delico AS	0	2,742
Lerøy Alfheim AS	0	1,146
Total intragroup contributions received from subsidiaries	**2,528,865**	**2,863,314**

Dividend received from subsidiaries	2018	2017
Dividend received from Havfisk AS	500,000	408,245
Dividend received from Sjøtroll Havbruk AS	50,912	58,549
Dividend received from Rode Beheer BV	9,925	35,834
Dividend accrued from Norsk Oppdrettsservice AS	5,197	1,618
Total dividend received from subsidiaries	**566,034**	**504,246**

Gain on disposal of subsidiaries	2018	2017
Proceeds from sale of 0.1 % of shares in Preline Fishfarming System AS	52	0
Net book value of disposed shares in subsidiaries (-)	-27	0
Total gain on disposal of subsidiaries	**26**	**0**

Income from investments in associates	2018	2017
Dividend received from Norskott Havbruk AS	242,200	161,015
Dividend received from Seistar Holding AS	3,000	3,000
Gain (+) from disposal of shares in associated company (Lerøy Schlie A/S)	0	11,866
Loss (-) from disposal of shares in associated company (Lerøy Sommarøy AS)	-6,304	0
Total income from investments in associates	**238,896**	**175,881**

Note 3
Transactions and balances with subsidiaries and associates cont.

(All figures in NOK 1,000)

Long-term loans to subsidiaries	2018	2017
Lerøy Processing Spain SL	100,186	5,368
Sjømathuset AS	25,386	27,047
Lerøy Alfheim AS	13,148	14,395
Total long-term loans to subsidiaries	**138,720**	**46,810**

Short-term receivables from subsidiaries	2018	2017
Intragroup contributions received from subsidiaries	2,528,865	2,863,314
Other short-term receivables from subsidiaries	218,040	141,799
Total short-term receivables from subsidiaries	**2,746,905**	**3,005,113**

Intragroup contributions received from subsidiaries

For specification see table above in this note under headline Income from investments in subsidiaries

Other short-term receivables from subsidiaries	2018	2017
Lerøy Seafood AS	101,414	0
Lerøy Norway Seafoods AS	85,601	75,315
Lerøy Sommarøy AS	16,961	0
Lerøy Fossen AS	9,663	25,000
Lerøy Midt AS	2,275	0
Lerøy Turkey	2,056	3,335
Lerøy Nord AS	70	3,500
Lerøy Processing Spain SL	0	31,644
Sjømathuset AS	0	2,985
Total other short-term receivables from subsidiaries	**218,040**	**141,779**

Short-term receivables from associates	2018	2017
Lerøy Sommerøy AS	0	4,014
Total short-term receivables from associates	**0**	**4,014**

Short-term debt to Group companies	2018	2017
Intragroup contributions distributed	187,064	158,253
Other short-term debt to Group companies	14,386	15,424
Total short-term debt to Group companies	**201,450**	**173,677**

Intragroup contributions distributed	2018	2017
Lerøy Norway Seafoods AS	132,728	142,000
Lerøy Sommarøy AS	29,158	0
Lerøy Fossen AS	19,411	16,122
Lerøy Ocean Harvest AS	2,889	0
Lerøy Alfheim AS	2,815	0
Lerøy Quality Group AS	32	56
Lerøy & Strudshavn AS	31	75
Total	**187,064**	**158,253**

Other short-term debt to Group companies	2018	2017
Lerøy Seafood AS	13,916	15,332
Lerøy Vest AS	470	89
Lerøy Alfheim AS	0	3
Total other short-term debt to Group companies	**14,386**	**15,424**

Note 4
Intangible assets and fixed assets

(All figures in NOK 1,000)

Intangible assets

2018	Development licences
Capitalised expenses 2017	6,150
Capitalised expenses 2018	18,801
Carrying value at 31.12.18	**24,951**

The increase in intangible assets consists of capitalized expenses related to development-licences based on the concept "Pipefarm". The Group has initially been awarded with a volume of 900 MTB. However, the the Group has filed a complaint, arguing for higher volume in order to develop the project in desired direction. The complaint is still under consideration with the authorities. The development-licences has a definite life time, but on expiry date it will be subjected to renewal and tranformation to an ordinary grow-out licence on request, for a fee amounting to NOK 10 million per licence (780 MTB).

Fixed assets

2017	Real estate	Buildings	Other fixtures	Total fixed assets
Acquisition cost per 01.01.17	0	1,695	0	1,695
Addition of fixed assets	0	0	148	148
Disposal of fixed assets	0	0	0	0
Acquisition cost per 31.12.17	0	1,695	148	1,843
Accumulated depreciation per 31.12.17		0	0	0
Carrying value at 31.12.17	**0**	**1,695**	**148**	**1,843**
The year's depreciation		0	0	0

2018	Real estate	Buildings	Other fixtures	Total fixed assets
Acquisition cost per 01.01.18	0	1,695	148	1,843
Addition of fixed assets	0	0	4,500	4,500
Disposal of fixed assets	0	0	-821	-821
Acquisition cost per 31.12.18	0	1,695	3,827	5,522
Accumulated depreciation per 31.12.18		0	-38	0
Carrying value at 31.12.18	**0**	**1,695**	**3,789**	**5,522**
The year's depreciation		0	38	38

The company owns an apartment in Bergen city centre. The economic life is considered to be indefinite, with no depreciations. Other fixtures is depreciated on a linear basis with 20% to 33,33% p.a. Fixtures are mainly acquired in December 2018.

Note 5
Shares in subsidiaries

(All figures in NOK 1,000)

Changes in subsidiaries and ownership during the period

Subsidiary	Country	Place of business	Acquisition year	Ownership/ voting share 01.01	Additions (+)	Disposals (-)	Ownership/ voting share 31.12
Lerøy Ocean Harvest AS	Norway	Bergen	2018	0.0 %	100.0 %		100.0 %
Laks- & Vildtcentralen AS	Norway	Oslo	2018	0.0 %	100.0 %		100.0 %
Havfisk AS	Norway	Ålesund	2016	100.0 %			100.0 %
Lerøy Norway Seafoods AS	Norway	Oslo	2016	100.0 %			100.0 %
Lerøy Turkey	Turkey	Istanbul	2015	100.0 %			100.0 %
Preline Fishfarming Sys. AS	Norway	Skien	2015	96.0 %		-0.1 %	95.9 %
Lerøy Nord AS	Norway	Tromsø	2015	51.0 %			51.0 %
Norsk Oppdrettsservice AS	Norway	Flekkefjord	2015	51.0 %			51.0 %
Lerøy Processing Spain SL	Spain	Madrid	2012	100.0 %			100.0 %
Rode Beheer BV	Netherlands	Urk	2012	100.0 %			100.0 %
Lerøy Finland OY	Finland	Turku	2011	100.0 %			100.0 %
Sjøtroll Havbruk AS	Norway	Austevoll	2010	50.7 %			50.7 %
Lerøy Vest AS	Norway	Bergen	2007	100.0 %			100.0 %
Lerøy Fossen AS	Norway	Bergen	2006	100.0 %			100.0 %
Sjømathuset AS	Norway	Oslo	2006	100.0 %			100.0 %
Lerøy Delico AS	Norway	Stavanger	2006	100.0 %			100.0 %
Lerøy Trondheim AS	Norway	Trondheim	2006	100.0 %			100.0 %
Lerøy Alfheim AS	Norway	Bergen	2005	100.0 %			100.0 %
Lerøy Portugal Lda	Portugal	Lisboa	2005	100.0 %			100.0 %
Lerøy Aurora AS	Norway	Tromsø	2005	100.0 %			100.0 %
Lerøy Midt AS	Norway	Hitra	2003	100.0 %			100.0 %
Lerøy Sverige AB	Sweden	Gothenburg	2001	100.0 %			100.0 %
Lerøy Seafood AS	Norway	Bergen	1939 *	100.0 %			100.0 %
Lerøy & Strudshavn AS	Norway	Bergen	1927 *	100.0 %			100.0 %

** The date for establishment. The companies were a part of the "old Lerøy-group" before LSG ASA was established in 1995*

Note 5
Shares in subsidiaries cont.

(All figures in NOK 1,000)

Change in book value of shares in subsidiaries

Subsidiary	Net book value in LSG ASA 01.01	Business combination	Redemption of non-controlling interests	Capital increase	Increase in value from Group contributions	Impairment loss	Net book value in LSG ASA 31.12
Havfisk AS	3,090,920						3,090,920
Lerøy Vest AS	1,357,385						1,357,385
Lerøy Midt AS	1,135,230						1,135,230
Sjøtroll Havbruk AS	540,000						540,000
Lerøy Aurora AS	391,303						391,303
Rode Beheer B.V,	319,707						319,707
Lerøy Norway Seafoods AS	380,460				124,652	-272,275	232,837
Laks- & Vildtcentralen AS	0	115,000					115,000
Lerøy Sverige AB	80,349						80,349
Lerøy Fossen AS	85,371				14,946	-25,299	75,018
Lerøy Seafood AS	57,961				25		57,986
Lerøy Turkey	62,636			8,595		-14,505	56,726
Norsk Oppdrettsservice AS	25,000						25,000
Lerøy Delico AS	22,070						22,070
Lerøy Finland OY	44,262			4,795		-28,476	20,581
Lerøy Processing Spain SL	20,151						20,151
Lerøy Trondheim AS	23,772					-4,675	19,097
Preline Fishfarming Sys, AS	29,121		-26			-10,223	18,872
Sjømathuset AS	13,925						13,925
Lerøy Alfheim AS	13,611				2,168	-2,683	13,096
Lerøy Portugal Lda	8,937						8,937
Lerøy Ocean Harvest AS	0			5,000	2,225	-1,674	5,551
Lerøy Nord AS	*1,012*			*2,297*			*3,309*
Lerøy & Strudshavn AS	491				24		515
Total	**7,703,672**	**115,000**	**-26**	**20,687**	**144,039**	**-359,810**	**7,623,562**

Shares in subsidiaries are valued based on the cost method. As a consequence subsidiaries with weak performance, receiving group contributions or increased equity, will obtain a higher net book value. Over time this has resulted in net book values (before impairments) higher than it would have been by adapting the equity method. Due to this, all shares in subsidiaries that had a higher value (based on the cost method) compared with the equity method, have been impaired. The impairment will be reversed in a later period when the reason for the impairment is no longer present.

Note 6
Shares in associates and other shares

(All figures in NOK 1,000)

Associates	Place of business	Ownership/ voting share 01.01	Ownership/ voting share 31.12	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Norskott Havbruk AS	Bergen	50 %	50 %	163,273			163,273
Seistar Holding AS	Austevoll	50 %	50 %	61,500			61,500
Seafood Danmark A/S	Danmark	33.33 %	33.33 %	77,170			77,170
Lerøy Sommarøy AS	Tromsø	50 %	0 %	15,000		-15,000	0
Ocean Forest AS	Bergen	50 %	50 %	30			30
The Seafood Innovation Cluster AS	Bergen	20 %	20 %	16			16
Total				**316,989**	**0**	**-15,000**	**301,989**

For further information about associates and value according to equity method, see note on associates in the consolidated financial statements.

Other shares and investments	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Various minor shareholdings	2,093	5,000	-3,152	3,941
Total	**2,093**	**5,000**	**-3,152**	**3,941**

Lerøy Seafood Group ASA has committed a total of NOK10 million related to the investment in DnB Private Equity.

Note 7
Loans, mortgages and guarantees

(All figures in NOK 1,000)

	2018	2017
Long-term interest-bearing debt		
Debt to credit institutions	320,375	1,288,527
Total interest-bearing debt at 31.12	**320,375**	**1,288,527**
Bank deposits	**1,553,251**	**943,580**
Net interest-bearing debt at 31.12	**-1,232,876**	**344,947**
Repayment profile interest-bearing debt		
2018		170,403
2019	70,684	170,403
2020	70,684	170,403
2021	179,007	277,318
2022		500,000
Total	**320,375**	**1,288,527**

Financial covenants
Loan terms ("covenants") are: The equity ratio must be minimum 30%, and net interest-bearing debt shall not exceed 5.0 in relation to EBITDA for the Group (consolidated financial statements). When calculating the equity ratio, the balance sheet is adjusted for bank deposits and deferred tax in respect of licences.

	2018	2017
Debt secured by mortgages		
Long-term debt to credit institutions	320,375	1,288,527
Total mortgage-secured debt at 31.12	**320,375**	**1,288,527**
Mortgaged assets		
Shares in subsidiaries	859,707	859,707
Shares in associates	163,273	163,273
Total book value of mortgaged assets 31.12	**1,022,980**	**1,022,980**
Guarantees and sureties	**32,100**	**32,100**

Guarantee and surety liability
Lerøy Seafood Group ASA has posted a guarantee of NOK 30,000 for Lerøy Aurora AS in favour of Innovasjon Norge. Lerøy Seafood Group ASA has also posted a guarantee of NOK 2,100 in favour of VPS/Nordea.

Lerøy Seafood Group ASA also has joint and several liability for outstanding VAT together with Lerøy Seafood AS, which is included in the joint VAT registration.

Other commitments
Lerøy Seafood Group ASA has entered into a 10 year rental agreement for the office facilities, which started to run from November 2018. Annual minimum rent is approximately NOK 10,000.

Restricted funds
Restricted funds included in bank deposits equals to NOK 1,149.

Note 8
Interest rate swaps

(All figures in NOK 1,000)

Lerøy Seafood Group ASA has two interest rate swaps, each with a fixed amount of NOK 500 million and a duration of 10 years. The agreements are from 2011 and 2012.

When the interest rate swaps were entered into in 2011 and 2012, it was expected that the long-term bank debt (the hedged item) would be greater or equal to the signed interest rate swap (the hedging instrument) during the complete period of 10 years. Hedge accounting was therefore chosen as the accounting policy. The fair value of the interest rate swaps (gross commitment) is carried under the item for "Other long-term liabilities". The effective share of the change in value of the interest rate swaps is recognised directly in equity (cash flow hedging). The tax effect is also recognised directly in equity, and is therefore not included in the tax cost for the year in the income statement.

The effect of the changes in nominal tax rate is regarded as a change in estimate, and recognised in the income statement for both agreements. The accounting policies are described in more detail in the note on accounting policies (J).

Interest rate swaps	Agreement 1 17.11.11	Agreement 2 17.01.12	Total, all agreements
Nominal amount	500,000	500,000	1,000,000
Duration	10 år	10 år	10 år
Agreed fixed/average interest rate	3.55 %	3.29 %	3.42 %
Book value 01.01.2017			
Fair value of interest rate swaps as of 01.01.2017	-52,455	-47,310	-99,765
Deferred tax asset related to the interest rate swaps, 24%	12,589	11,354	23,944
Net (negative) value after tax, as of 01.01.2017	**-39,866**	**-35,955**	**-75,821**
Changes in 2017			
Changes booked against equity			
Change in fair value of interest rate swaps in 2017	8,656		8,656
Change in deferred tax related to the value change in the period, 24%	-2,077		-2,077
Changes booked against equity (cash flow hedge)	**6,579**	**0**	**6,579**
Changes booked through profit and loss			
Change in fair value of interest rate swaps in 2017		7,330	7,330
Change in deferred tax related to the value change in the period, 24%		-1,759	-1,759
Effect of change in nominal tax rate, from 24% til 23%, through profit or loss (change in estimate)	-438	-400	-838
Changes booked through profit and loss	**-438**	**5,171**	**4,733**
Book value 31.12.2017			
Fair value of interest rate swaps as of 31.12.2017	-43,799	-39,980	-83,779
Deferred tax related to the interest rate swaps, 23%	10,074	9,195	19,269
Net (negative) value after tax, as of 31.12.2017	**-33,725**	**-30,784**	**-64,510**

Expensed interests in 2017 relating to the interest rate swaps amounted to NOK 25,070.

Note 8
Interest rate swaps cont.

(All figures in NOK 1,000)

Table cont.

Interest rate swaps	**Agreement 1 17.11.11**	**Agreement 2 17.01.12**	**Total, all agreements**
Changes in 2018			
Changes booked against equity			
Change in fair value of interest rate swaps in 2018	0	0	0
Change in deferred tax related to the value change in the period, 23%	0	0	0
Changes booked against equity (cash flow hedge)	**0**	**0**	**0**
Changes booked through profit and loss			
Change in fair value of interest rate swaps in 2018	14,820	13,499	28,319
Change in deferred tax related to the value change in the period, 23%	-3,409	-3,105	-6,513
Effect of change in nominal tax rate, from 23% til 23%, through profit or loss (change in estimate)	-290	-265	-555
Changes booked through profit and loss	11,121	10,129	21,251
Book value 31.12.2018			
Fair value of interest rate swaps as of 31.12.2018	-28,979	-26,481	-55,460
Deferred tax related to the interest rate swaps, 22%	6,375	5,826	12,201
Net (negative) value after tax, as of 31.12.2018	**-22,604**	**-20,655**	**-43,259**

Expensed interests in 2018 relating to the interest rate swaps amounted to NOK 24,550.

Reclassification of cumulative change in fair value on interest swap agreements booked against equity, where the hedge is no longer effective			
Accumulated change in fair value on interest swap agreements (gross), reclassified to profit and loss	44,244	0	44,244
Accumulated change in deferred tax that has been booked through equity	-12,792	0	-12,792
Net amount reclassified from equity to profit and loss	**31,452**	**0**	**31,452**

Change in fair value of financial instruments at fair value			
Changes in fair value in 2018 booked through profit and loss	14,820	13,499	28,319
Net amount reclassified from equity to profit and loss	-44,244	0	-44,244
Total	**-29,424**	**13,499**	**-15,925**

Due to a repayment of a bank loan in first half of 2018, the remaining total bank debt (hedging object) became significant lower than the hedging instrument, resulting in the fact that the hedging relationship was no longer effective. Thus the hedging relationship ceased also for the most recent interest rate swap agreement that was booked as a cash flow hedge. The cumulative change in fair value for the entire period, from when the agreement was entered into and until it ceased, was therefore reversed via equity and recognised in income as a change in fair value of financial instruments, under financial items in the income statement. From 01.01.2018 the change in fair value on both interest rate swap agreements are booked through profit and loss, as an financial item.

Note 9
Taxation

(All figures in NOK 1,000)

Permanent differences	**2018**	**2017**
Dividends received (including the 3% added on the tax base)	-802,195	-661,536
Gain on disposal of shares	6,279	-11,866
Other permanent differences	362,154	100
Total permanent differences	**-433,762**	**-673,302**

Calculation of tax payable	**2018**	**2017**
Profit before tax	2,851,729	3,431,337
Permanent differences	-433,762	-673,302
Change in temporary differences (through profit and loss)	-13,050	-10,252
The year's taxation base	**2,404,917**	**2,747,783**
Tax rate, nominal	23 %	24 %
Tax payable in the tax cost before intragroup contributions paid	**553,131**	**659,468**

Tax payable booked in the balance sheet	**2018**	**2017**
Tax payable	553,131	659,468
Tax payable on intragroup contributions paid	-43,025	-37,981
Tax payable booked in the balance sheet	**510,106**	**621,488**

Deferred tax related to the interest rate swaps

The change in deferred tax related to the change in fair value of interest rate swaps (financial instruments) is booked as a change in equity as long as the hedging instrument is determined to be an effective hedge, and through profit or loss if this is not the case. See note on interest rate swaps for further information regarding accounting of this.

Overview of temporary differences	**2018**	**2017**
Temporary differences where changes are recognised in profit and loss		
Intangibles	24,951	0
Buildings and other fixed assets	1,252	44
Financial instruments, total	-55,460	-83,779
Financial instruments (cash flow hedges) where changes are booked against equity	0	43,799
Gain/loss account	-9,490	-11,863
Temporary differences 31.12 where changes are recognised in profit and loss	-38,748	-51,798
Change in temporary differences where changes are recognised in profit and loss	**13,050**	**10,252**
Temporary differences where changes are booked against equity		
Financial instruments (cash flow hedges) where changes are booked against equity	0	-43,799
Temporary differences 31.12 where changes are booked against equity	0	-43,799
Change in temporary differences where changes are booked against equity	**43,799**	**8,745**

Note 9
Taxation cont.

(All figures in NOK 1,000)

Deferred tax	2018	2017
Deferred tax where changes are recognised in profit and loss		
Total temporary differences through profit and loss	-38,748	-51,798
Tax rate, nominal	23 %	24 %
Deferred tax liability (+) / asset (-)	-8,912	-12,432
Deferred tax where changes are booked against equity		
Total temporary differences 31.12, where change is booked against equity	0	-43,799
Tax rate, nominal	23 %	24 %
Deferred tax liability (+) / asset (-)	0	-10,512
Total change in temporary differences and deferred tax		
Total temporary differences	-38,748	-95,597
Tax rate, nominal	22 %	23 %
Deferred tax liability (+) / asset (-)	**-8,525**	**-21,987**

The year`s tax cost consists of	2018	2017
Tax payable in the tax cost before intragroup contributions paid	553,131	659,468
Change in deferred tax where changes are recognised in profit and loss	3,002	2,460
Effect of change in the nominal tax rate	387	956
Too much (-) or too little (+) allocated to tax previous year	5,790	-6,446
Total tax cost	**562,310**	**656,438**
Effective tax rate	19.7 %	19.1 %

Note 10
Payroll costs, number of employees, remuneration, loans to staff, etc.

(All figures in NOK 1,000)

Payroll expenses	2018	2017
Salaries, holiday pay and bonuses	32,464	28,891
Employer's contribution	4,425	3,493
Hired personnel	5,668	3,375
Remuneration to the Board of Directors	1,200	1,200
Pension costs*	1,452	1,040
Other remunerations / nomination committee	529	309
Other personnel costs	261	117
Total	**45,998**	**38,425**

** Defined contribution pension scheme*

Average number of full-time equivalents:	14	12

For a specification of remuneration of senior executives in Lerøy Seafood Group ASA, see note on payroll expenses in the consolidated financial statements. The Chairman of the Board is hired in from Laco. The cost related to the Chairman of the Board is included in the accounting item for hired personnel.

Auditor

Fees from the Group auditor PricewaterhouseCoopers AS, the law firm PricewaterhouseCoopers AS and other foreign PriceWaterhouseCoopers firms, were as follows:

	2018	2017
Auditing fees Group auditor	1,500	1,401
Other services Group auditor	2,922	1,327
Total	**4,422**	**2,728**

Other services Group auditor are mainly related to support in the process of updating the transfer pricing documentation, implementation of GDPR procedures and the process of moving the headquarter to another physical building, in December 2018.

Note 11
Items that are combined in the financial statements

Alle tall i NOK 1.000 (periode 1.1–31.12)

Financial revenue	**2018**	**2017**
Interest income from Group companies	4,457	2,688
Other interest income	11,685	8,159
Currency exchange gain	4,249	1,407
Total financial revenue	**20,391**	**12,254**

Financial costs	**2018**	**2017**
Interest cost	42,795	56,227
Currency exchange loss	1,348	21,259
Other financial costs	6,058	4,670
Total financial costs	**50,201**	**82,156**
Other financial items , net	**-29,810**	**-69,902**
Unrealised currency gain(+)/loss(-) included above *	-922	-21,606

** Relates to a long term foreign exchange loan in euro*

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We declare, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018 are prepared in conformance with current, applicable accounting standards, and give a good and fair view of the company's and the Group's assets, liabilities, financial position and profit or loss as a whole. We also declare that the annual report gives a fair view of the company's and the Group's development and position, together with a description of the principle risks and uncertainties facing the entity and the Group.

Bergen, 12 April 2019

Helge Singelstad Chairman	**Didrik Munch** Board Member	**Karoline Møgster** Board Member	**Britt Kathrine Drivenes** Board Member
Siri Lill Mannes Board Member	**Arne Møgster** Board Member	**Hans Petter Vestre** Employee representative	**Henning Beltestad** Group CEO

To the General Meeting of Lerøy Seafood Group ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lerøy Seafood Group ASA. The financial statements comprise:

- The parent company financial statements, which comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flows 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 positions as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying parent company financial statements give a true and fair view of the financial position of Lerøy Seafood Group ASA as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group Lerøy Seafood Group ASA as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. In 2017 we focused on the valuation of assets related to the acquisition of Havfisk AS. Due to the positive market developments within the wild catch segment we have focused less on this matter in 2018 compared to 2017. Measurement and valuation of biological assets contain approximately the same complexity and risks as previous year and have been in focus for the audit also this year.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Lerøy Seafood Group ASA

Key Audit Matters	How our audit addressed the Key Audit Matters
Measurement and valuation of biological assets	
As described in the financial statements Lerøy Seafood Group 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 5,564, of which MNOK 4,017 is historical cost and MNOK 1,547 is adjustment to fair value. Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage), and relate to the segment Farming. Measured in fair value biological assets constitute approximately 1/5 of the balance sheet as at 31 December 2018. When auditing substantial inventories the auditing standards require that the auditor attends the physical inventory counting when practically possible. The biological assets are by nature difficult to count, observe and measure due to lack of measuring techniques that are sufficiently accurate and at the same time do not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the sea. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes which constitutes the main part of the Group's biological assets. The fluctuations in fair value estimate that arise for instance due to change in market prices may have a significant impact on the operating result for the period. Lerøy Seafood Group 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 1 about accounting policies part I, note 2 about significant accounting estimates and assessments and note 9 about biological assets.	The Group's biomass system include information about number of fish, average weight and biomass per site. We reconciled the movement in the inventory of fish held for harvesting purposes (in number and biomass) for the farming units in the period. The movement in number of fish is the total of smolt stocked, mortality, other loss and harvested fish whereas the movement in biomass is the total of stocked biomass, net growth in the period and harvested biomass. We focused particularly on number of smolt stocked and net growth in kilo. This has the most significant impact on the measuring at the balance sheet date. We reviewed the Group's routines connected to recording of number of smolt stocked. In order to assure the accuracy of the number of fish registered in the biomass system we have tested a selection of recorded smolt stocked from the production system to the number of fish according to supporting documentation. Supporting documentation may for instance be invoice from smolt supplier, vaccination report or wellboat count. We have also tested and reviewed the Group's routines for continous registration of mortality. The period's net growth corresponds to the feed used in the period divided by the feed conversion rate. The feed consumption is again closely related to the purchase of feed in the period. In order to estimate the feed consumption and the feed purchase in the period we reviewed the Group's routines for reconciliation of feed inventory and controlled a sample of feed purchase throughout the year against incoming invoice from the feed suppliers. Furthermore, we compared the accumulated feed conversion rate of the inventory against our expectation based on historic figures for the individual region. Where the feed conversion rate was significantly higher or lower than expected we obtained further documentation and explanations. Our work substantiated that the net growth had been reasonably assessed. In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between actually harvested biomass (in kilos and numbers) and estimated biomass according to the Group's biomass systems. We also reviewed harvest deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31.12.2018. We found the deviations to be relatively insignificant and in accordance with expectations. We reviewed the Group's structuring of calculation model for valuation by comparing it against the criteria in IAS 41 and IFRS 13 and found no obvious deviations. Furthermore, we examined whether the biomass and number of fish used in the Group's model for calculation of fair value of biological assets corresponded with the Group's biomass systems and tested that the model made mathematic calculations as intended. After having ensured that these basic elements were in place, we assessed whether the assumptions used by the Group in the model, were reasonable. We did this by discussing the assumptions with the Group and comparing them to among other things, historical data, available industry data and observable prices. We found the assumptions to be reasonable. We ensured that disclosures in notes appropriately explained the valuation method and that the information was in accordance with the requirements in the accounting standards.

(2)

Independent Auditor's Report - Lerøy Seafood Group ASA

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include 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 of the financial statements in accordance with law and regulations, including fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

(3)

Independent Auditor's Report - Lerøy Seafood Group ASA

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The parent company financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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.

Independent Auditor's Report - Lerøy Seafood Group ASA

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 concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 12 April 2019

PricewaterhouseCoopers AS

Hallvard Aarø

State Authorised Public Accountant

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

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