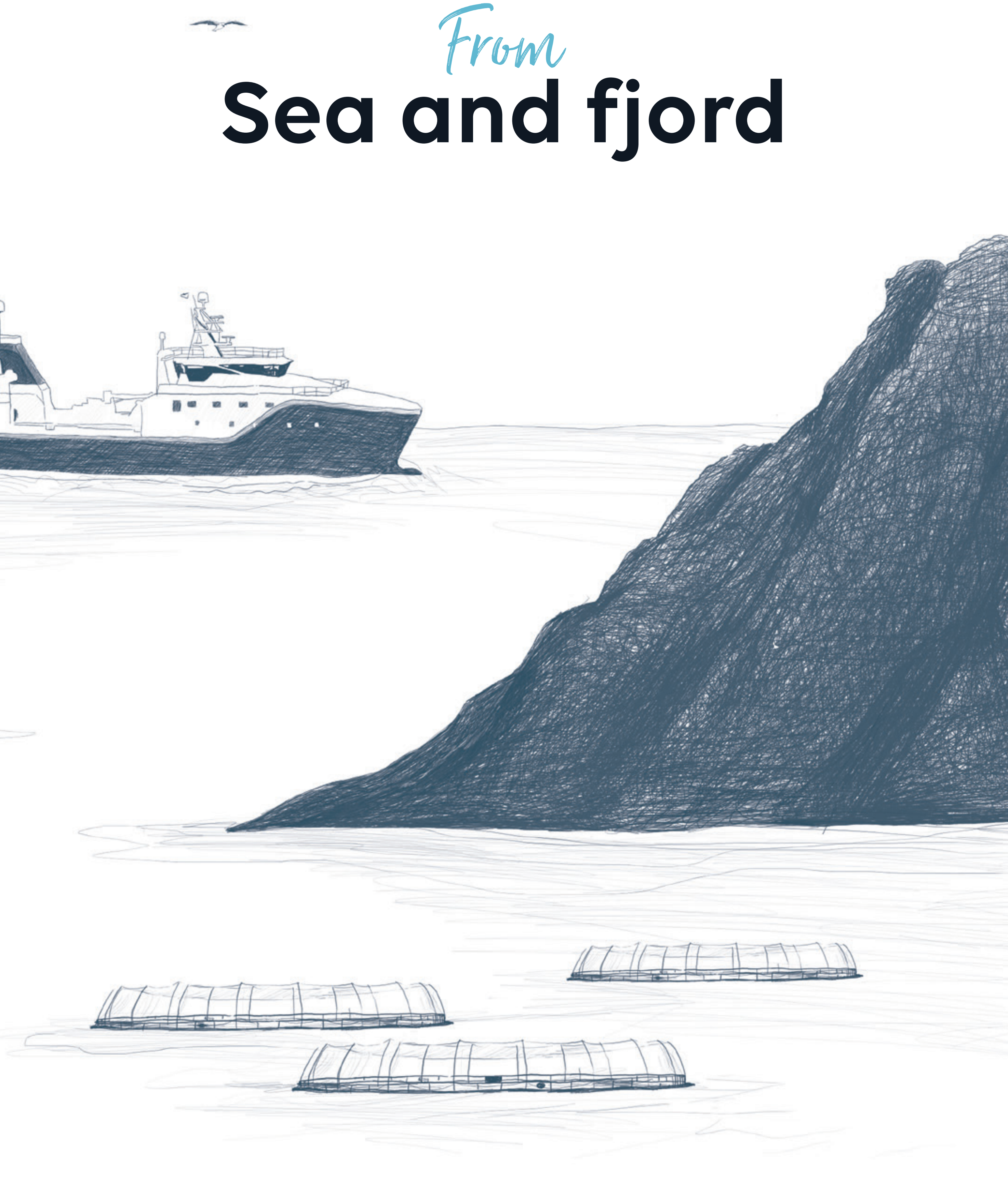
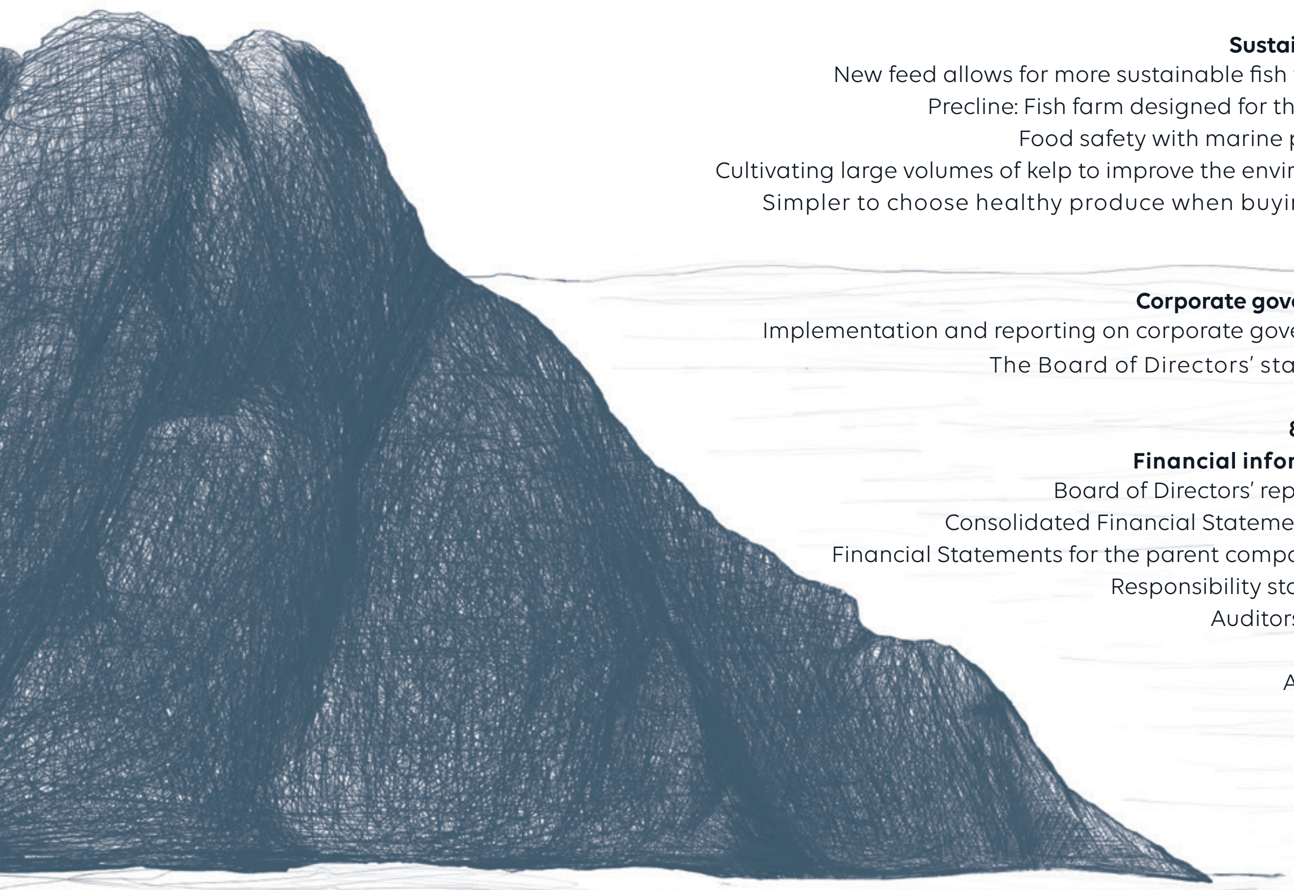
ANNUAL REPORT 2017

From
Sea and fjord



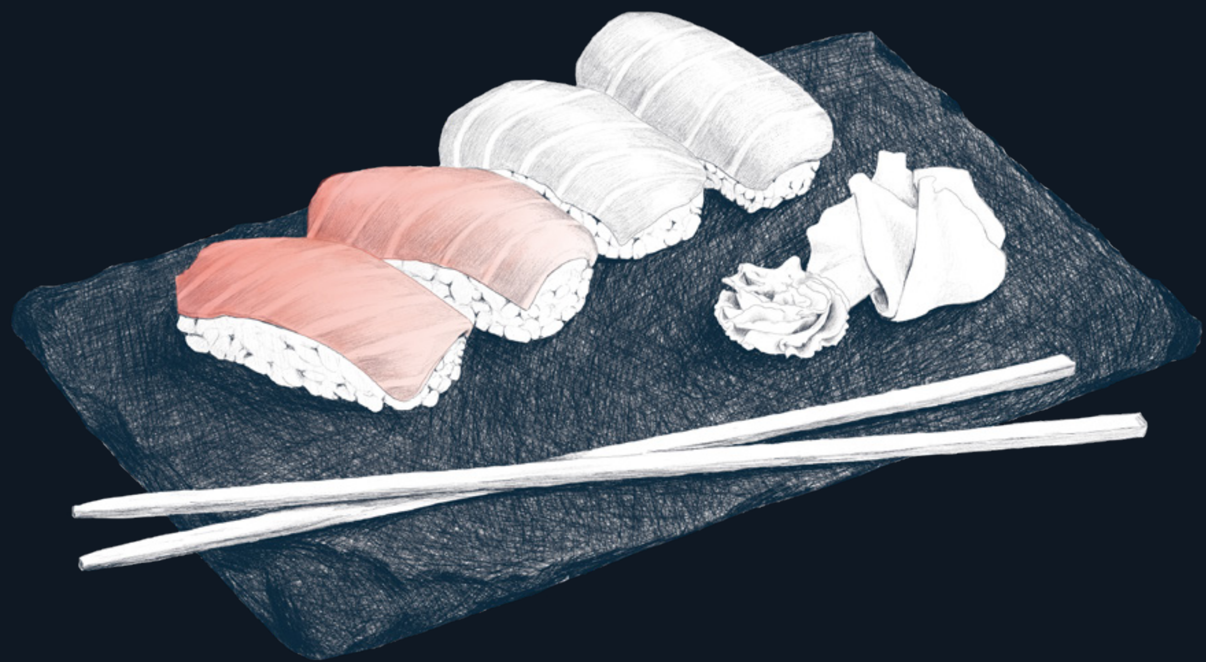


Financial calendar 2018

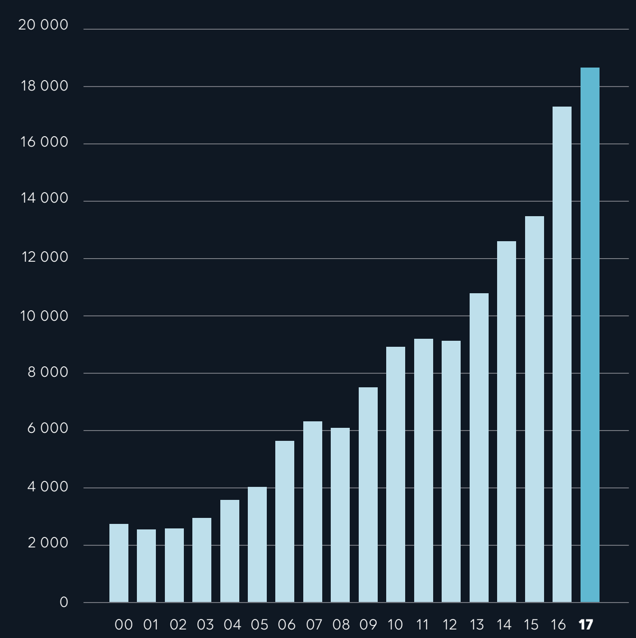
08.05.2018	Presentation of the 1st quarter 2018
22.08.2018	Presentation of the 2nd quarter 2018
08.11.2018	Presentation of the 3rd quarter 2018
26.02.2019	Preliminary result for the year 2018
23.05.2018	Annual general meeting

to the table

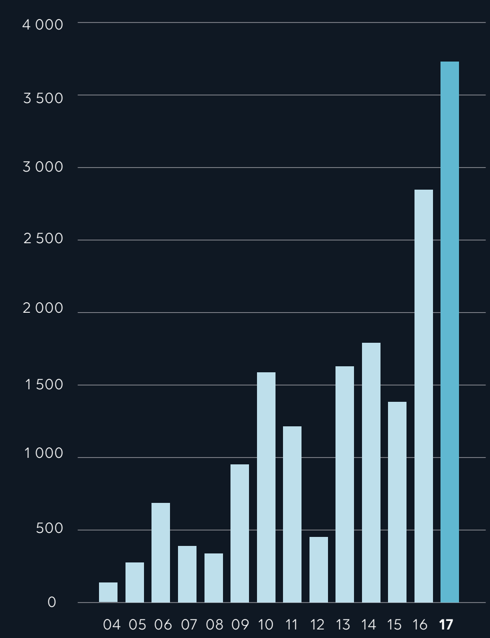
Lerøy's goal is to be the leading and most profitable global supplier of quality sustainable seafood. This goal is within our sights, particularly after a record-winning year in 2017.



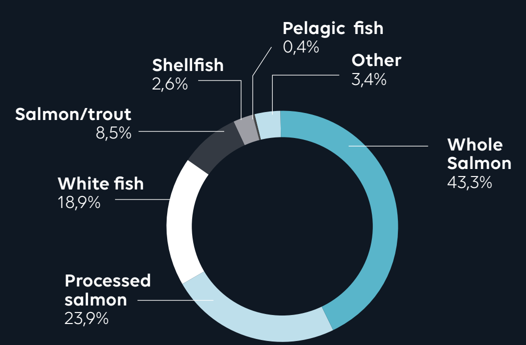
Revenue (NOK million)



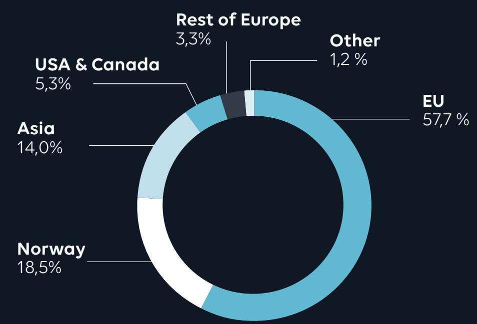
Ebit Development (before fv adj. on biomass) in total (NOK million)



Product Areas 2017



Geographic Market 2017



Key figures

Lerøy Seafood Group consolidated

	2017	2016	2015	2014	2013	2012	2011
LSG stock price last annual trading day	**43,98**	48,11	33,00	27,30	17,70	12,95	8,40
Dividend paid per share (distribution year)	**1,30**	1,20	1,20	1,00	0,70	0,70	1,00
Dividend per share for payment following year	**1,50**	1,30	1,20	1,20	1,00	0,70	0,70
Cash flow from operating activities per share	**6,19**	4,848	1,405	2,592	2,306	0,813	1,599
Diluted cash flow from operating activities per share	**6,19**	4,848	1,405	2,592	2,306	0,813	1,599
Operating revenue	**18 623 515**	17 269 278	13 450 725	12 579 465	10 764 714	9 102 941	9 176 873
Net interest-bearing debt	**2 262 167**	3 433 487	2 594 653	1 876 121	2 116 865	2 231 860	1 592 914
Equity ratio	**56,4 %**	53,7 %	54,8 %	54,4 %	54,3 %	50,7 %	50,6 %
Harvest volume (GWT)	**157 767**	150 182	157 697	158 258	144 784	153 403	136 672
Key figures before fair value adjustments related to biological assets							
EBITDA before fair value adjustments	**4 300 013**	3 355 089	1 813 869	2 160 138	1 938 474	774 866	1 484 797
Operating profit (EBIT) before fair value adjustments	**3 716 749**	2 843 468	1 379 953	1 788 676	1 625 799	450 098	1 212 898
Pre-tax profit before fair value adjustments	**3 805 426**	2 925 930	1 320 816	1 816 813	1 630 011	379 913	1 183 314
Operating margin before fair value adjustments	**20,0 %**	16,5 %	10,3 %	14,2 %	15,1 %	4,9 %	13,2 %
Profit margin before fair value adjustments	**20,4 %**	16,9 %	9,8 %	14,4 %	15,1 %	4,2 %	12,9 %
ROCE before fair value adjustments (annualised)	**25,8 %**	23,9 %	14,5 %	21,2 %	20,7 %	6,2 %	17,9 %
Earnings per share before fair value adjustments	**4,90**	3,84	1,94	2,40	2,11	0,51	1,51
EBIT/kg before fair value adjustments	**23,6**	18,9	8,8	11,3	11,2	2,9	8,9
EBIT/kg exclusive Wildcatch, before fair value adjustments	**21,1**	18,3	8,8	11,3	11,2	2,9	8,9
Fair value adjustments related to biological assets							
Fair value adjustments related to consolidated companies' inventory (before tax)	**-1 716 309**	1 470 561	188 508	-327 414	764 229	294 735	-615 767
Fair value adjustments related to associates' inventory (after tax)	**4 351**	48 830	-8 214	-55 988	86 135	-139	-32 559
Key figures after fair value adjustments related to biological assets							
EBITDA	**2 583 705**	4 825 651	2 002 377	1 832 724	2 702 703	1 069 601	869 030
Operating profit (EBIT)	**2 000 440**	4 314 030	1 568 461	1 461 262	2 390 028	744 832	597 131
Pre-tax profit	**2 093 467**	4 445 321	1 501 110	1 433 411	2 480 376	674 509	534 988
Operating margin	**10,7 %**	25,0 %	11,7 %	11,6 %	22,2 %	8,2 %	6,5 %
Profit margin	**11,2 %**	25,7 %	11,2 %	11,4 %	23,0 %	7,4 %	5,8 %
ROCE	**13,7 %**	32,4 %	15,3 %	15,7 %	28,9 %	9,9 %	8,4 %
Earnings per share	**2,94**	5,65	2,16	1,94	3,18	0,88	0,70

We continue to achieve positive development and have vast potential going forward!

2017 will go down in the history books as the best year ever for Lerøy Seafood Group. Revenue was up from NOK 17.3 billion in 2016 to a total NOK 18.6 billion in 2017. The Group has also reported a record-high volume, and operating profit is up from NOK 2.8 billion in 2016 to NOK 3.7 billion in 2017. As such, we have taken another step forward towards our vision of being the leading and most profitable supplier of sustainable, high-quality seafood.

"2017 was a fantastic year, but we can do even better – what we did well yesterday, must be done even better today!"

Henning Kolbjørn Beltestad
CEO, Lerøy Seafood Group

"Our goal is for consumers to choose our seafood products rather than other proteins."

Over the past 25 years, the company has enjoyed a constant and positive development and is perfectly positioned for future growth. Today, Lerøy is a unique seafood corporation with its fully integrated value chain for salmon/trout and whitefish. Few companies can compete with this.

Increased demand

We can also report a significant increase in demand for seafood from all corners of the world. High demand results in high prices for both salmon and whitefish, which has been a contributory factor to the Group's excellent results. We are confident that this trend will continue in the years to come.

Good access to the market is essential for a company like Lerøy, with sales of seafood to more than 70 different countries worldwide. China is an excellent case in point to illustrate this. In the autumn of 2010, Norway was banned from exporting directly to China and this situation remained in deadlock up to the end of 2017. Thanks to successful and resolute efforts by the Norwegian authorities, we can now see signs that China may reopen its market. These efforts may be of great importance for demand for salmon from China in the near future. The ban on exports to Russia remains, and Russia is one of the markets with the highest potential for sales of salmon and trout. We remain hopeful that Russia will also in time re-open the door for direct imports of Norwegian salmon and trout.

Development and improvements

2017 was a fantastic year, but we can still do better! Our strategy for development is based on an eternal perspective and comprises specific and continuous improvement measures throughout the value chain. One of our most important tasks in the future is to ensure that every one of our 3,900 employees focuses on fulfilling this strategy. Whatever we did yesterday has to be done even better today!

It is clear that the rate of change is accelerating. This requires a higher capacity for and more definite focus on innovation throughout the company. Digitalisation and technological developments that provide maximum production efficiency and real-time data utilised to develop even better management tools afford new opportunities for improvements to efficiency and progressiveness in every part of the value chain.

Changes and improvements require major investments. Lerøy Seafood Group invests substantial sums of money every year throughout the value chain, and 2017 was no exception.

Investments in whitefish

In 2016, Lerøy Seafood Group acquired the shares in Havfisk and Norway Seafoods (now Lerøy Norway Seafoods). Havfisk is the largest trawling operator in Norway with nine trawlers. The company's tenth trawler, Nortind, was built in 2017 and started operations in January 2018. We have high expectations that the new trawler will provide even greater catch efficiency and improved product quality.

Lerøy Norway Seafoods has landing and processing facilities for whitefish caught by trawlers and the coastal fishing fleet in North Norway. The company has under-invested for many years and has had a considerable need for investments in terms of improvements to efficiency and quality at its facilities. Major investments were made in several of the company's factories in 2017. Lerøy also plans to make further substantial investments in the near future, provided that the authorities facilitate stable and predictable framework conditions.

Building new forward-looking industrial installations

In the autumn of 2017, we started the construction of the world's most modern recirculating plant for large smolt in Kjærelva, Fitjar municipality. This plant will allow us to produce high-quality smolt up to a weight of 500 grams, reducing the amount of time in the open sea. Roe will be introduced in the facility for the first time in the spring of 2018, and the first release to sea is scheduled for 2019. This facility will provide considerable improvements in the quality of smolt, improved fish health, improved production at sea and future growth in volume in the region of Hordaland.

In 2016, we made the decision to invest in a forward-looking industrial facility with high capacity for slaughtering and filleting salmon at Lerøy Midt on the island of Hitra.In developing this facility, we focused on new technology, automation, capacity, efficiency, food safety, the environment and quality. The building process has gone according to schedule and the facility will be ready to start production in May 2018.

Major activities abroad

Lerøy also has several factories in the Netherlands. Building work on Lerøy Seafood Center in Urk started in April 2017. This is a factory where the focus is on automation, quality and food safety, and it is designed for production of smoked and freshly packaged products. This will be the most modern factory in Europe and it will have the most innovative technological systems. It will represent an important part of our strategy of competing with low-cost production in East Europe and Asia. The factory will also provide significant capacity for frozen goods, acting as a central warehouse for frozen products for our other companies in Europe, and for further distribution to Asia and USA.

Focus on the consumer

For many years now, Lerøy Seafood Group has been one of the leading companies in terms of concept and product development. Our goal is for consumers to choose our seafood products rather than other proteins. We have, for example, played an important role in promoting ready meals and sushi in Europe. We currently have production facilities in Norway, Finland, France and Spain, and we are working on further developing of this concept in the market. The largest market in Europe for us is currently Spain, where we have a factory in Madrid. We have recently opened a new factory in Barcelona and just completed a factory in Valencia. "Ready meals" are products with a short shelf life and that require proximity to local markets and production. A close cooperation with the customer is also essential, keeping quality, innovation and product development at the core. I am very much looking forward to seeing how this market develops in the near future.

I am also very much looking forward to continuing work on the further development of Lerøy Seafood Group together with our employees and strategic alliance partners, in our efforts to create an even more forward-looking, efficient, competitive and sustainable value chain with the potential to create added value for all parties involved, and not least the consumer as the ultimate and most important part of the value chain. Without them, we would never be able to do what we do.

My sincere thanks to all of you for your wonderful efforts in 2017!

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

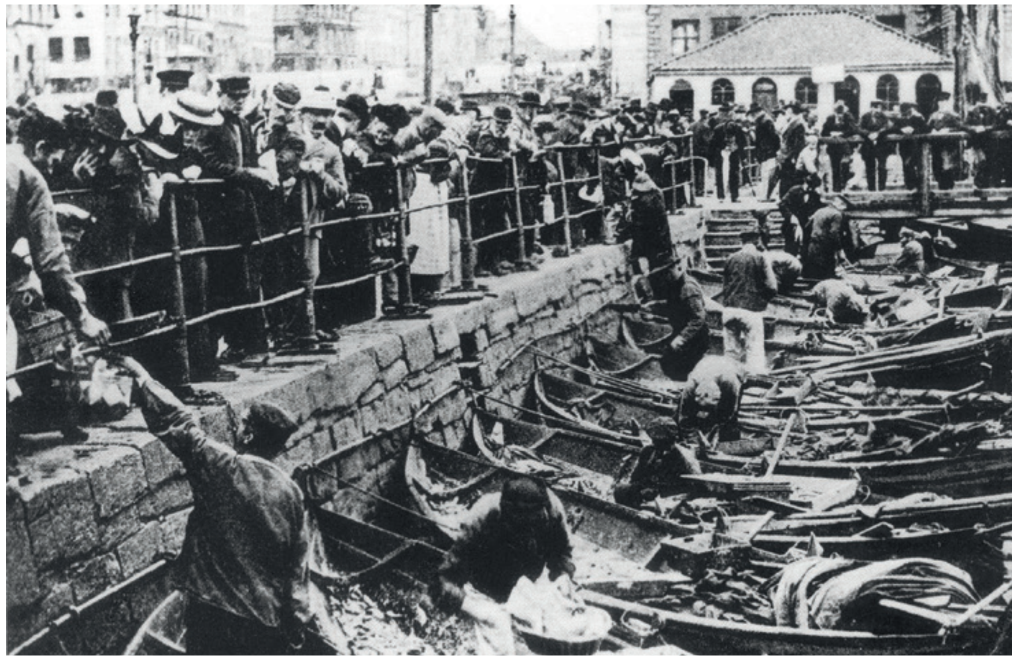
The potential for growth within fish farming in combination with increasing customer requirements necessitated a radical change in the Group's business concept and strategy. The new strategy was extremely capital intensive. Up to 1997, the Group had been a family-owned operation. In 1997, a private placing 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 undercapitalised 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



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

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 and Whitefish segment.

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.

Reaching new markets

Despite this trend, Lerøy Seafood Group has invested heavily in Norway, most recently with the development and doubling in capacity of the plant on the island of Osterøy outside Bergen in 2014.

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 on 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 full integration of whitefish into the Group's well-established value chain in 2017. Lerøy Seafood Group is now a fully integrated company, having achieved control of the entire value chain for a full range of seafood products – from the sea to the consumer.

At the start of 2018, the seafood corporation Lerøy Seafood Group has a unique position for further growth and development.

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

Preline Fishfarming System AS (R&D): Owns 91% 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

Integration of whitefish in the value chain (Wild Catch and Whitefish)

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

Leroy Processing Spain: Construction of new factories 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)

Important events in 2017

The construction and opening of new factories and production facilities and the integration of the whitefish companies, Havfisk and Norway Seafoods Group, are among the events that dominated the past year.

Integration of Havfisk and Norway Seafoods Group

After the acquisition in 2016 of 100% of the shares in Havfisk and Norway Seafoods Group, 2017 was the year when whitefish was to be integrated into the Group's well-established value chain – an exciting and demanding process. Norway Seafoods changed its name to Lerøy Norway Seafoods, and a business combination was carried out between the two companies Norway Seafoods AS and Norway Seafoods Group AS. The organisation of Lerøy Norway Seafoods' factories and the organisation of Havfisk were continued under the Wild Catch and Whitefish segment, while the two companies' sales and logistics functions were coordinated with the Group's Sales and Distribution department in Bergen.

With an integrated sales organisation, the Group has now taken an important step forward, and is set to gain an even stronger market position. The further development of existing and new markets for whitefish and improvements to logistics efficiency and synergy effects between redfish and whitefish represent significant opportunities for the Group going forwards. The Lerøy Group now has access to more than 20 percent of all cod from Norway. This affords the company a unique position, and Lerøy is now an unparalleled, fully integrated company with control of the entire value chain within both whitefish and redfish from fjord and sea to the consumer.

New production facility at Kjærelva

In May 2017, Lerøy Vest AS and Sjøtroll Havbruk AS started work on the construction of one of the world's largest RAS facilities for young fish at Kjærelva in Fitjar municipality. On completion in 2019, the building will be one of the largest and most productive young fish facilities in the world. The facility will have 12 departments, two of which are hatchery departments and 10 are RAS departments for further growth. The production facility will have the most advanced filters for water purification both for input and output water and will have close to zero discharges of nutrient salts. When the facility reaches full production in 2020, the number of employees will increase from the current seven to 25 employees at full operation. The plan is to introduce roe in the second quarter of 2018 and to have the first delivery/release to the sea from the facility in 2019. Over time, the Group has accumulated positive and comprehensive experience of this type of technology, and the investment is expected to help reduce production costs for Lerøy Sjøtroll.

New factory on Jøsnøya island

In Q4 2016, Lerøy started construction of a new factory on the island of Jøsnøya in Hitra municipality. Completion is scheduled for Q2 2018, and progress is on schedule to date. According to plans, the first fish will be harvested and processed in May 2018. The construction of this factory represents a significant investment that will boost the Group's initiative within processed products. The factory will have a high level of automation, and many of the former manual processes will now be performed by new technology. This new technology has been developed by means of a close and constructive cooperation with several key equipment suppliers. Capacity at the new Jøsnøya facility will be substantially greater than former capacity at the old plant. Capacity for fillet production will see a particular increase, allowing for greater flexibility and room for manoeuvre. As a result of the development, the company's old slaughter plant on Dolmøya island will be closed in the second quarter of 2018.

Sushi production in Spain

Lerøy Processing Spain, the Group's Sales and Distribution operation in Spain, currently operates a modern factory on the outskirts of Madrid and is a major producer of sushi. In April 2017, they opened a new factory in Barcelona and plan to open yet another factory in Valencia in February 2018. This factory will produce sushi and ready meals, such as Japanese dumplings. It will also have a separate gluten-free department for sushi. The new factory, with its 90 employees, is expected to produce between 16 to 18 million pieces of sushi in 2018. The factories in both Madrid and Barcelona were awarded "High Level" after evaluation by the International Food Standard (IFS) in 2017. This is a common standard and system used to quality-assure and select suppliers. It can be used by dealers to ensure proper food safety for the goods produced.

New factory in the Netherlands

In April 2017, work started on the construction of a new industrial building for Rodé Vis. Rodé Vis has been part of Lerøy Seafood Group since 2012. The new factory is located in Urk in the Netherlands and is the fifth new facility for the company in the town. Food safety is a central factor at the new factory, as processing lines, cutting technology and packaging lines will be fully automated. Production processes are kept separate, and there is a minimum amount of manual work. Not only is the factory closer to the European market and located close to Schiphol airport, the largest airport in Europe, it is also close to the container terminals in Rotterdam and Antwerp, in total making Urk an ideal location as a European hub for logistics. The factory is scheduled for completion at the start of 2018.

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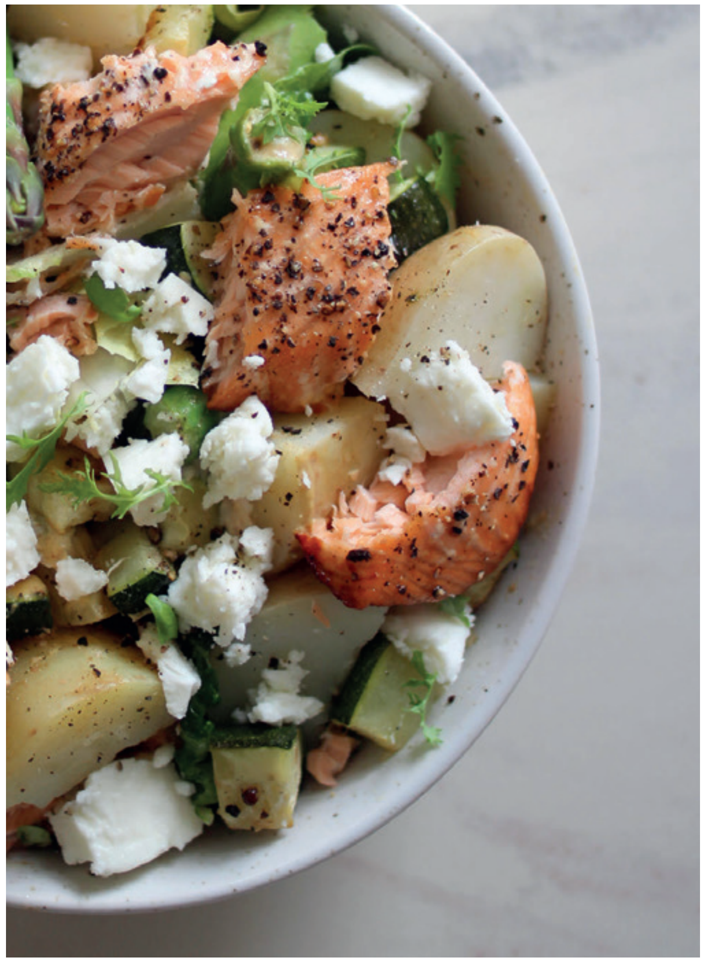
About us

Lerøy in every kitchen

Lerøy Seafood Group has a strong focus on ensuring proper management of resources in the sea, allowing for growth for the seafood industry and the continuing supply of high-quality seafood in the future.



Vision

We shall be the leading and most profitable global supplier of sustainable high-quality seafood.

Enviromental vision

Take action today – for a difference tomorrow.

Quality vision

We shall be the customer's preferred supplier of seafood by focusing on preventive action, quality, the environment and professional competency.

Our values

Business overview

With the acquisitions completed in 2016 and integration in 2017, Lerøy is now definitively the largest corporation in Norway for catches and processing of white fish. One of the world's largest seafood exporters of salmon and trout has therefore now acquired a significant international position within white fish.

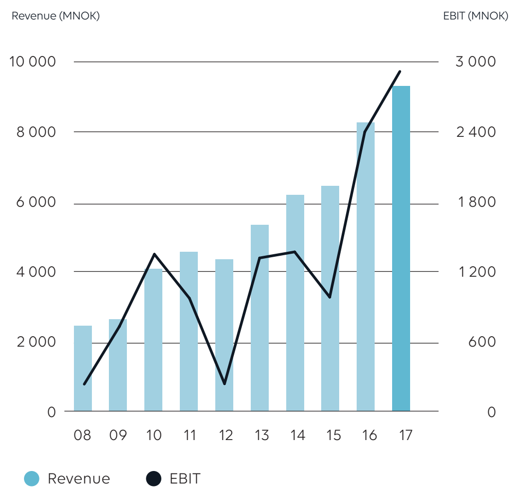
Lerøy Seafood Group has experienced significant growth both organic and through acquisitions over the past 15 years. Today, the Group is one of the world's largest producers of Atlantic salmon and trout. Subsequent to acquisitions completed in 2016, the Group is also now easily the largest corporation in Norway in terms of catches and processing of whitefish, with a significant position internationally. Lerøy Seafood Group is one of the largest seafood exporters in the world. The seafood industry is still a young industry with substantial potential for future development and growth.

The Board of Directors and management are in no doubt that previous acquisitions have created substantial value for the company and its shareholders. Future investments must also lay the foundations for sound operations and profitability. This criterion includes a special focus on management expertise and, of equal importance, the expertise within the organisation as a whole.

The Group's core activities demand various forms of expertise and a high degree of adaptability. For this reason, our organisation is made up of people with a wide range of formal backgrounds and practical experience from different sectors of trade and industry. As the Group is involved in a global industry which experiences continuous fluctuations in framework conditions, it is paramount that our employees remain up to date and expand their knowledge and areas of expertise. The Group comprises a young yet highly experienced organisation. Changes in framework conditions for the Group require employees who are dynamic, willing to learn and flexible. The Group's employees meet these requirements. Our employees' focus on competitive strengths and results is reflected in their commitment towards ensuring that the individual companies are also able to fulfil future requirements and thereby achieve the Group's strategic goals and performance requirements.

The Group's rapid development in recent years has been made possible by capable people who have found the Group to be an attractive employer. One

Development in revenue and EBIT for farming



of several important prerequisites for the Group's continued positive development is its ability to offer attractive jobs to as many talented employees as possible. The Group must maintain a strong focus on leading the competition for result-oriented and skilled personnel with a high capacity for work and change.

The growth of Lerøy Seafood Group generates ever increasing demands for business systems, risk management and capital. The Group maintains a continuous focus on developing business systems that can grow with the company and that provide a competitive advantage on the market. Risk management is key and covers all parts of the Group's operations. The Group's production companies face a substantial biological risk, and there is also substantial risk associated with the Sales and Distribution activities. The Group has a very strong focus on risk management in its daily operations, as well as by ensuring that potential acquisitions and alliances match its risk profile.

Fish farming is very capital intensive. The industry has historically been undercapitalised, with an ensuing high level of financial risk. This is not compatible with the cyclical nature of the industry. Having a healthy, flexible and sustainable source of financing has always been, and will remain, a key focus in Lerøy's strategy. Corporate management and the Board of Directors are actively involved in securing financial and structural relationships which allow the Group to achieve its long-term financial goals. The company's financial contingency planning, both present and future, will allow the Group to take part in the value-generating structural reorganisation under way in the industry.

Lerøy Seafood Group, value chain and the different segments

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 currently operated via a number of subsidiaries in Norway and abroad. In 2017, the Group reports within three segments: Farming, Wild Catch and Whitefish, and Value-added Processing, Sales and Distribution (VAPS&D). The Group views its operations as regional with a global perspective. The Group aims to be an enterprise with local roots in the locations where it operates, thereby contributing to all local communities irrespective of region and nationality.

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 companies in this segment represent a major employer along the Norwegian coastline and strive to be visible and active in all the regions in which they operate. The companies in this segment also make substantial investments along the coast of Norway, totalling approx. NOK 1.2 billion in 2017. The most significant investments made in 2017 included the construction of a new smolt facility for salmon in Kjærelva (Hordaland) and for trout in Bjørsvik (also Hordaland), and a new processing factory on the island of Hitra (Sør-Trøndelag). The segment has 1,419 employees in Norway.

The Wild Catch and Whitefish segment comprises business acquired in 2016. In 2016, the Group became the sole owner of both Havfisk ASA and Norway Seafoods Group AS. These are businesses with substantial operations within the catch and processing of whitefish in Norway. These operations are also of major importance for local communities along the coast of Norway, not only in terms of employment but also investments. The segment has 973 employees in Norway.

The Value-added Processing, Sales and Distribution segment (VAPS&D) is involved in sales, market and product development, distribution and processing. This segment's products are increasingly sold to a global market, and the Group has subsequently also made substantial investments in the development of downstream operations in the end markets. The segment has 1,469 employees, including 579 in Norway.

Farming

In order to comply with the seafood market's increasingly strict requirements in terms of traceability, food safety, product quality, cost efficiency, sustainability and continuity of supply within the Group's main areas of Atlantic salmon and trout, the Group considers it vital to be a fully integrated supplier. Control throughout the entire value chain is a key and extremely important element of the company's strategy. One of our main aims is to ensure coordinated growth in central parts of the production chain. Measures implemented to achieve this goal comprise major investments in new smolt production, including production based on recirculation technology. The Group has completed several major developments: a new facility completed in 2013 in Central Norway and a new facility in North Norway completed in 2015. In 2017 and 2018, the Group is building two smolt facilities, one for salmon and one for trout, in West Norway.

Since 2002, the Group's production of Atlantic salmon and trout has enjoyed a good development and now comprises units that in total harvested 158,000 tonnes in 2017. Production takes place in three regions in Norway: Lerøy Aurora located in Troms and Finnmark, Lerøy Midt located in Nordmøre and Trøndelag, and Lerøy Sjøtroll located in Hordaland. The Group also produces salmon in Scotland through the associate Norskott Havbruk AS. The Group owns 50% of this company, which reported a harvest volume of 31,000 tonnes of salmon in 2017. As such, the Group is one of the world's largest producers of Atlantic salmon and trout. In 2017, Lerøy expects to harvest 182,000 tonnes of salmon and trout, including Lerøy's share of the volume from Norskott Havbruk. The Group believes it has the potential to achieve further growth in volume with its existing licences.

Release from stock costs for salmon and trout have increased in recent years. More expensive feed, mainly attributed to the weaker Norwegian currency, and increased expenses for fighting salmon lice have been the most important factors in this. In 2017, biological production in the Group has seen an improvement. However, this will not be immediately evident in the release from stock costs due to the long lead time for production of salmon and trout. The lead time for production of salmon and trout is very long, so release from stock costs are up in 2017 compared to 2016, though they started to fall during the year. At the time of writing, release from stock costs are expected to be lower in 2018 than in 2017.

Improvements in biological production in Norway have resulted in an increase in the supply of salmon from Norway in the second half of 2017. This resulted in pressure on the spot prices during the second half of the year, from a very high level in the first half. Prices realised by the Group for salmon and trout combined were up 9% compared with 2016.

The combination of these factors – volume, price and costs – gave an increase in revenue for the Farming segment, from NOK 8,338 million in 2016 to NOK 9,385 million in 2017. During the same period, operating profit increased from NOK 2,419 million in 2016 to NOK 2,942 million in 2017. The operating profit per kilo produced was up from NOK 16.1 in 2016 to NOK 18.7 in 2017.

North Norway

Lerøy Aurora AS represents the backbone of production in North Norway, and the company is a fully integrated producer of Atlantic salmon. The company harvested 39,200 tonnes of Atlantic salmon in 2017, up from 30,000 tonnes in 2016.

In 2016, Lerøy Aurora had its first release of large smolt weighing over 200 grams, which would not have been possible without the major investments in the Laksefjord smolt facility. The new facility has provided Lerøy Aurora with access to more and larger high-quality smolt, thereby increasing production volumes and minimising production time at sea. Based on positive experience, the Group decided in 2017 to expand the smolt facility in Laksefjord to further increase capacity for large smolt in Lerøy Aurora.

Lerøy Aurora also has one of Norway's most modern salmon processing facilities, located on the island of Skjervøy. Not only does this facility have slaughtering capacity for its own fish, it is also a major provider of slaughtering services to other suppliers. In 2015, an investment was made in a fully automatic filleting line on Skjervøy, significantly increasing the plant's filleting capacity.

Lerøy Aurora reported a marginal increase in release from stock costs in 2017 when compared with 2016, though the company remains at an industry-leading level. At the time of writing, release from stock costs are expected to be stable in 2018.

In total, the North Norway region reported an operating margin per kilo produced of NOK 26.1 in 2017, up from NOK 24.2 in 2016. The Group is satisfied with development in Lerøy Aurora in 2017, and the investment being made in increased post-smolt capacity will allow Lerøy Aurora to continue to grow within its region in the years to come. The current estimate for harvest volume in 2018 for Lerøy Aurora is 38,000 GWT.

Central Norway

Lerøy Midt is a major producer of salmon in Central Norway and has significant processing capacity. While 2015 and 2016 were difficult years for Lerøy Midt, with a high volume of fish harvested at a lower average weight than planned, developments in 2017 have been very positive. In 2017, the company harvested 64,500 tonnes of Atlantic salmon, a significant increase from 52,200 tonnes in 2016. The Group is very satisfied with developments throughout the year and expects to see continued growth in harvest volume in 2018. The current estimate for harvest volume in 2018 is 68,000 GWT.

Release from stock costs for Lerøy Midt were marginally higher in 2017 than in 2016, but showed a substantial downwards trend towards the end of the year. At the time of writing, the Group expects significantly lower release from stock costs in 2018 when compared with 2017. For 2017, Lerøy Midt reported an operating margin per kilo produced of NOK 17.7, up from NOK 14.3 in 2016.

Construction of the Group's new processing facility for salmon on Hitra island has continued at full pace in 2017. The facility is due to be completed in the second quarter of 2018 and will be the world's most modern and efficient slaughtering and processing unit for salmon.

West Norway

Lerøy Seafood Group is mainly represented in West Norway by **Lerøy Vest AS**, a wholly owned subsidiary of **Lerøy Seafood Group**, and **Sjøtroll Havbruk AS**, in which Lerøy Seafood Group ASA owns 50.71% of the shares.

The companies operate as one unit with joint management. In 2017, Lerøy Sjøtroll reported a production volume of 54,000 tonnes of salmon and trout, down from 68,000 GWT in 2016. Around 23,000 GWT of total production volume in 2017 was trout.

The Group is not satisfied with developments in Lerøy Sjøtroll in 2017. Moreover, the company reported an urgent situation at individual sites in the autumn of 2017 involving the Autumn 16 generation of salmon. This situation had a negative effect on the harvest volume and release from stock costs, the latter being substantially higher in 2017 than in 2016. In total, the operating margin per kilo for 2017 was NOK 14.4, up from NOK 14.0 in 2016.

The Group is not satisfied with the release from stock costs and production volume reported by Lerøy Sjøtroll, and a number of measures have been implemented recently. Of these, the Group's highest expectations are for the construction of one of the world's largest RAS post-smolt facilities on the island of Fitjar. The plan is to introduce eggs to the facility in the second quarter of 2018, with the first release of smolt in 2019. Based on in-house experience, the Group expects a high yield from this investment, including the potential for considerable reductions in release from stock costs and an increased production volume for the region. Projected harvest volume for Lerøy Sjøtroll in 2018 is 63,000 GWT, of which approx. 25,000 GWT trout. The Group also currently expects to see lower release from stock costs.

Wild Catch and Whitefish

On 2 June 2016, Lerøy Seafood Group signed agreements which, when implemented, would give the Group majority ownership of both Havfisk ASA and Norway Seafoods AS. The acquisitions were implemented on 31 August 2016, providing Lerøy with 67% of the shares in Havfisk and 74% of the shares in Norway Seafoods ASA. On 16 September 2016, Lerøy issued a mandatory offer for all shares in Havfisk ASA and a voluntary offer for all the shares in Norway Seafoods AS. On 20 October of the same year, the Group reported acceptance of this offer within the expiry of the mandatory offer for Havfisk, providing Lerøy with a total shareholding in Havfisk of 96%. On 27 October 2016, Lerøy took the decision to make us of the option for compulsory acquisition of minority shareholdings, laid down in the Public Limited Companies Act (Norway), and thereby gained ownership of 100% of the shares in Havfisk ASA and Norway Seafoods AS.

	2012 GWT	2013 GWT	2014 GWT	2015 GWT	2016 GWT	2017 GWT	2018E GWT
Lerøy Aurora AS*	20 000	24 200	26 800	29 200	30 000	39 200	38 000
Lerøy Midt AS	61 900	58 900	68 300	71 400	52 200	64 500	68 000
Lerøy Sjøtroll	71 600	61 700	63 200	57 100	68 000	54 000	63 000
Total Norway	153 400	144 800	158 300	157 700	150 200	157 700	169 000
Villa Organic AS**			6 000				
Norskott Havbruk (UK)***	13 600	13 400	13 800	13 500	14 000	15 500	13 000
Total	**167 100**	**158 200**	**178 100**	**171 200**	**164 200**	**173 200**	**182 000**

*) Includes harvested volume from Villa Organic after split July 2014
**) LSG's share of Villa Organic's volume in H1 2014, not consolidated
***) LSG's share, not consolidated

In total, this represents the largest acquisition in the Group's history. As a result of the transactions, Havfisk ASA and Norway Seafoods AS were consolidated in the Group's financial statements as of 1 September 2016. In 2017, the two companies contributed NOK 386 million.

Havfisk's primary business segment is the wild catch of whitefish. At the end of the financial year, Havfisk owned 100% of the shares in Nordland Havfiske AS, 60% of the shares in Hammerfest Industrifiske AS and 97.62% of the shares in Finnmark Havfiske AS. Havfisk has had nine trawlers in operation in 2017 with 29.6 quota units for cod/haddock.

In February 2016, Havfisk signed an agreement with Vard for the construction of a new vessel to replace the Stamsund. The value of this contract is NOK 325 million. The newbuild is a combination trawler (fresh and frozen fish) with dimensions 80.4 metres x 16.7 metres. The vessel was delivered in January 2018, and the Group now has ten trawlers in operation.
Havfisk has licence rights to harvest more than 10% of the total Norwegian cod quota in the zone north of 62 degrees latitude. This represents more than 30% of the quotas allocated to the trawler fleet.

Havfisk also owns several processing plants, which are mainly leased out to Norway Seafoods Group on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these plants.

Norway Seafoods comprises a total of eight processing plants in North Norway. Five of these are leased from Havfisk AS.

In Norway, the company mainly produces fresh and frozen fillets, loins, portions and tail pieces of cod, saithe and haddock. It also produces some salted fish as well as king crab and snow crab products. Norway Seafoods is the largest purchaser of cod from the coastal fishing fleet in Norway.

With effect from 1 January 2017, Lerøy Seafood AS signed an agreement for the business transfer of sales, marketing, logistics and credit functions in Norway Seafoods. Further to this agreement, around 20 employees at the company's offices in Oslo and Ålesund have been offered positions at Lerøy Seafood AS in Bergen. In addition, Norway Seafoods' inventory of finished products has been taken over by Lerøy Seafood.

An agreement has also been signed for the sale of Norway Seafoods' business in Denmark to Seafood International A/S, a Danish seafood group. The business was sold on 9 January. Seafood International A/S subsequently changed its name to Seafood Danmark A/S, and the Group owns one third of the shares in the Danish company.

In Q1 2017, a business combination was conducted between Norway Seafoods Group AS and Norway Seafoods AS, with Norway Seafoods AS as the recipient party. Norway Seafoods AS changed its name to Lerøy Norway Seafoods. Significant changes were made in 2017 to management structure, and the CEO of Havfisk is now also the CEO of Lerøy Norway Seafoods.

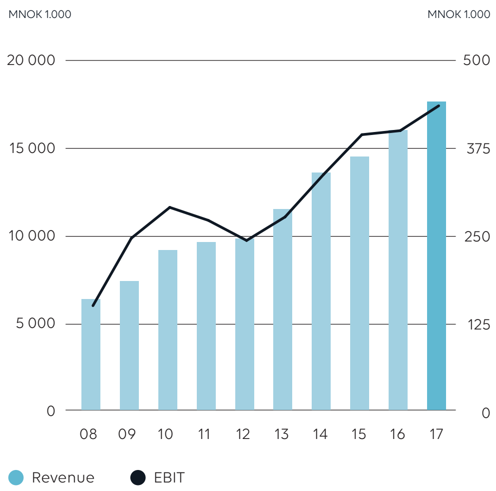
The Group has achieved substantial reductions in costs and has initiated the process of exploiting synergy effects in Lerøy Norway Seafoods. This process is in its initial stages, and much remains to be done. Industrial processing of whitefish in Norway is challenging, but the Group is confident that such operations are possible and that the challenges can be solved by means of improved marketing and more efficient operations. This process will take time, but the Group is confident there are gains to be made.

Value-added Processing, Sales and Distribution (VAPS&D)

One central aspect of Lerøy Seafood Group's strategy for growth is offering new products to new markets. This requires knowledge of and proximity to both customer and market.

Lerøy Seafood Group has a long, proud history within the sale, distribution and processing of seafood. Today, the Group sells its products to more than 70 markets worldwide and has a vast network of customers in the majority of these markets. Not only does this afford the Group unique knowledge of market trends, it also allows for significant diversification of risk.

Revenue and EBIT VAP, Sales and Distribution



At the same time, there is a clear trend among consumers, moving from preference for whole fish towards products with a higher degree of processing. In recent years, the Group has made significant investments in so-called "fish-cuts". These are factories/facilities on the end market with relatively simple processing but large volumes, and where proximity to the end customer is key. In many ways, these "fish-cuts" represent a revolution in the distribution of fresh fish. New and simple consumer-oriented packaging and short and efficient logistics chains make it possible for many more retailers to sell fresh fish. Moreover, the Group has achieved substantial development within the "ready meals" segment in 2016 and 2017 and has identified very interesting potential in this market.

The investments made have eradicated the dividing lines that existed previously between processing operations and sales and distribution. Activities within sales and distribution now increasingly comprise processing. As a result, the Group has merged the two reporting units Value-added Processing (VAP) and Sales and Distribution (S&D) into one segment from 1 January 2017.

In 2017, the segment reported revenue of NOK 17.6 billion, up from NOK 16.0 billion in 2016. The operating margin in 2017 was 2.5%, on a par with the figure reported in 2016. Operating profit for the segment was up from NOK 399 million in 2016 to NOK 435 million in 2017.

Lerøy Fossen AS is currently a dedicated salmon and trout processing company and has the largest fish-smoking facility in Norway, on the island of Osterøy outside Bergen. The company has strong local roots and a focus on quality. The company's products are sold all over the world and fit exceptionally well into Lerøy Seafood Group's marketing strategy, which calls for increasing levels of processing.

Lerøy Smøgen Seafood AB is a Swedish seafood company involved in the production of various types of smoked seafood products. It also produces and distributes seafood salads and products based on shellfish in brine. Its products are marketed in a number of countries. Lerøy Smøgen Seafood AB is an important incubator for new products in Lerøy Seafood Group ASA.

Rode Beheer B.V. Rode from the Netherlands is a leading producer of processed seafood and has a wide product range comprising smoked, marinated, freshly packaged and frozen products. Rode is extremely well positioned for supplying high-quality seafood to customers in markets such as the Benelux countries, Germany and France. In 2016, Lerøy Seafood Group gained ownership of 100% of the shares in Rode. In 2017, the company completed a state-of-the-art sales, distribution and processing unit in the Netherlands. This is expected to make significant contributions in the years to come.

Bulandet Fiskeindustri AS is a modern Norwegian company processing whitefish for the Norwegian grocery market. The facility is located in Bulandet in the region of Sogn og Fjordane. The most important raw materials are saithe, cod, cusk and ling, and the company's products play an important role in complementing the Group's product range.

Lerøy Seafood AS has the highest revenue of all the Group companies, and represents the very core of the Group's sales and logistics operations. The company changed its name from Hallvard Lerøy AS to Lerøy Seafood AS at the start of 2017.

In view of Lerøy Seafood AS' central position in the value chain, developing and maintaining its interaction with partners is a priority area. The Group's global sales network comprises Lerøy Seafood AS' sales offices in a number of countries, as well as established associates in Sweden, Finland, France, the Netherlands, Spain, Portugal and Turkey. Lerøy Seafood AS has sales offices in China, Japan, France and the USA. The sales offices and the associates therefore cover different parts of the Group's international markets. The Group's presence in central markets allows for closer follow-up of key customers and development of new customer relationships. The Group will work to establish a presence in even more markets in the years ahead.

In addition to international sales and marketing, the Group is also engaged in nationwide distribution of fresh fish to the Norwegian market via Lerøy Sjømatgruppen AS, with the Group's Norwegian wholesalers participating along with other external enterprises. This business is based upon establishing regional foundations and expertise in the region in which the customer operates. At the same time, the Group's network offers economies of scale from nationwide marketing and distribution of seafood.

Lerøy Sverige AB is the holding company for the three Swedish companies Lerøy Allt i Fisk AB, Lerøy Stockholm AB and Lerøy Nordhav AB. Lerøy Allt i Fisk AB in Gothenburg is a full-range seafood company with a particularly strong position on the Swedish catering and institutional households market. Lerøy Stockholm AB is located in Stockholm and is one of the city's largest distributors of seafood, with a particularly high level of expertise in the grocery trade.

The sales and distribution activities in France are of vital importance and currently consist of **SAS Lerøy Seafood France**, which as well as two fish-cuts, has a sales office in Boulogne.

In 2014, the Group started sales and distribution activities in Spain with the establishment of **Lerøy Processing Spain**. This company is enjoying a rapid pace of development. It not only runs a modern factory on the outskirts of Madrid, but also opened two new factories for ready meals in 2017. Developments in Spain are very exciting, and the Group is confident that it is well-positioned for sustained positive development.

Operations in Portugal are run by **Lerøy Portugal Lda**. The company enjoys a good position on the Iberian peninsula, which is a large and important market for Norwegian seafood. The company works purposefully to strengthen its position as a distributor of fresh seafood in Portugal.

Lerøy Finland OY was consolidated into Lerøy Seafood Group in 2011. Lerøy Finland OY is located in Åbo/Turku in Finland and it enjoys a strong position in the sale and distribution of seafood on its domestic market.

The Group's operations in Turkey are managed by **Leroy Turkey**. In close collaboration with Lerøy Seafood AS, the company has developed the Turkish market for Atlantic salmon. In 2015, Lerøy Seafood Group increased its ownership interest in the company from 50% to 100%.

Associates

Lerøy Seafood Group ASA has shareholdings in several associates. The largest of these are Norskott Havbruk AS, Seafood Danmark A/S and Seistar Holding AS.

Norskott Havbruk AS is 50% owned by Lerøy Seafood Group ASA and SalMar ASA respectively. Norskott Havbruk AS was set up in 2001 for the sole purpose of acquiring the company currently named Scottish Sea Farms Ltd. (SSF). SSF is the second-largest fish farming company in Scotland with a harvest volume of 31,000 tonnes of salmon in 2017. SSF produces smolt, mainly to meet its own requirements. The company runs two modern land-based plants for processing salmon on the Scottish mainland and in the Shetland Islands. The company works continually to consolidate its position as the leading and most cost-efficient producer of high-quality Atlantic salmon within the EU. The company is already well positioned in several market segments with a focus on high quality, for instance under the respected brand name Label Rouge. The company expects to harvest 26,000 tonnes of salmon in 2018. SSF has significant potential for organic growth in the years to come and aims to achieve an annual harvest volume of between 35,000 and 40,000 tonnes from existing licences. To ensure such a high volume, the company is currently making major investments in smolt production.

In 2015, the Group acquired a 50% ownership interest in **Seistar Holding AS**, a shipping company involved in well boats. Seistar Holding AS supplies well boat services to companies in West Norway.

The company took delivery of a new, large well boat in 2016, which will play an important role in the Group's farming operations in Hordaland.

For some time now, the Group has had a working relationship with Brdr. Schlie in Denmark. In 2013, the parties entered into a joint venture and founded Lerøy Schlie A/S, with a 50% stake each. At the start of 2017, Lerøy sold its shares in Lerøy Schlie A/S and Norway Seafoods Group's operations in Denmark to Seafood International A/S. Seafood International A/S later changed its name to **Seafood Danmark A/S**, and the Group owns one third of the shares in the Danish company. In recent years, Norway Seafoods Group's activities in Denmark have been very challenging, but developments for the Danish companies in 2017 have been positive.

Lerøy Seafood Group structure

Lerøy Seafood Group ASA

- Farming
- Wild Catch and Whitefish
- VAP, Sales and Distribution

Significant associated companies

Farming

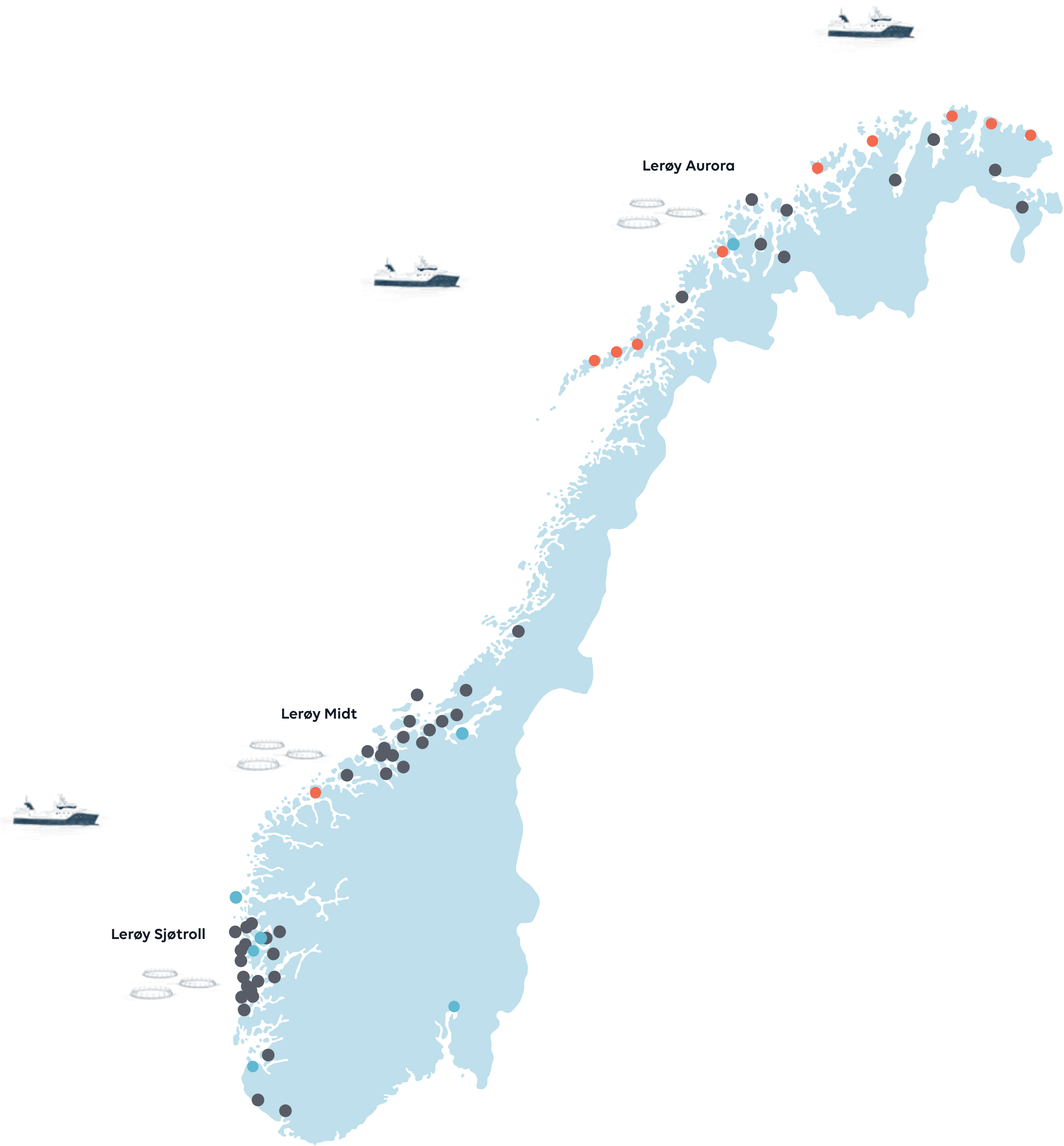
- Norskott Havbruk AS
- Seistar Holding AS

VAP, Sales and Distribution

- Seafood Danmark AS

Local roots, global perspective

Every day, over 4,000 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 and Whitefish

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 ten 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, Ole Mikkel Lerøen, 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, trout, 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 and Whitefish
— Value added products (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 and Whitefish

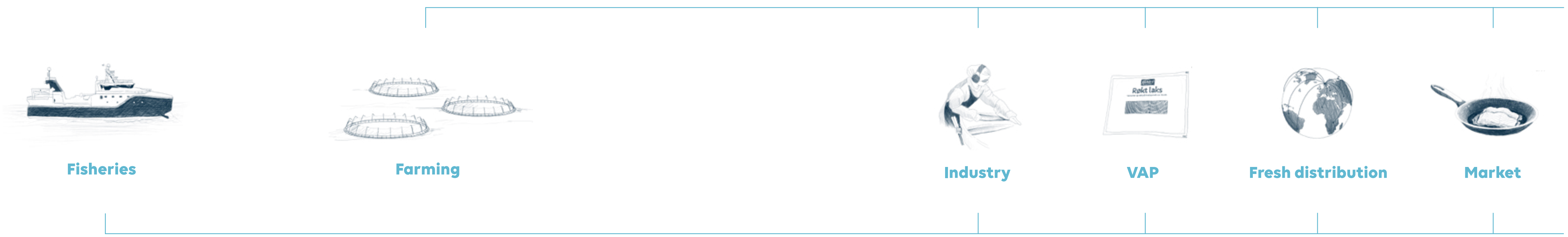
The Wild Catch and Whitefish segment comprises businesses acquired in 2016, when Lerøy Seafood Group became the sole owner of both Havfisk AS and Norway Seafoods Group AS. These are businesses with substantial operations in the catching and processing of whitefish in Norway. Havfisk currently has ten 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.

Value added products (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 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 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,
EVP Farming
Lerøy Seafood Group

Sjur S. Malm,
CFO
Lerøy Seafood Group

Webjørn Barstad
EVP Wild Catch and Whitefish
LerøySeafood Group

Corporate social responsibility

Ripple effects for society in 2017 in Norway

All amounts in NOK 1,000

8 969 304*
value generation

1 280 000
taxes

4 298
Jobs

1 215
Places in nursing homes

7 186
Children i municipal kindergardens

*Subject to prevailing market prices

Economic value generation and distribution per sector in 2017 in Norway

All amounts in NOK 1,000

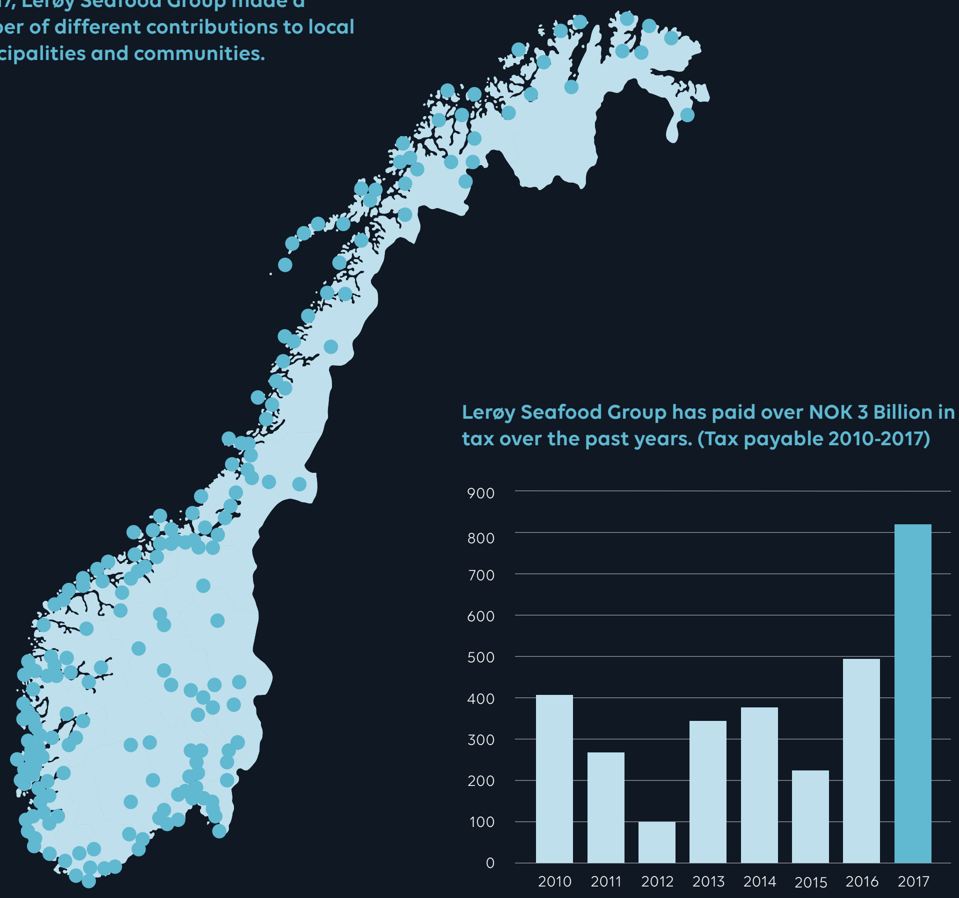
From customers
17 011 529 NOK

LERØY

To employees	To suppliers	To the public sector	To financial institutions	To owners
1 829 741 NOK	12 488 176 NOK	927 062 NOK	180 025 NOK	834 149 NOK
Total payments to employees	Purchase of commodities and operating assets	Tax payable and employer's contribution		Dividend payments to owners

In 2017, Lerøy Seafood Group made a number of different contributions to local municipalities and communities.

Lerøy Seafood Group has paid over NOK 3 Billion in tax over the past years. (Tax payable 2010-2017)



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

NOK 12.5 billion
We purchased goods and services amounting to NOK 12.5 billion from 287 different Norwegian municipalities

NOK 460 million
Our employees paid tax income to 257 different Norwegian municipalities with a total value of NOK 460 million

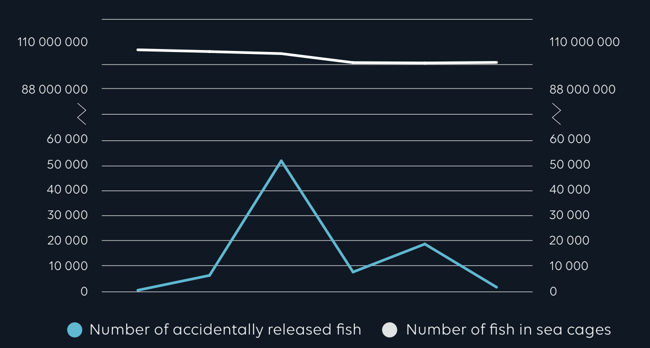
Key figures

Environment

Accidental release

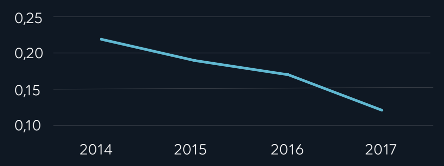
Accidental release from fish farms in Norway in 2017 was very low. The Group can in fact report a record low number of accidentally released fish. The reduction from 2016 to 2017 was in total 93%.

Number of accidentally released fish per year, salmon and trout



Lice

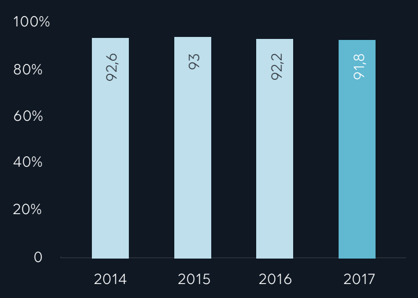
Trend curve for development of fully grown lice per fish



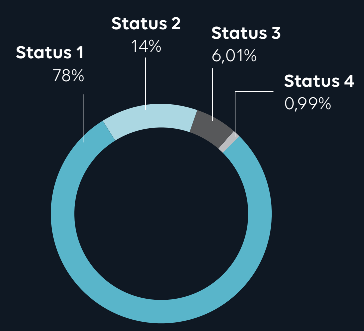
In comparison with 2016, we recorded:

- a reduction of 29.4% in the average number of fully grown lice per fish
- a reduction of 51% in the use of active agents for treatment
- a reduction of 19.8 % in the number of cages that required treatment

Survival, rolling 12 month (GSI)%



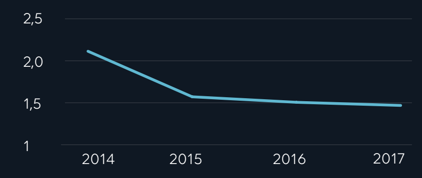
Location status



0 antibiotics have been used to treat fish i 2017:

The use of antibiotics is almost at zero in the Norwegian fish farming industry. No antibiotics were used by Lerøy Seafood Group in 2017.

FIFO fish oil

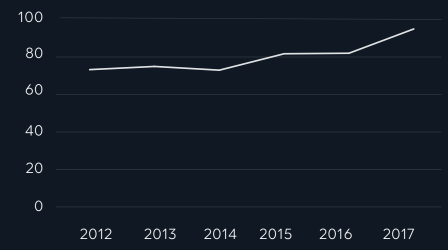


CO_2e emissions

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

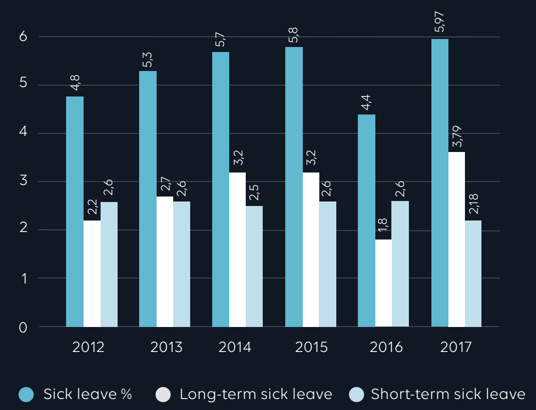
The Wild Catch and Whitefish segment had its first full calendar year with LSG in 2017: Emissions from this segment in 2017 were: 0.620 tonnes of CO_2e / tonne seafood

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

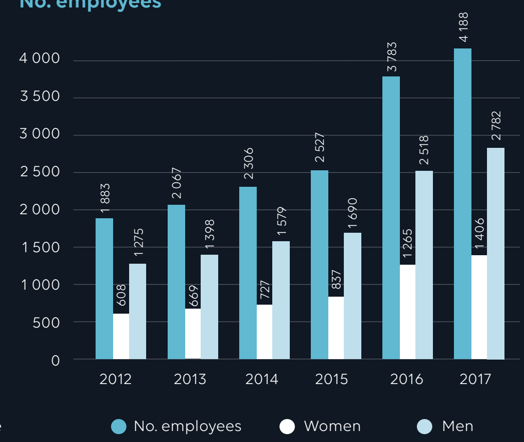


Society

Sick leave



No. employees



Ethics and social responsibility

Lerøy's main activities take place in Norway, but we trade with numerous countries worldwide. It is therefore important for us to ensure that all our activities comply with our set of values.

Lerøy Seafood Group is a corporation involved in global business and working relationships with suppliers and subcontractors worldwide.

In order to safeguard all our activities, we have prepared a set of values that apply to us and our partners in our daily work. Our ethical code of conduct has been reviewed by the Board of Directors and implemented in every Group company. The Group is responsible for ensuring the ethical code of conduct is put into practice, but each employee also bears an individual responsibility to follow the code of conduct when carrying out tasks for the Group. The company management is responsible for ensuring full practice of and compliance with the ethical code of conduct.

Key words for the contents of the ethical code of conduct:
— Ethical requirements for suppliers and subcontractors
— Requirements on regulation of working conditions for employees
— The rights of the company's employees, and employees of suppliers and subcontractors
— Factors related to HSE
— Forced labour/discrimination
— Exploitation of resources and impact on local environment
— Corruption
— Notification of censurable conditions
— Ethical guides for employees representing the company outside the workplace

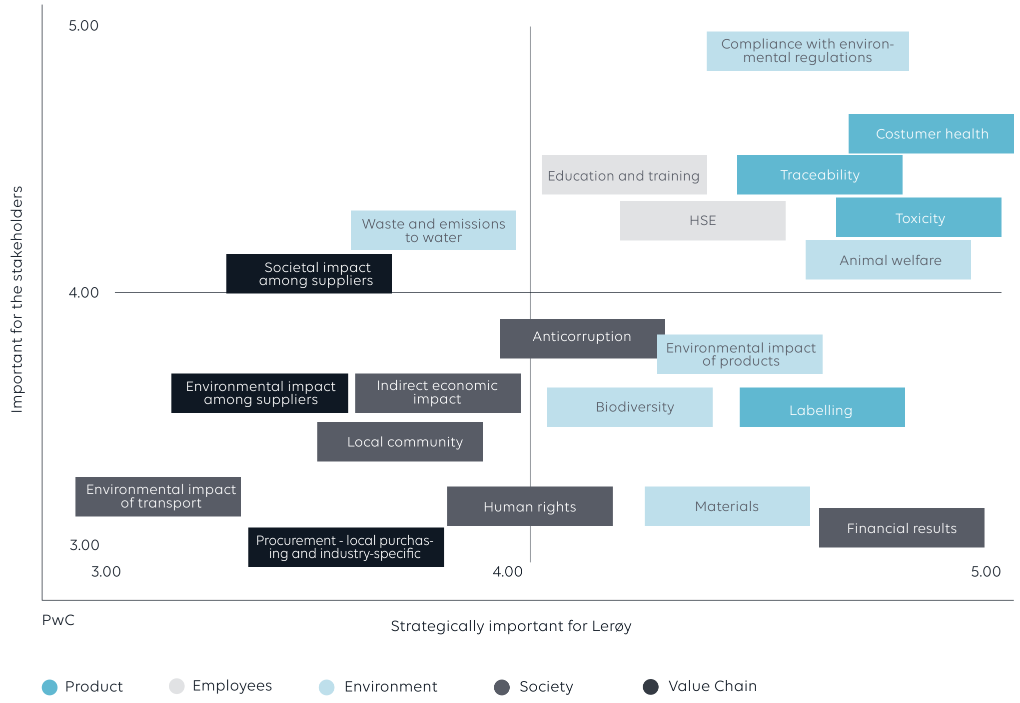
Lerøy Seafood Group has an international working environment. A number of our employees are from other countries, and several of our companies have a multinational workforce. Some of our companies are located close to local refugee centres. By employing residents at such centres, we make an important contribution to successful integration in the local community. A number of the people who live in such centres work at our facilities for short or longer periods of time. They contribute towards value creation and gain valuable experience of working life in Norway.

Companies in the Lerøy Seafood Group work closely with employee representatives. This is based on a close working relationship between local representatives and local management at each company. This cooperation is also very much evident at the core of the Group, where the corporate management and a working committee representing the majority of trade unionists exchange information and discuss shared challenges and opportunities, both at regular intervals and when required. If necessary, formal discussions and negotiations are conducted.

Norwegian fisheries and the fish farming industry have been of great importance for Norway as a nation for past generations and will continue to be so in the future. The coast of Norway and its coastal communities would not be the same without the fisheries and the fish farming industry. What many do not realise, however, is the importance of this industry for other municipalities in Norway. For every full-time equivalent within the fisheries and fish farming industry, 1.1 full-time equivalents are created in other industries nationwide. Local communities, previously facing the threat of rural depopulation, can now face the future with optimism. New jobs are being created not only in the fisheries and fish farming industry, but also in local

Result of materiality analysis

Overview of the most important target areas



and national businesses that supply products to our industry. Several municipalities are dependent upon the activity and jobs that are created and sustained with the help of the fisheries and fish farming industry. Local kindergartens and schools require teachers and personnel. New roads are built and new technology developed – to mention only a few major factors.

Lerøy Seafood Group reports according to the Global Reporting Initiative (GRI). This report can be downloaded from the company's website, www.lsg.no. As a corporation, Lerøy Seafood Group has decided to support various activities related to children and young people in local communities. Diet, health and healthy eating are important elements in our efforts to help children and young people, and are essential for young people if they want to achieve their goals. We are therefore always happy to see children and young people enjoying healthy seafood at different events.

Lerøy Seafood Group is fully committed to developing the local communities where the Group's different facilities are located, and aims to generate increased earnings for these communities by purchasing

Stakeholders

2017

— Revenue: 18 623 515 (1,000 NOK)
— Pre-tax profit: 2 093 467 (1,000 NOK)
— Purchasing, excl. intragroup, in Norway: NOK 12.5 billion
— Purchasing in Norway from 5,246 different suppliers
— Purchasing from suppliers in Norway in 287 different municipalities
— Tax payments by employees in Norway: NOK 460 million
— Total tax payments: NOK 819,9 million
— Tax payments to 257 different municipalities in Norway
— 4,298 full-time equivalents in Norway
— Generates 5,157 full-time equivalents in other industries
— NOK 1,280 million paid by the Group and its employees in Norway in taxes and duties
— 1,215 places in nursing homes and 7,186 children in municipal kindergartens

local goods, equipment and services wherever possible. Lerøy Seafood Group's companies in Norway purchased goods, equipment and services totalling NOK 12.5 billion in 2017. The figures show that the Group purchased these goods, equipment and services from 287 different municipalities in Norway. In 2017, the Group had facilities located in close to 60 different Norwegian municipalities. Our employees contributed NOK 460 million in income tax to 257 different municipalities. Based on our activities over the past eight years, Lerøy Seafood Group has in total contributed more than NOK 3 billion in tax. As such, we make an important contribution towards sustaining a number of local communities and workplaces in many different parts of Norway.

When measured in terms of value creation per full-time equivalent, the individual businesses made the following contributions in 2014*:

— Fishing and catches NOK 1,082 million per full-time equivalent
— Aquaculture NOK 2,663 million per full-time equivalent
— Fish processing NOK 1,103 million per full-time equivalent

When transferred to Lerøy Seafood Group in Norway, this will provide the following value creation:

Lerøy Seafood Group Norway	No. full-time equivalents Lerøy Seafood Group 2017	Provides following value creation in other industries
Fisheries	1,220	1,320
Farming	1,200	3,195,06
Fish processing	1,878	2,071,43

As a corporation, Lerøy Seafood Group has decided to support various activities related to children and young people in local communities. Diet, health and healthy eating are important elements in our efforts to help children and young people, and are essential for young people if they want to achieve their goals. We are therefore always happy to see children and young people enjoying healthy seafood at different events.

UN sustainable development goals

The UN has adopted 17 global goals for sustainable development to transform the world over the next 15 years. The new goals for sustainable development encompass the environment, economy and social development all within the same context.

— End extreme poverty
— Eliminate social inequality
— Combat climate change and its impacts

All the 193 UN nations have participated in compiling the goals. Lerøy has chosen to adopt some of these 17 goals. The goals we have selected are those most relevant to our processes, but we also have other goals that are closely associated with some of the other UN goals. Internal goals are established for these areas in our underlying companies.

2 Zero hunger
Deliver seafood
Develop new products
Developing new products based on new species

3 Good health and well-being
Redusere salt in products
Promote consumption of seafood amongst the population
Targeting children and young adults in order to provide inspiration for a healthy lifestyle and physical activity

8 Decent work and economic growth
Proper working conditons for workers/ suppliers / subcontractors
Promote lasting, inclusive and substainable economical growth, as well as employment

12 Responsible consumption and production
Reduse food waste
Developing new packaging sulotions
Ensure substainable consumption and production patterns

13 Climate action
Reduce our CO_2 emissions

14 Life below water
Protect the ocean environment
Reduce plastic in the sea
Keep to quotas
Maintain biodiversity within operations

17 Partnerships for the goals
Collaborate with different stakeholders to achieve sustainability goals

Our brands

Lerøy has several well-known brands in the company's product range and a number of different products based on white and red fish. Our brands are available both in Norway and abroad, and we work continuously to develop and optimise our products so that we can meet the market demand for delicious seafood.

Lerøy

Lerøy's history dates back to 1899 when the fisherman-farmer Ole Mikkel Lerøen started selling live fish at the fish market in Bergen. Over time, Ole Mikkel expanded activities to include retail sales in Bergen, the sale of live shellfish and a budding export business. This pioneering spirit remains the very foundations on which we base all the products we supply and produce for markets in many different parts of the world.

Norway Seafoods

Norway Seafoods is our quality brand for sustainable whitefish caught in the wild – and sourced from the Arctic seas in the north. More than 1,700 fishers, working from the smallest smacks to the largest trawlers, deliver their catches every day to our packaging plants north of the Arctic Circle. The very best raw ingredients are picked, processed and packaged, then distributed to markets worldwide.

Aurora

We produce our salmon in fjords surrounded by the magnificent scenery of North Norway with its spectacular Northern Lights. This unique product is extremely popular among the best sushi chefs in Japan, served as top-quality sushi and sashimi. The long, light summer nights in North Norway, with the rays of the midnight sun and the short winter days when the flamboyant Aurora Borealis dance over the skies – these all leave their mark on our Aurora fish. Aurora Salmon has become a highly recognised brand in Japan as the best salmon for sushi.

Fjordtrout

Our trout, which are hatched and farmed in the deep fjords that lie nestled among the enchanting high mountains of West Norway, are in demand all over the world. The tale of Lerøy and this fjord trout starts way back in 1899, when the young Ole Mikkel Lerøen would row the long journey, time after time, to sell his fresh fish at the fish market in Bergen. Fjord trout has a unique, deep red-coloured flesh and is both tender yet firm, with a delicate and fresh flavour.

Arctic Supreme

A blend of passionate commitment and burning interest with more than 140 years of traditional craftsmanship allows us to serve first-class fish. Arctic Supreme is a quality brand for a special selection of whitefish products. These products are developed together with and fished by the most highly skilled fishermen along the coast of North Norway – hand-picked because they know how to deliver the highest quality fresh fish and, not least, because they share our passion for fish.

Fosen

The popular Osterfjord trout has been produced for generations on the island of Osterøy, at the very gateway to the famous fjords of West Norway. Our facility on the island of Osterøy produces an extensive range of hot-smoked, cold-smoked and marinated trout products. Lerøy Fossen's smoked trout is one of the most popular products from this cornerstone company – and we can reveal that the smoking process, which uses black elder, is based on traditions that date back more than 200 years.

Sea Eagle

Based on 65 years of experience and developments, the Sea Eagle brand is recognised for its high-quality seafood products. The brand is particularly well-known for one of the finest smoked salmon products currently sold worldwide, and this is complemented by an extensive range of other Norwegian seafood products. Our Sea Eagle brand has always been acknowledged for its superior products, based on the successful combination of traditional handicrafts with modern production.

Lerøy was the first to ...

Load a charter plane full of salmon bound for Japan

Did you know that Japan did not use salmon for sushi until the mid-1980s? In 1995, the first of a total thousand charter planes set off for Japan, fully loaded with Norwegian salmon, which is now one of the most sought-after products in the world. In 2017, Lerøy sent 9,000 tonnes of fresh salmon and salmon fillet and 1,250 tonnes of fresh trout to Japan. Lerøy supplies 25 out of every 100 salmon delivered to Japan.

Sushi is also on trend in Norway and elsewhere in Europe. Lerøy produces more than 40,000,000 pieces of sushi every year.

Distribution of fresh seafood in Norway

In 2006, Lerøy was selected as the main supplier to NorgesGruppen and Meny. This resulted in a profitable cooperation and – with a focus on control, quality and efficient distribution – it allowed Lerøy to supply high-quality, fresh fish to an increasing number of consumers.

As part of the cooperation, regional wholesalers formed a network that was named Sjømatgruppen. This network is now a nationwide supplier to the major customer groups, such as hotels, canteens and the public sector, but also to small and larger fish counters in grocery stores nationwide.

This is an example of how Lerøy continuously works to provide a wide range of seafood to all consumers, and to supply top quality fish to both restaurants and the tiniest, local stores.

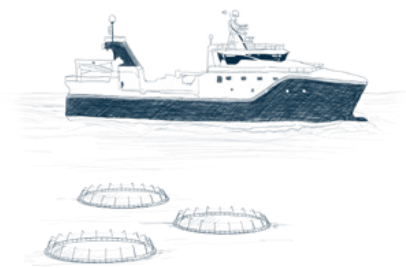
Total ban on the use of chitin inhibitors

Chitin inhibitors have been used for a number of years as a form of medication for fish in cages. These substances have been approved by Norwegian authorities and are still in use in the fish farming industry. However, the Directorate of Fisheries has laid down restrictions on the use due to suspicions that some combinations of chitin inhibitors can harm certain species during ecdysis. To date, there is no documentation to show that use is harmful, but Lerøy Seafood Group has chosen to take a precautionary approach and has therefore eliminated use of these substances.

Fully integrated supplier of red and whitefish

With the acquisition of Norway Seafoods and Havfisk in 2016, Lerøy became a fully integrated supplier of red and whitefish.Havfisk, with ten trawlers, is the largest trawler operator in Norway, fishing mainly for cod, haddock and saithe. Lerøy Norway Seafoods has more than 130 years of experience in the whitefish industry and receives fish from 1,700 local fishermen. Their deliveries in total are equivalent to 200 million fish meals per year.

Lerøy Seafood Group is therefore no longer merely the world's second largest producer of trout and salmon but is now a seafood corporation. This affords the Group much more control of the entire value chain, from sea to plate, and a new and unique position, not just in Norway, but worldwide.



Defrosting using radio waves

Lerøy's filleting facility in Stamsund in Lofoten is currently testing a technological innovation for fillet production. Imagine a microwave oven similar to the one most of us have at home, where you can quickly defrost or heat frozen food, so it is ready to eat. At Stamsund, they are now testing radio waves to defrost fish prior to production. The radio waves are longer and as such less intense than microwaves and can be used to defrost gutted fish without heads in blocks of 48 kg from completely frozen to a temperature of minus 2-3 degrees in just under 90 minutes. This is most probably the first time this has ever been achieved with blocks of fish.

It is common knowledge that Lofoten is the home of cod. The seas around Lofoten are where the cod come every year in the winter to spawn the next generation. The winter cod season in Lofoten is from February to April, and fishing is intense during this period. However, fish processing plants require delivery of raw materials all year around. By freezing fish just hours after they have been caught, the fish remain completely fresh, and with modern defrosting technology, Stamsund can produce using fresh fish all year around.

Fish farms with ASC certificates

Lerøy Seafood Group has taken part in the development of the ASC standard since 2004 and it was the first company worldwide to achieve chain of custody for their sales, distribution and processing, which also includes smoking fish. Lerøy now makes weekly supplies of salmon with ASC certificates from Norway all year round. ASC certification is an integral part of Lerøy's business development and the Group continues to gain certification for an increasing number of facilities.

The ASC salmon standard is the strictest standard for responsible fish farming and requires a much higher level of inspection than ever before. The process for certification involves an independent third party and a number of standard requirements for factors such as feed and traceability.

Packaging fresh fish in aluminium trays in Norway

In 2007, Lerøy introduced a new range of products that make it much easier to have fresh fish fillets for dinner – fresh fish in aluminium trays that can go straight into the oven. The product was naturally called "Rett i Ovnen" or "Oven ready" and was set to revolutionise consumption of salmon. This new product was so successful that Lerøy Seafood still supplies their finest salmon, cod and catfish fillets in these recyclable trays. What started out as just a good idea has now become the standard form of packaging for fresh fillets sold in Norway today.

In 2017, Lerøy developed the "Til Låns" campaign together with Norsk Gjenvinning. The name of the campaign translates as "on loan", and it showed the general public that the aluminium trays could be recycled almost perpetually if they were deposited in the recycling station for metal and glass. If all the aluminium trays used by Lerøy every year in production are recycled, they could be used to manufacture 6,000 bicycles and would provide a reduction in our ecological footprint.

Several species in one location

In 2014, Ocean Forest was established as a cooperative project with the environmental association Bellona. Ocean Forest cultivates kelp and mussels to absorb phosphorous, nitrogen and CO_2 from fish in fish farms.

IMTA stands for Integrated Multi-Trophic Aquaculture, which in practice means cultivating several species in one location. Ocean Forest also cultivates macroalgae in the same localities as salmon farms, and Lerøy was one of the very first companies in Norway to do so.

The success stories

Norwegian seafood is safe and delicious and has gained a high reputation worldwide – from the tiniest province in the Netherlands to the bustling cities of Japan.

1

Major investment in a small town

Rodé Vis in Urk in the Netherlands, a subsidiary of the Norwegian Lerøy Group, plans to open their fifth processing unit in 2018 – Lerøy Seafood Center. With their major focus on food safety and sustainability, the company is well prepared for the future.

The new facility, also located in Urk, provides 11,000 m2 extra production space and will help double annual production from 15,000 tonnes to 30,000 tonnes. There will be a lot more new technology in the new facility, and a good deal of production will be automated.

"We are increasing our focus on food safety, and this facility is a huge step for us. We are confident it will consolidate the success we have already achieved," says CEO Tjeerd Hoekstra.

"Born with fish scales on your body"

Unless you are an expert on the Netherlands, you most probably haven't heard about Urk. This former island is a municipality in the Dutch province of Flevoland, and it became part of the mainland when the area around the island was reclaimed. Urk is home to a population just over 20,000 and it has centuries of history as a site for fishing and seafood. The locals themselves say that this is a place where you are practically "born with fish scales on your body".

Importer of Norwegian salmon

At the end of the 1980s, Urk was a natural location for a fish processing facility. The town imported Norwegian salmon from suppliers such as Lerøy, processed and smoked the fish then distributed it internationally. The result was delicate, high-end products, and the company experienced continuous growth and a substantial improvement in economy from 2000 to 2010. In 2012, the fish processing company Rodé was acquired by Lerøy Seafoods – a natural step for both companies.

"This was a simple and logical choice for us. Having a partner that produces our raw materials provides us with security and continuity of supply in terms of both price and high-quality products," explains Tjeerd Hoekstra.

2

Aurora Salmon preferred by Japanese sushi chefs

A unique market requires a unique product. This is how Aurora Salmon was created for Japan.

For more than a decade, Lerøy has produced a completely unique product for the Japanese sushi and sashimi market. This is Aurora Salmon, a special salmon produced according to specifications established in cooperation with long-term partners in Japan. The fish are farmed only in Lerøy Aurora's localities in the region of Troms.

Swimming under the Aurora Borealis and midnight sun

Aurora Salmon are farmed in clear Arctic waters and with vast seasonal variations, comprising the dark season, the Northern Lights and the midnight sun. The fish were carefully selected by Japanese seafood experts on visits to Norway, with the aim of finding the best salmon in the world.

After harvesting, the salmon are transported by Finnair in Helsinki to Tokyo as quickly as possible. Osaka and Nagoya in Japan. The total transport time from the Norwegian coast to the Japanese consumer is only 36 hours.

Perfect for sushi

Demand is substantial, and the volume has continuously increased since the product was launched. Today, 25 of every 100 salmon exported to the home of sushi come from Lerøy, and 16 of these are Aurora Salmon.

The product is popular with the country's most highly recognised sushi chefs and it has a reputation as a top-class raw ingredient.

3

Integrated parasite control

In 2017, the Group had zero utilisation of antibiotics and the use of medicines to treat salmon lice remains low.

Lerøy has achieved this with the implementation of the "integrated parasite control" concept. This involves a number of measures applied in rotation, preventing the salmon lice from adapting to specific measures. The measures comprise e.g. monitoring, action thresholds, structural, mechanical and biological measures and treatment.

Biological measures that work

"Salmon lice have an evolutionary advantage due to their short life cycle, which makes them very adaptable. Our response to this challenge is to rotate different control measures," explains Bjarne Reinert, Director of Fish Health at Lerøy Seafood Group. He goes on to explain:

"If we only apply one method at a time, the parasites are able to develop resistance. This is a common problem within parasite control. As a result, some methods lose their impact over time. The increase in capacity of medicine-free measures and the increased impact of what we refer to as biological measures, such as the use of cleaner fish, are partly behind the reduction in the use of medication in recent years."

"We believe and are confident that salmon lice are best controlled by using a number of different control measures. Efficient and safe medicines will continue to play a role in a future strategy, but we work hard to ensure that the use of medicines is justifiable in terms of food safety, fish welfare, the environment, resistance and economy," confirms Bjarne Reinert.

4

Nationwide employment

Lerøy Seafood Group is an important contributor to social development.

Norway is the second largest seafood exporter in the world after China, and Lerøy Seafood Group is also the second largest seafood group within salmon and trout production. From our relatively small, long and narrow country, Lerøy's products are distributed to 80 different countries worldwide – totalling 5 million seafood meals every day.

At the same time, the Group continues to purchase large volumes of products, equipment and services locally, where possible. In 2015 alone, the Group's procurement from local suppliers in Norway totalled almost NOK 12 billion, distributed across 5,269 companies in 28 different municipalities.

Ripple effects to other industries

A large company needs a lot of employees – more specifically, 4,000 employees working for our companies in more than 60 municipalities. Every full-time equivalent in the fishery and fish farming industry generates 1.1 full-time equivalent in another industry. These may be jobs within transport, building and construction, local tradesmen and research.

Tax payments of NOK 500 million

In 2016, Lerøy's employees paid almost NOK 500 million in tax to municipalities and the Government, and the Group paid a total of more than NOK 500 million in tax and employer's contribution.

This was also the year when Lerøy Seafood Group acquired Havfisk ASA and Norway Seafoods Group AS, thereby expanding activities into whitefish and achieving a position as a fully integrated corporation with control of the entire value chain.

52—67

Sustainability

New feed allows for more sustainable fish farming

Lerøy is taking part in the development of a new and improved fish feed in order to ensure sustainable production of salmon and trout. The fish oil previously used is now being partly replaced by microalgae that has a high Omega 3 content.

This reduces the volume of fish oil used in feed for salmon and trout, while retaining the high content of Omega 3 DHA – an ingredient both the fish and us as consumers need in adequate volumes. EPA and DHA are marine essential fatty acids not produced by the body but that have to be taken as food. EPA is of particular importance for the immune system and DHA for the brain.

Lerøy a pioneer. Wild salmon and trout eat a lot of fish, and the feed used for fish farming contains fish oil. Today, fish oil is the only natural source of the important EPA and DHA fatty acids, but fish oil supplies are expected to decrease in the future.

Lerøy is therefore pioneering efforts to find new methods of ensuring that farmed salmon and trout obtain a sufficient amount of EPA and DHA. This is achieved by replacing part of the fish oil used in the feed with a type of microalgae that also has a high content of Omega 3 DHA.

The use of this algae increases the ratio of Omega 3 DHA in seafood, provides for even more sustainable fish farming and reduces the use of wild caught fish.

Need for innovation. The new feed series has been developed in close cooperation with one of Lerøy's feed manufacturers and the actual manufacturer of the microalgae. Lerøy is the first fish farming company to utilise such large volumes of microalgae. This is a clear indication of Lerøy's commitment to sustainability, in terms of both management of the wild fish stocks utilised to produce fish oil and in relation to fish health and human health.

"We know that our customers worldwide are looking for healthy products that are produced sustainably. It is important for us to be at the forefront when it comes to new opportunities for sustainable ingredients, and we need new raw materials if we are to meet demand for healthy seafood," explains Henning Beltestad, CEO of Lerøy Seafood Group.

This measure also helps reduce the Group's reliance on marine ingredients for feed.

> "We know that our customers worldwide are looking for healthy products that are produced sustainably. Lerøy has been at the forefront when it comes to new opportunities for sustainable ingredients, and we need new raw materials if we are to meet demand for healthy seafood."
>
> HENNING BELTESTAD, KONSERNSJEF I LERØY SEAFOOD GROUP.

Cultivated on land. The algae in the new fish feed used by Lerøy is produced in São Paulo in Brazil.

They are based on a species of algae discovered in the mangrove swamps in Florida. Although the species can be found in marine environments, it is now cultivated on land in closed fermentation tanks similar to those used to ferment beer.

Since September 2016, Lerøy's salmon have consumed more than 40,000 tonnes of feed containing the new microalgae. With effect from May 2017, the feed was implemented for all production of salmon weighing more than one kilogram.

Facts

IMPROVED FISH FEED

Lerøy has developed a new and more sustainable fish feed eed in close collaboration with partners.

- The fish oil previously used is now being partly replaced by microalgae that has a high Omega 3 content.
- In 2017, the feed was used for production of salmon weighing more than one kilogram.
- Introducing this algae to feed has increased the volume of Omega 3 in seafood.

Part of the fish oil in feed have now been replaced with microalgae with a high Omega 3 content in order to ensure sustainable production of salmon and trout.

Preline – fish farm designed for the future

The purpose of a self-contained, floating fish farm is to optimise conditions for the fish during their first months in the sea. This provides better conditions for growth, improved welfare and protection against disease and salmon lice.

New developments in fish farming are taking place in Sagen, Hordaland. This is the site of the first Preline facility, which is already reporting good results. This means the start of fish farms with even better conditions for growth, good protection against disease and salmon lice – and no accidental release. The idea and the philosophy are to provide the smolt – the young fish moved from fresh water to a marine environment – conditions that are as perfect as possible during the first five to six months in the sea.

The results provided by the prototype are so good that a new facility double the size of the first one is already being planned.

The new technology involved will also allow use of areas currently not suited for fish farming and make these valuable areas for producing food at sea.

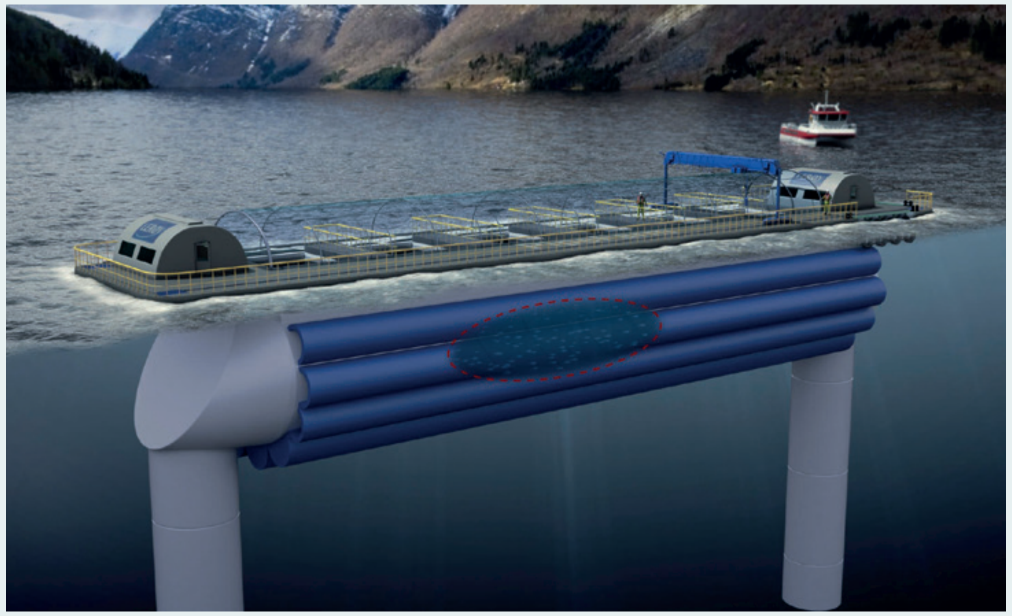
"The principle and concept have proved very successful. The experience we have gained with the prototype established in 2015 is that both the idea behind the biological factors and the technological equipment both work," explains Harald Sveier, Chairmain of the board for the Preline project and Technical Director at Lerøy.

In practice, this means that Lerøy has had a steep learning curve. A lot of the technical equipment on the prototype has been modified and upgraded during the test period. Harald Sveier also explains that experience shows good fish welfare and low mortality.

"The fish that start the cycle in the Preline facility have good growth and have become very strong by the time they are moved to ordinary cages for continued growth. The number of lice treatments for this fish, after they have been transferred to open cages, is down by a total of 90 percent. We are very happy with this figure," confirms Harald Sveier, underlining that this demonstrates the importance of farming fish that are as robust as possible.

Optimised conditions. The normal procedure today is to have smolt in open cages, but this is difficult as we have no control over weather conditions, tidal flow, the phases of the moon and temperature. These difficulties are practically eliminated in a Preline facility, where water flow and water quality are managed and controlled. By establishing a constant flow of water, the fish are constantly in movement and it has now been scientifically documented that physical exercise results in a more viable and stronger fish.

The Preline facility, which was launched →



The purpose of the self-contained Preline fish farm is to produce post-smolt – a larger and stronger smolt – that is released to sea in open cages at a weight of between 0.5 and 1 kg.

"When compared with traditional fish farms, we have much more control over both the environment and fish health, as the fish have better protection against parasites, bacteria and viruses."

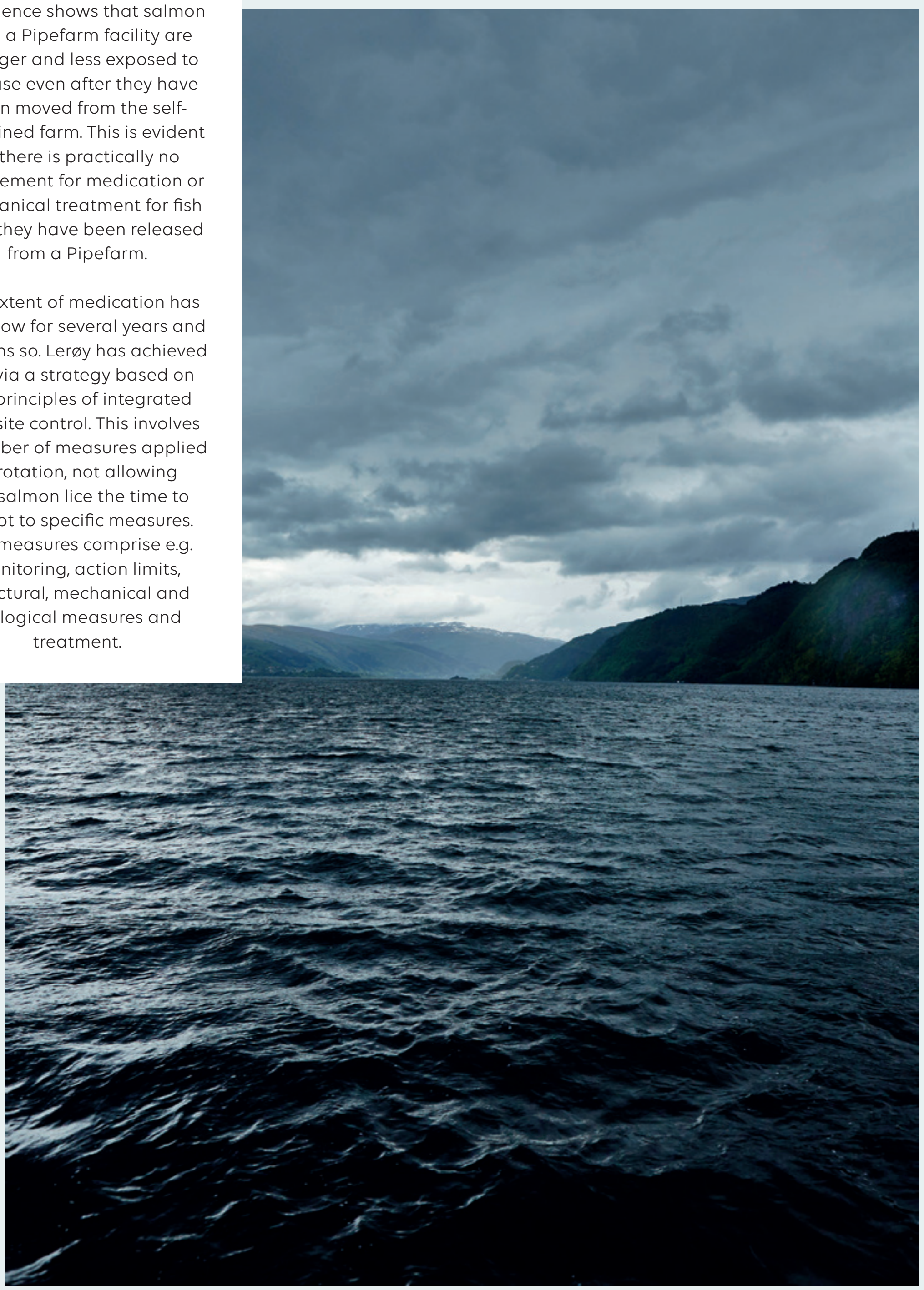
HARALD SVEIER, CHAIRMAN OF THE BOARD FOR THE PRELINE PROJECT AND TECHNICAL DIRECTOR IN LERØY

Facts

ACTION AGAINST SALMON LICE

Experience shows that salmon from a Pipefarm facility are stronger and less exposed to disease even after they have been moved from the self-contained farm. This is evident as there is practically no requirement for medication or mechanical treatment for fish after they have been released from a Pipefarm.

The extent of medication has been low for several years and remains so. Lerøy has achieved this via a strategy based on the principles of integrated parasite control. This involves a number of measures applied in rotation, not allowing the salmon lice the time to adapt to specific measures. The measures comprise e.g. monitoring, action limits, structural, mechanical and biological measures and treatment.



→ in Samnanger municipality in Hordaland, is designed as an oval, floating pipe with a volume of 2,000 m3. The fish are placed in the pipe, which has a constant water flow.

In a traditional fish farm, salmon spend approximately 15 months in the sea – from smolt stage to harvest. With Preline, the fish spend six of these 15 months in a self-contained facility, thereby providing conditions for salmon that are optimal during the most critical months of their lives. At the same time, this reduces production time in open cages from 15 to eight months. Experience shows that salmon that start their lives in the sea in a self-contained fish farm such as Preline grow stronger and are less exposed to disease than fish in open cages.

Increased fish welfare. "When compared with traditional fish farms, we have much more control over both the environment and fish health, as the fish have better protection against parasites, bacteria and viruses. With the Preline facility, we pump water up from depths of 30–35 metres, and there are fewer sources of infection in this water when compared with surface water," explains Harald Sveier.

In addition, the design of the facility provides significant reductions in the risk of accidental release when compared with a traditional marine cage. The risk of accidental release is therefore expected to fall and fish welfare to improve with the use of Preline. By the end of 2017, a total of six generations had been released to the facility.

New prototype under development. Work is now under way to develop prototype number two based on the experience gained.

"This will be a new facility double the size of the existing one. This time, we have recruited even more technical expertise, both internal and external, to solve the technological challenges we have encountered so far."

Harald Sveier explains that Lerøy has been working on the development of the new prototype for a while now, and has applied for development licences based on the future technology developed under the new project, known as Pipefarm.

"We aim to get started on testing the next stage of this technology in 2018," confirms Harald Sveier.

"The fish that start the cycle in the Preline facility have good growth and have become very strong by the time they are moved to ordinary cages for continued growth. The number of lice treatments for this fish, after they have been transferred to open cages, is down by 90 percent."

HARALD SVEIER, CHAIRMAN OF THE BOARD FOR THE PRELINE PROJECT AND TECHNICAL DIRECTOR IN LERØY

Food safety with marine produce

We work constantly to quality-assure our products that are supplied to shops and to make sure that consumers can trace the seafood they eat.

This strategy is applied to the entire value chain, ensuring food safety for our consumers. As a fully integrated seafood supplier, we can maintain control of and quality-assure our products throughout the value chain. This allows Lerøy to comply with the ever-increasing requirements on the seafood market for traceability, food safety, product quality, cost efficiency, sustainability and continuous supply.

Traceability. All of Lerøy's products can be traced back to origin, so you can follow the entire process from the boat and cage and up to the finished product you have picked in the store. It is our goal to provide consumers with the best possible information and full openness regarding our salmon production, and this has resulted in several measures, including a website launched together with NorgesGruppen and called gladlaks.no. Consumers can use this website (in Norwegian) to search for the salmon or other fish they have purchased and see where it comes from, at the same time as learning more about our product range.

Fish feed. We place requirements on our fish feed suppliers to ensure that the raw materials utilised in the feed can be traced and are managed properly according to established quotas. This means that the ingredients in our feed are ethically caught or harvested, within the legal limits based on sustainability. The marine raw ingredients must have IFFO-standard certification (International Fishmeal and Fishoil Organisation) or MSC certification (Marine Stewardship Council) and these certification schemes must contain guidelines that meet the requirements for sustainability, including in relation to small pelagic fisheries. The use of cuttings shall be prioritised as far as possible.

Moreover, palm oil shall not be used in our fish feed. Any soya-based raw materials require traceability and certification by RTRS (Round Table for Responsible Soy) or similar.

Food safety. Thanks to many years of experience, we have built up a quality system that comprises routines and procedures to ensure safe and good products with top quality. Lerøy requires high standards, carries out regular analyses and ensures its activities are audited at least 250 to 300 times a year.

We perform annual emergency preparedness and recall tests as part of our food safety strategy. The Lerøy Group has also achieved numerous different certificates, such as ISO 14001, Global Gap, ASC, MSC, Krav/Debio and BRC.

The future of fish farming. With the growing population worldwide, we need to increase food production for the future.

The UN's food and agricultural organisation (FAO) estimates that by 2050 the global population will be approximately nine billion. This implies that we have to increase food production by around 30 percent. Compared with other animal proteins, fish does not require a lot of feed to grow by one kilogram, fish farming does not take up a lot of space and fish are adaptable animals. An increase in seafood production is therefore of high relevance in the efforts to feed the global population in the future.

Facts

CO_2 FOOTPRINT IN FOOD

Volume of greenhouse gases in fresh food (kg CO_2-EQ/kg)

Beef

26.61 kg

Meat from farm animals, such as beef and lamb, are the most discharge-intensive types of food we eat because of the methane gases they produce.

Eggs

5.77 kg

Fish
(Average of all species)

3.49 kg

Fruit and vegetables
(heated greenhouse)

2.13 kg

As a fully integrated seafood supplier, Lerøy can control and quality-assure all its products throughout the value chain. As such, Lerøy can comply with the ever-increasing requirements on the seafood market for traceability, food safety, product quality, cost-efficiency, sustainability and continuous supply.

Cultivating large volumes of kelp to improve the environment

The unique components in kelp may be a future source of energy, both for humans, animals and vehicles.

Harald Sveier (on the left), Managing Director of Ocean Forest AS, and Anders Karlsson-Drangsholt, senior consultant for fish farming in Bellona, on board to harvest kelp. The goal for next year is to multiply the harvest volume by almost six, from 17 tonnes in 2016 to 100 tonnes.

The sugar tank to be used for salads is packaged into 100-gram packages at Austevoll Laksepakkeri.

Anders Karlsson-Drangsholt from Bellona pulls bags packed with sugar kelp across the deck during the harvest in Austevoll in April 2017.

"Negative carbon emissions are an ambitious goal, but still achievable."

HARALD SVEIER

In October 2016, ropes measuring 13,200 metres and carrying kelp seeds were set out near to Lerøy's salmon cages in the island municipality of Austevoll in Hordaland. During the winter, these seeds grew to lengths of one and a half metres, and 17 tonnes of kelp were harvested in 2016. The harvest volume increased to 40 tonnes in 2017. The target for 2018 is to more than double this figure, i.e. 100 tonnes.

Cooperation with Bellona. For many years, Lerøy has enjoyed a close cooperation with Bellona. Plans were developed in 2015 for integrated fish farming, and Ocean Forest was founded. Integrated fish farming, also known as multitrophic aquaculture, implies co-cultivation of several species from different parts of the food chain. Ocean Forest cultivates mussels and large volumes of kelp in what resembles a rain forest under the water.
The project aims to use those products we have in excess in order to produce those products of which we need more. The world needs more biomass as raw materials for food and renewable energy to cater for a growing population.

Diverse utilisation. The kelp cultivated for now in Hordaland can be used fresh, but can also be dried – almost like chips, fried, grilled and boiled. The kelp can be used in oil, stocks and marinades, and has a flavour that goes particularly well with fish. It is also an excellent flavouring, as kelp spices.
Kelp may also take on a more important role within an industry that has been so important for the Norwegian economy. In fact, sugar kelp contains as much as 50 percent carbohydrates, an excellent raw material for biogas, biodiesel and bioenergy.

"This is a very sustainable source of energy that is readily available when we need it. With that in mind, we can claim that the market for kelp is infinite," confirms Managing Director of Ocean Forest, Harald Sveier.

What started out as a project in cooperation with Bellona has developed into an independent company that cultivates kelp and mussels to absorb phosphorus, nitrogen and CO_2 from fish swimming in cages.

"These are resources that are not utilised. In discussions with Bellona, we realised how we could capture these resources, integrate them into the production cycle and make good use of them. Kelp absorbs large volumes of CO_2 and we can now confirm that what we are doing is effective," states Harald Sveier.

Three assignments. The potential for kelp to become a new food trend in the future is not the only reason to establish and continue the project. The project itself is based on three assignments laid down by the Board of Directors:
1. Firstly, to capture phosphorus, nitrogen and CO_2 released by fish in fish farms. This is achieved by cultivating sugar kelp and mussels on ropes surrounding and underneath the cages. These species live on phosphorus and nitrogen, and kelp also absorbs large volumes of CO_2.
2. Secondly, to create raw materials that are edible for humans and animals. Kelp can be consumed in a number of ways, as can mussels. The soft part of the mussels can be used as a fishmeal replacement in fish feed, thus becoming a natural part of the production cycle. These are organisms that are close to the bottom of the food chain – implying that they only need water and sunlight to survive, and do not require either feed or chemicals.
3. Thirdly, to establish new species within aquaculture. This must be an industrial and economically sustainable project, meaning that the company must be able to generate revenue from the production of mussels and kelp, and their utilisation for animal feed, in the future.

Ambitious goals for the future. One major goal in the long term is to reduce carbon emissions. In other words, the emissions of carbon, principally coming from boats and fish feed, must be zero or negative.

"We are committed to making our industry as sustainable as possible, while at the same time aiming to gain a profit. Ocean Forest is part of a larger objective to ensure that fish farming has the smallest possible eco-footprint," explains Harald Sveier, adding:

"Negative carbon emissions are an ambitious goal, but still achievable."

Facts

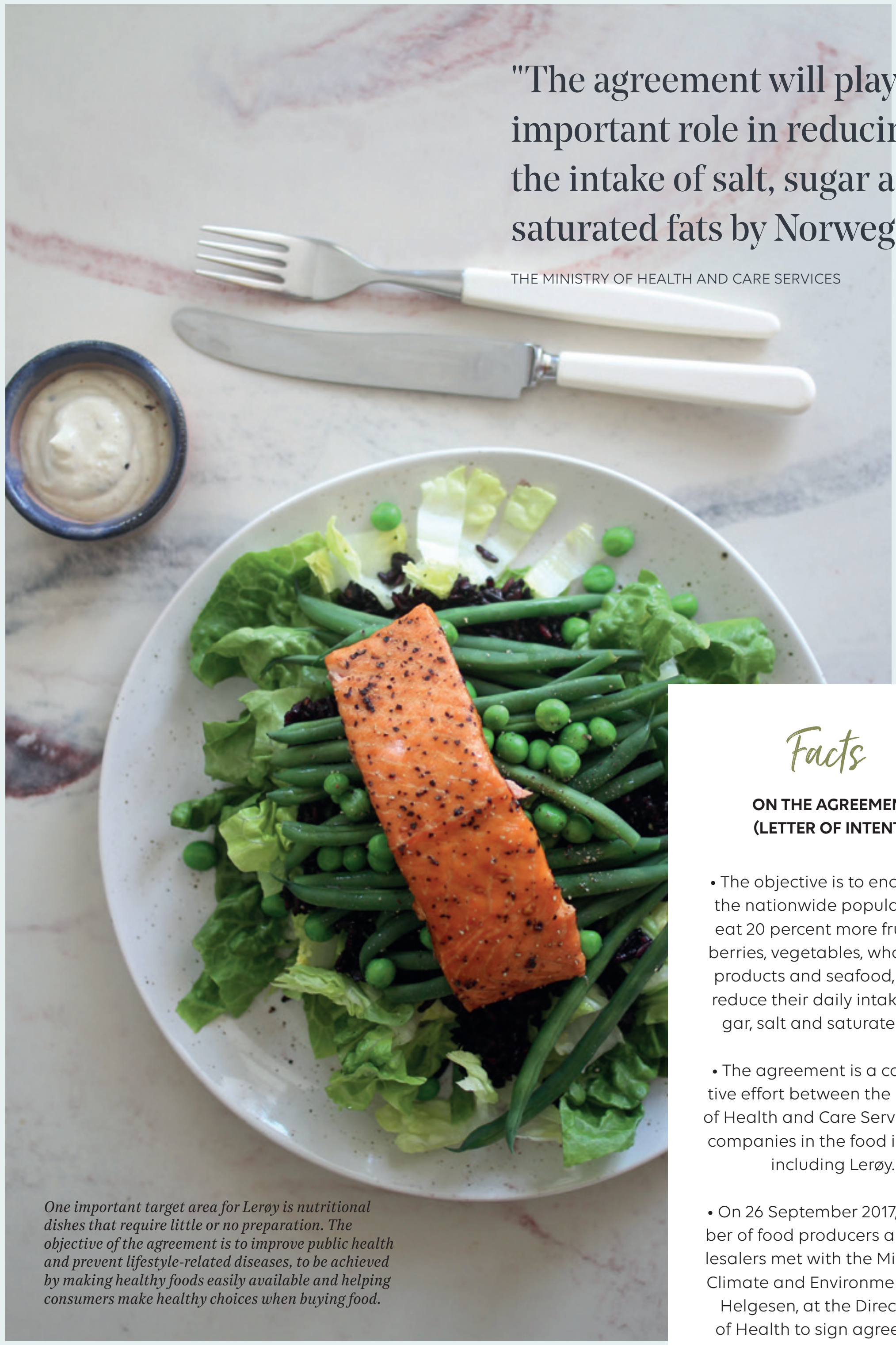
OCEAN FOREST

• A cooperation project between Lerøy and Bellona, where mussels and kelp are cultivated alongside fish farms to improve the environment.

• In 2016, the volume harvested was 17 tonnes of kelp. This figure increased to 40 tonnes in 2017. The target for 2018 is to more than double this figure, i.e. 100 tonnes.

• If kelp cultivation is to become a viable industry, Ocean Forest will have to cultivate at least 1,000 tonnes of kelp per year.

• One major goal in the long term is to reduce carbon emissions. In other words, the emissions of carbon, principally coming from boats and fish feed, must be zero or negative.



"The agreement will play an important role in reducing the intake of salt, sugar and saturated fats by Norwegians."

THE MINISTRY OF HEALTH AND CARE SERVICES

One important target area for Lerøy is nutritional dishes that require little or no preparation. The objective of the agreement is to improve public health and prevent lifestyle-related diseases, to be achieved by making healthy foods easily available and helping consumers make healthy choices when buying food.

Simpler to choose healthy produce when buying food

As a seafood producer with a focus on quality, Lerøy aims to help improve our diets. The company has therefore signed an agreement with the Norwegian Ministry of Health and Care Services that will make it much simpler for consumers to make healthy choices when buying food.

The objective of the agreement is to improve public health and prevent lifestyle-related diseases, to be achieved by making healthy foods easily available and helping consumers make healthy choices when buying food.

Good health is sustainable and important for a healthy quality of life, and both sustainability and health are essential for Lerøy. The seafood producer has therefore signed an agreement with the Ministry of Health and Care Services to make the food choices of consumers nationwide much healthier.

Cooperation to promote healthier choices

The agreement comprises specific goals that are intended to help Norwegians improve their diet.

"The agreement will play an important role in reducing the intake of salt, sugar and saturated fats by Norwegians. Danish studies, for example, have shown that a reduced intake of salt reduces the rate of cardiovascular diseases," writes the Ministry of Health and Care Services on their website.

The objectives stated for the agreement are the most ambitious in the EU and and put Norway in a leading position in terms of public health. When the cooperation agreement was signed in September 2017, Minister of Health Bent Høie stated the following:

"These agreements show that Norway has a committed industry that assumes a clearly defined social responsibility."

More seafood, fruit, vegetables and wholemeal products. One of the objectives of the agreement is to influence consumers to eat more seafood, fruit, vegetables and wholemeal products. Lerøy specialises in seafood, and their expertise is perfect for this agreement. The Ministry of Health and Care Services recommends eating fish as part of a meal two to three times a week, and Lerøy aims to lead the way in showing how easy this is. The advantages of eating seafood as an important source of several nutrients, such as Omega 3 fatty acids, iodine, selenium and vitamin D, are fully documented. Fatty fish can in particular can help prevent cardiovascular disease.

Healthier ready-made meals. One important target area for Lerøy is nutritional dishes that require little or no preparation. Such ready-made meals tend to have high levels of salt, sugar and fat. Lerøy has developed a number of nutritional and easy alternatives to ready-made meals, including products ready for the oven and poke-in-a-cup. By offering healthy alternatives to fast food, such as the poke fish salad, Lerøy makes is easier for consumers to reduce their intake of unhealthy foods.

"It is more important now than ever before for us to be able to provide pure and nutritional quality food," confirms the Head of Quality and CSR at Lerøy Seafood, Anne Hilde Midttveit.

A focus on seasonal raw ingredients, increased awareness of the use of ingredients and nutritional ready-made meals are important keywords. By investing in quality and user-friendly solutions, Lerøy will help improve public health.

Facts

ON THE AGREEMENT (LETTER OF INTENT):

- The objective is to encourage the nationwide population to eat 20 percent more fruit and berries, vegetables, wholemeal products and seafood, and to reduce their daily intake of sugar, salt and saturated fats.
- The agreement is a cooperative effort between the Ministry of Health and Care Services and companies in the food industry, including Lerøy.
- On 26 September 2017, a number of food producers and wholesalers met with the Minister of Climate and Environment Vidar Helgesen, at the Directorate of Health to sign agreements committing the parties to contribute towards an increased intake of healthier foods.

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Corporate governance

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 of long-term and sustainable value creation over time for shareholders, employees, customers, suppliers and society in general.

1. Implementation and reporting on corporate governance

The Group's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES), dated 30 October 2014, see also www.nues.no. The structure of this chapter reflects the recommendations and, for the sake of order, each topic in the recommendation has been included. Any differences are explained.

The company's basic corporate values, ethical code of conduct and guidelines for corporate social responsibility. 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 high-quality seafood. The Group's core activities comprise a vertically integrated value chain for the production of salmon and trout; catching of whitefish; the processing of seafood; purchasing, sales and marketing of seafood; the distribution of seafood and product development.

Lerøy Seafood Group takes a very conscious approach to its responsibility regarding ethical conduct, society at large and the environment. Lerøy Seafood Group ASA has drawn up 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 andand provides guidance for employees as to the use of the correct principles for business conduct, impartiality, conflicts of interest, political activity, entertaining expenses, processing information and the duty of confidentiality, relationships with business partners, corruption, whistle-blowing, bribes etc. Each employee has individual responsibility for adhering to 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, must 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 there must be compliance with the strictest requirements.

In the event of nonconformities, measures must be taken 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

Corporate governance

overview of, all environmental aspects within the Group's value chain. The Group has stipulated target areas, key performance indicators and environmental goals. A short summary of the main content of the Environmental Report can be found under the chapter entitled "Environmental Report". The Environmental Report is published in its entirety on www.leroyseafood.com.

2. Business

According to Lerøy Seafood Group's Articles of Association, the company's purpose is as follows: "The Company's objectives are the acquisition and management of shares and activities related thereto". The parent company's Articles of Association exclusively reflect only that the parent company is a holding company established for the purpose of owning other companies. The Group's goals and main strategies are presented in total in the annual report, but 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."

3. Equity and dividends

Technical information. LSG's annual general meeting on 23 May 2017 decided to carry out a 1:10 share split by converting 59,577,368 shares each with a nominal value of NOK 1 to 595,773,680 shares each with a nominal value of NOK 0.1.

The number of shareholders as of 31 December 2017 was 5,297, of whom 611 were foreign shareholders. The company's register of shareholders, see section 4-4 of the Public Limited Companies Act (Norway), was first registered with the Norwegian Central Securities Depository (Verdipapirsentralen – VPS) on 28 November 1997 and carries the VPS registration number ISIN NO-0003096208. DnB ASA, Oslo, is the account manager. The Ticker code for the Group's shares on the Oslo Stock Exchange's main list is LSG. The company's organisation number in the Register of Business Enterprises is 975 350 940.

Equity. The Group is financially sound with book equity of NOK 14,482,122 million as of 31 December 2017, which corresponds to an equity ratio of 56.4%. At the end of 2017, the company had 595,773,680 shares outstanding. All shares carry the same rights in the company. As of 31 December 2017, the company owned 297,760 treasury shares.

Financial goals. 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 must maintain a satisfactory financial contingency at all times. 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 are 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.

Dividends. Lerøy Seafood Group aims to achieve satisfactory profitability in all its activities. The yield to shareholders in the form of dividends and share price performance shall reflect the company's value creation. 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 for new and profitable investments. In the long run, financial value creation will increasingly be in the form of higher share prices rather than in declared dividends.

The Board of Directors has proposed a dividend payment for 2017 of NOK 1.50 per share, which is NOK 0.20 higher per share than the dividend payment in 2016. The proposal complies with the company's specified dividend policy.

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. This mandate was last exercised in 2011 with the acquisition of 100,000 treasury shares. The mandate was last renewed at the annual general meeting on 23 May 2017 and it 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. Renewal of the mandate will be recommended to the annual general meeting on 23 May 2018.

Mandate to increase share capital by issuing shares for private placings with 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 last renewed by the annual general meeting on 23 May 2017. 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, and a proposal will be made to the annual general meeting on 23 May 2018 to establish a new and equivalent mandate.

The Board's mandates are valid for a period exceeding one year and are 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 related parties

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. Freely negotiable shares

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

6. General meetings

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 2017. 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 on the website 21 days prior to the date of the general meeting.

The supporting information was sufficiently detailed and comprehensive 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 of 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. By 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 by the general meeting appointing a chairperson for the meeting and one person to co-sign the minutes of the meeting.

The notice and holding of the annual general meeting in 2017 complied with the practice established by Lerøy Seafood Group ASA in recent years.

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. 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 2017.

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 very limited capacity for other shareholders to physically participate at general meetings, it has not been deemed necessary for all board members to take part in the general meeting.

7. Nomination Committee

The Nomination Committee consists of three members elected by the 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 at 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 recommendation of the Nomination Committee is included in the supporting documentation for the general meeting, which is published within the 21-day deadline for notice of the general meeting.

8. Corporate assembly and board of directors; composition and independence

Corporate assembly. Lerøy Seafood Group ASA does not have a corporate assembly.

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' need for strategic governance and operational control. 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.

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.

Information on the members of the board. 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 2017, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.

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 **Britt Kathrine Drivenes** (1963) was

Corporate governance

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 **Hege Charlotte Bakken** (1973) was appointed to the Board by the extraordinary general meeting on 12 December 2008. Hege Charlotte Bakken holds an MSc degree from the Norwegian University of Life Sciences and an Executive MBA from ESCP EAP European School of Management in Paris. Hege Charlotte Bakkenis Senior Advisor in strategy and management at Stella Polaris. Bakken has previously held the positions as Senior Advisor at Hemningway Corporate Finance, Amsterdam, Chief Operating Officer of Marvesa Holding NV and Managing Director of Marvesa Rotterdam N.V. Bakken also has experience from companies such as Pronova BioPharma Norge AS, FishMarket International AS, Frionor AS and Norway Seafoods ASA. Hege Charlotte Bakken has served as a member of the boards of Pronova Biopharma Norge AS and Pronova BioPharma ASA. She owns no shares in the company as of 31 December 2017.

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). In 2008, he took on the role of CEO for Media Norge AS (the company changed its name to Schibsted Norge AS in April 2012) and held this position until 28 February 2018. Today, Didrik Munch is self-employed and has positions on several boards, including Chairman of the Board for Storebrand ASA, board member for Grieg Star Group AS and board member for Schibsted Media AS. Throughout his career, he has held numerous positions as both Chairman of the Board and board member for different companies. He owns no shares in the company as of 31 December 2017.

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 **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 as a sales manager in 1992 and is today departmental head in Lerøy Seafood AS. Hans Petter Vestre owned 1,200 shares in the company as of 31 December 2017.

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 also contribute to sound operational development through their representation on the boards of the subsidiaries. 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.

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9. The work of the board of directors

The tasks assigned to the Board of Directors. The Board of Directors shall establish an annual plan for its work, with a focus on goals, strategy and execution, in order to ensure continuous follow-up and further development of the company. For several years, as well as in its eight meetings in 2017, 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 profitable, fully integrated global seafood company. 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 dedicated strategy meetings. Strategy meetings were held in 2017.

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 business of a significant nature, where the Chairman of the Board plays an active role. The Chairman of the Board is not involved in cases where he/she has a personal interest. Such business is dealt with by one of the other board members. 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 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.

Assessment of the Board's work. When recruiting board members, the company's owners follow a long-standing strategy of assessing 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 assessment 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 assessment 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 assessments 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 three incidents involving the accidental release of fish in 2017, cf. the more detailed description in the Group's Environmental Report. 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.

In addition, Norwegian fish farming and the fish processing industry in Norway and the EU have a history of exposure to the risk represented by the constant threat of long-term political trade barriers imposed by the EU Commission. In 2008, the EU Commission abolished the programme which involved so-called minimum prices for Norwegian salmon and punitive duties on Norwegian trout. In 2011, punitive duties on whole salmon exported to the USA were also lifted. Russia introduced a ban on imports of salmon and trout from Norway on 7 August 2014. As Russia is normally a major market for Norwegian salmon and trout, the import ban had a negative impact on realised prices for trout also in 2017.

Currency risk. The Group has international operations and is thus exposed to currency risk. The Group makes use of currency derivatives combined with withdrawals/deposits in multi-currency accounts in order to minimise currency risk on outstanding trade receivables, 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 fluctuation 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 involves 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.

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

Control environment. The core of an enterprise is the employees' individual qualities, 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 balance sheet.

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

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

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 annual general meeting. The annual general meeting on 23 May 2017 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 annual general meeting will vote individually on the recommended and binding guidelines.

13. Information and communication

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 is continuously updated with information that is distributed to shareholders. The company's website is at: www.leroyseafood.com. 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 or not the shareholders should accept the bid. The Board of Directors will emphasise equal treatment of the shareholders and no unnecessary disturbance of the company's operations.

15. Auditor

Auditor - yearly 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 financial statements 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 concerning 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 services other than auditing. The Board of Directors is instead continuously informed of the main aspects of the services purchased by the administration from the auditor.

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

The guidelines for financial year 2017 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, 19 April 2018
The Board of Directors of Lerøy Seafood Group ASA

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Financial information

Board of Directors' report

Financial matters

Lerøy Seafood Group reported revenue in 2017 of NOK 18,624 million, up from NOK 17,269 million in 2016. This is the highest revenue ever reported by the Group. The growth in Group revenue is mainly attributed to an increased level of activity within whitefish, the increase in harvest volume from Farming, good market conditions for salmon and a positive development in the Group's downstream activities.

As a result of the acquisitions within whitefish, concluded in the second half of 2016, the Group is now a fully and vertically integrated corporation within both redfish and whitefish. 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 3,717 million in 2017 compared with NOK 2,843 million in 2016. Profit before tax and fair value adjustment related to biological assets was NOK 3,805 million in 2017 compared with NOK 2,926 million in 2016. Earnings per share before fair value adjustment related to biological assets and minority interests totalled NOK 4.90 compared with NOK 3.84 per share in 2016.

In October 2016, Lerøy Seafood Group obtained 100% ownership of both Havfisk ASA (Havfisk) and Norway Seafoods Group AS. As a result of this transaction, both companies were consolidated into Lerøy Seafood Group as of 1 September 2016. These companies comprise the Wild Catch and Whitefish segment. Norway Seafoods Group AS subsequently changed its name to Lerøy Norway Seafoods AS (LNWS).

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. After taking over the trawler Nordtind from the shipyard in January 2018, Havfisk has ten trawlers in operation. Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants.

For 2017 as a whole, Havfisk's total catch volume was 66,729 tonnes, up 5% from 2016. The company reported stable and good operations throughout the year.

LNWS's primary business is processing wild-caught whitefish. The company has use of eight processing plants in Norway, five of which are leased from Havfisk. LNWS is the largest purchaser of cod from the coastal fishing fleet in Norway. LNWS previously owned two facilities in Denmark, but these were sold at the start of 2017 to Seafood International A/S – a Danish seafood corporation in which Lerøy Seafood Group ASA owns 33 % of the shares.

The Farming segment reported a record-high operating profit before fair value adjustment related to biological assets of NOK 2,942 million in 2017. This represents an increase of NOK 523 million when compared with the operating profit of NOK 2,419 million in 2016.

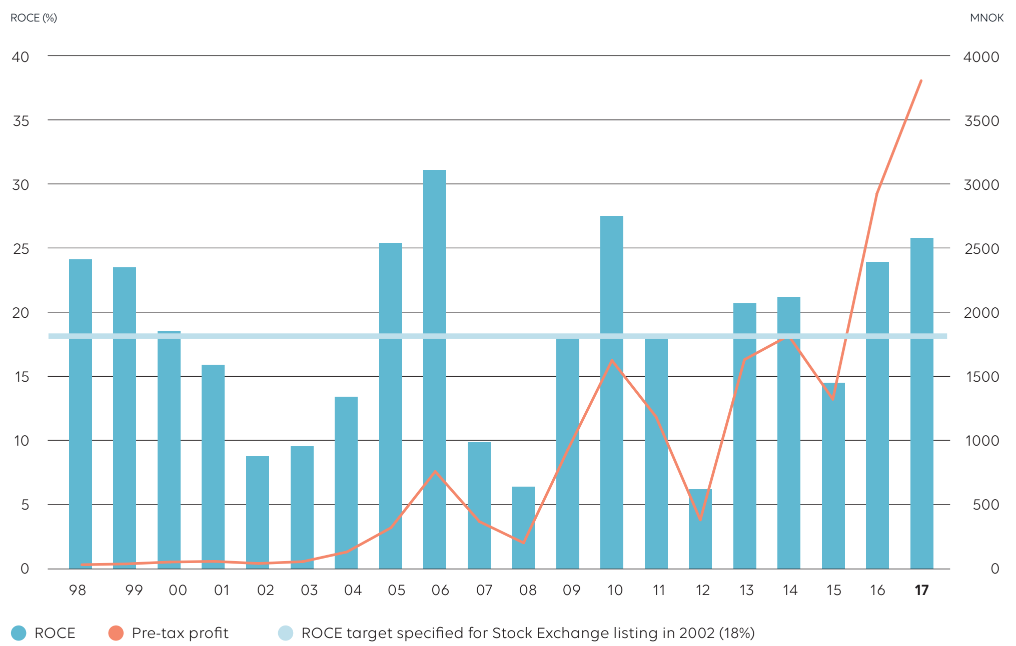
In 2017, the Group harvested 158,000 tonnes of salmon and trout, up from 150,000 tonnes in 2016. The prices for Atlantic salmon and trout remained strong in 2017, but with a high level of volatility throughout the year. Biological production in Norway saw a considerable improvement in 2017 when compared with the year before, resulting in increased supply and some pressure on prices towards the end of the year. For the year as a whole, the Group's prices realised on salmon and trout were up 9% from 2016 to 2017. Import restrictions in Russia and neighbouring countries since 7 August 2014 have had a negative impact on prices realised for trout. Trout prices were on the increase in 2016 and were on a level with salmon prices at the start of 2017, but unfortunately fell against salmon prices throughout 2017. Prices realised for trout by the Group in 2017 were approx. NOK 4 lower per kg than the corresponding prices for salmon.

Release from stock costs for the Norwegian fish farming industry and Lerøy saw a negative development after 2013 due to adaptations to new political regulations. Throughout 2017, there have been indications that this negative development may have turned around. The Group's biological production was better in 2017 than in recent years.

A reduction in production costs has also been demonstrated throughout the year. At the time of writing, there are clear indications that the trend for lower production costs will continue in 2018. We will have access to more specific figures once the biomass in the sea has been harvested.

Given the major differences in biological framework conditions, there are major variations in release from stock costs between the regions. Lerøy Aurora still reports one of the lowest cost levels in the industry, and Lerøy Midt has achieved considerable improvements in costs, while Lerøy Sjøtroll experienced significant challenges in the autumn of 2017 and a cost level that is not satisfactory. Lerøy Sjøtroll has implemented the construction of a new RAS/post-smolt facility in Kjærelva in Fitjar municipality, Hordaland. The plan is to introduce eggs to the facility in the second quarter of 2018 and to have the first delivery/release from the facility in 2019.

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



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

The VAPS&D segment was formerly two separate segments: Value-added Processing (VAP) and Sales and Distribution (S&D), but both were merged to one segment in 2017 as their activities had an increasing number of overlaps.

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.

The segment reported a positive development in 2017, and operating profit before fair value adjustment related to biological assets is up from NOK 399 million in 2016 to NOK 435 million in 2017. The Group expects the segment to sustain this positive development both in the level of activities and earnings in 2018.

Prior to fair value adjustment related to biological assets, the Group's income from associates totalled NOK 298 million in 2017, up NOK 84 million compared with an income of NOK 214 million in 2016. The most important contribution to this figure comes from Norskott Havbruk, Scotland's second largest fish farming company, which is 50% owned by the Group.

The Group's net financial items for 2017 were negative at NOK 210 million compared with a negative figure of NOK 131 million in 2016. The Group has increased financial expenses due to a slight increase in debt caused by major acquisitions.

The profit achieved in 2017 corresponds to a profit before fair value adjustment related to biological assets of NOK 4.90 per share, compared with NOK 3.84 per share in 2016. The Board of Directors intends to recommend a dividend payment for 2017 of NOK 1.50 per share to the company's annual general meeting in 2018. 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.

The return on the Group's capital employed before adjustment related to biological assets in 2017 was 25.8% compared with 23.9% in 2016. The Group is financially sound with book equity of NOK 14,482 million, equivalent to an equity ratio of 56%. The Group's strong cash flows in 2017 led to a reduction in net interest-bearing debt of NOK 1,171 million, leaving a figure of NOK 2,262 million at the end of 2017, compared with NOK 3,433 million at year-end 2016.

In connection with the acquisition of Havfisk AS and Norway Seafoods Group AS, Lerøy Seafood Group carried out a private placement on 2 June 2016, issuing 5,000,000 new shares and selling 300,000 treasury shares at a price of NOK 415 per share. After the share issue, there were 59,577,368 outstanding shares in the company. LSG's annual general meeting on 23 May 2017 decided to carry out a 1:10 share split by converting 59,577,368 shares each with a nominal value of NOK 1 to 595,773,680 shares each with a nominal value of NOK 0.1. The company owns 297,760 treasury shares.

Cash flow from operating activities in 2017 was strong at NOK 3,688 million. A total of NOK 834 million has been paid in dividends, in addition to tax payments totalling NOK 494 million. The Group has made net investment in fixed assets totaling NOK 1,464 million in 2017. The Group has a balance sheet total of NOK 25,658 million as of 31 December 2017 compared with NOK 25,079 million as of year-end 2016. 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 standards, IFRS.

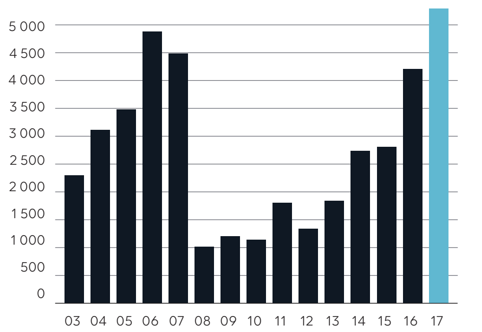
Key risk factors

The Group's results are closely linked to developments in the markets for seafood. The price for Atlantic salmon and trout is of particular importance, but also to an increasing degree the price for whitefish and particularly cod. The development in prices for 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 strong prices for salmon and trout reflect high demand but must also be assessed within the context of the lack of growth in production of these products.

After the acquisitions of Havfisk AS and Norway Seafoods Group AS (now renamed Lerøy Norway Seafoods or LNWS), Lerøy Seafood Group has substantial exposure in relation to catches of different species of wild fish according to Norwegian quotas. The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation.

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. Short-term perspectives are contradictory to the requirements for successful industrial development, employment and value creation. 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 industrial

Number of shareholders
Figures in 1 000

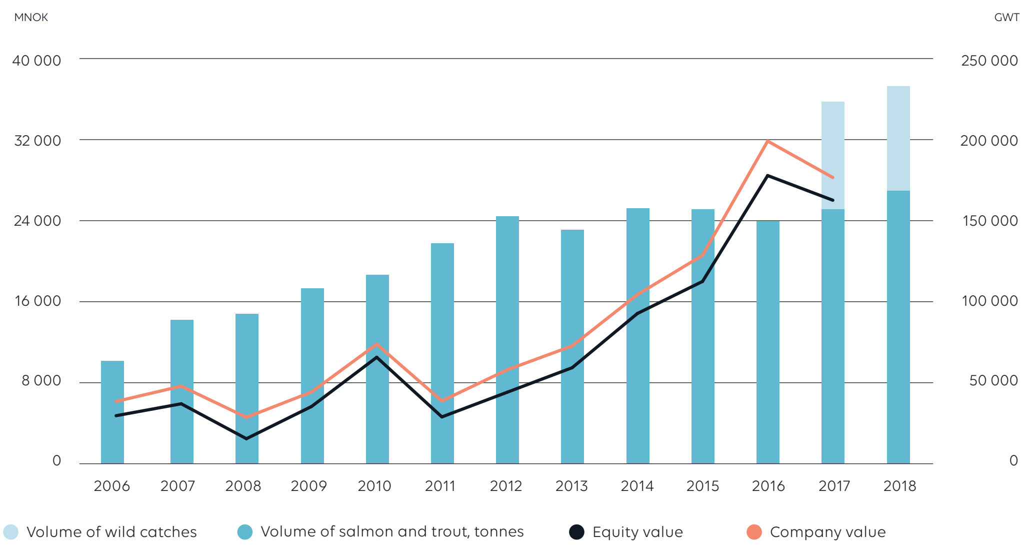


development in the numerous local communities where the Group has operations.

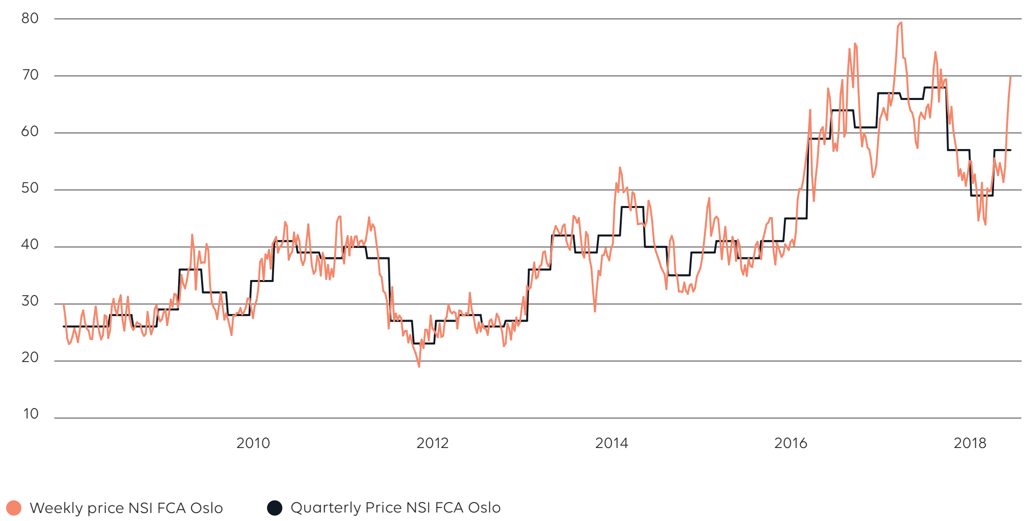
At the end of 2017, the Group had live fish worth around NOK 4 billion on its balance sheet. Biological risk has been and will continue to be a substantial risk for Group operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

The industry also faces other financial and operational risks, including the development in prices for input factors. The Norwegian seafood industry and the fish-processing industry in Norway and the EU have a history of exposure to the risk represented by the constant threat of long-term political trade barriers imposed by the European Commission. The political trade barriers currently blocking exports of Norwegian salmon and trout to Russia, and the complexity of trading with China provide an illustration of political risk in practice. This situation represents a short-term obstacle to the Group's marketing goals and value creation. 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.

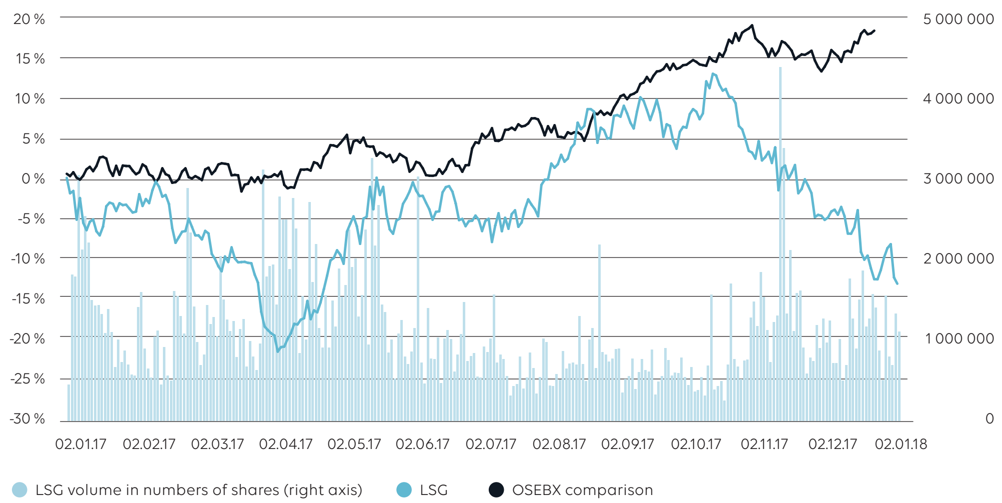
Development since listing on Stock Exchange



Quarterly Price development week 1–2008 till week 6–2018 Fresh Atlantic Salmon FCA Oslo (superior quality)



Lerøy Seafood Group and Osebx in 2017



The Board of Directors maintains a strong focus on purposeful and systematic management of risk in all parts of the organisation. This policy is seen as essential in securing long-term value creation for shareholders, employees and society in general. The Group's overall financial strategy is to balance and ensure financing, suitable financial covenants, liquidity, customer credit, currency and market risk. Considerable importance is also attached to having efficient and sustainable solutions in all parts of the Group's value chain.

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.

As a consequence of 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 Seafoods 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. The Group plays an active role in developing the value chain for seafood, with an increasingly large global reach.

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. The Board of Directors regrets and finds it sad that the tabloid debate on regulatory factors in the whitefish sector is predominately based on lack of knowledge and innumerable attempts to mislead political management, including input from professors. 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 now assume that any future adjustments to framework conditions will irrespectively be based on knowledge and insight, preventing impairment of the companies' industrial foundations for operations.

The investments made by Lerøy Seafood Group within the whitefish sector will contribute towards a forward-looking development and have significantly boosted the Group's position as a global total supplier of seafood. Lerøy Seafood Group's well-established, integrated value chain for redfish provides substantial potential for increased value creation via the development of the market for whitefish. This involves boosting the Group's position as a supplier of fresh/"refreshed" seafood with a full range of seafood products. 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, 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 2017, the company had 5,297 shareholders against a comparison figure of 4,211 shareholders at the end of December 2016.

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 11 employees. All personnel functions are handeled administratively via the wholly-owned subsidiary Lerøy Seafood AS. At year-end 2017, the the group employed 4,298 work years in 2017, comprising 2,880 men and 1,418 women. 825 of the group's work years are outside Norway. The proportion of women is 33.0%, representing a minor increase on the previous year.

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 at all times 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 based on disability. 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 2017.

Health, safety and the environment

There was an undesired incident in the subsidiary Lerøy. Midt during work on the company's silage-making installation. This resulted in injury to two of our employees and it shows that we must continue to focus on routines and compliance with these, as well as on measures that preserve the safety of our employees. This work is a continuous process in our effort to achieve our vision of zero injuries.

A total sick leave was reported of 5.97% in 2017, which is an increase from 4.4% in 2016. Sick leave comprises 3.79% long-term absence and 2.18% short-term absence. The Board is pleased to observe 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. At the same time, the Board and Group maintain a high focus on potential challenges relating to point source pollution. This type of pollution is therefore 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 Group are confident that operations in 2017 have been sustainable, and have compiled a comprehensive report on the environment as part of the consolidated financial statements, available at www.leroyseafood.com. In addition, the Group documents its sustainability 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 environmental protection.

Result and allocations in Lerøy Seafood Group ASA

The company and the Group's financial statements are submitted on assumption of going concern. In 2017, Lerøy Seafood Group ASA reported an annual profit after tax of NOK 2,775 million, against a comparative amount of NOK 1,503 million in 2016. The Board proposes the following allocation of the 2017 annual profit (NOK 1,000):

Dividend (NOK 1.50 per share) :	893 661
Transferred to other equity :	1 881 239
Totalt allocations :	2 774 899

The Group's parent company is financially sound with a book equity ratio of 74.4% and it has satisfactory financing and liquidity compatible with the Group's strategy and operational plans.

Market and outlook

The Group and the Norwegian fish farming industry have experienced a positive development in biological production of salmon in 2017 and the first months of 2018. This has allowed for increased growth, resulting in an increase in harvest volume of salmon in Norway towards the end of 2017. The Group has close links with the end market for seafood, including salmon, and can confirm that the trend for increased demand remains strong. The Group therefore highlights the unique opportunities that could be provided by appropriate framework conditions based on knowledge of the industry's global, environmental competitive strength. Due in part to natural advantages, the fish farming industry in Norway has developed over several decades into something quite unique – a Norwegian global food producer that can compete both on costs and environmental protection.

It will always be absolutely essential for the Norwegian authorities to understand, when laying down regulations, what is required to ensure the Norwegian seafood industry can remain globally competitive over time. The Group will continue in its efforts to contribute towards a knowledge-based dialogue that creates value for society, regarding the need for appropriate framework conditions in the years ahead.

Industries that are exposed to global competition are unable to withstand in the long term specifically Norwegian profit-based taxes and duties.

The Group has identified room for operational improvements in all three regions where the Group carries out fish farming. The Group's investments will provide organic growth in volume in all the regions, and projected substantial reductions in production costs in two of the regions. At the time of writing, the prognosis for own harvest volume in 2018 is 169,000 GWT. When taking into account the share of LSG's volume from associates (13,000 GWT), the total volume for 2018 is estimated to be 182,000 GWT. For many reasons, the harvest volume may vary, but any differences from estimates shall, under normal circumstances, not vary to any significant degree from the figures reported by the Group in recent years.

Developments within whitefish in 2017 have been positive, even though industrial development and processing of whitefish in Norway remain difficult. This situation is impacted by political framework conditions, but the Group has a clear ambition to improve competitiveness and earnings for whitefish, with the prevailing conditions by means of investments, improved marketing and improvements to operational efficiency. The process of industrial development of whitefish requires patience, a long-term perspective and considerable investments. Such investments are only possible if framework conditions are predictable, and the Group and its employees fervently hope to be able to carry out such work without any obstacles in the years to come.

The Norwegian quotas for cod and haddock were reduced by 12.3% and 12.6% respectively for 2018 when compared with 2017. The quotas allocated to the Group's vessels were reduced by slightly more, partly due to a buffer quota that has not yet been allocated. The Group expects to see further allocation of quotas in 2018 and has a solid position in relation to shrimp fishing. At the time of writing, the best estimate for the catch volume of whitefish and shrimp in 2018 is approximately 65,000 tonnes.

The Board of Directors currently expects to see satisfactory earnings in 2018.

Bergen, 19 April 2018

Consolidated Financial Statements 2017

The consolidated financial statements consist of

Notes to the financial statements

Key figures

(All figures in NOK 1,000)

	2017	2016
LSG stock price last annual trading day	43.98	48.11
Dividend paid per share (distribution year)	1.30	1.20
Dividend per share for payment following year	1.50	1.30
Cash flow from operating activities per share	6.19	4.848
Diluted cash flow from operating activities per share	6.19	4.848
Operating revenue	18,623,515	17,269,278
Net interest-bearing debt	2,262,167	3,433,487
Equity ratio	56.4%	53.7%
Harvest volume (GWT)	157,767	150,182
Key figures before fair value adjustments related to biological assets		
EBITDA before fair value adjustments	4,300,013	3,355,089
Operating profit (EBIT) before fair value adjustments	3,716,749	2,843,468
Pre-tax profit before fair value adjustments	3,805,426	2,925,930
Operating margin before fair value adjustments	20.0%	16.5%
Profit margin before fair value adjustments	20.4%	16.9%
ROCE before fair value adjustments (annualised)	25.8%	23.9%
Earnings per share before fair value adjustments	4.90	3.84
EBIT/kg before fair value adjustments	23.6	18.9
EBIT/kg exclusive Wild Catch and Whitefish, before fair value adjustments	21.1	18.3
Fair value adjustments related to biological assets		
Fair value adjustments related to consolidated companies' inventory (before tax)	-1,716,309	1,470,561
Fair value adjustments related to associates' inventory (after tax)	4,351	48,830
Key figures after fair value adjustments related to biological assets		
EBITDA	2,583,705	4,825,651
Operating profit (EBIT)	2,000,440	4,314,030
Pre-tax profit	2,093,467	4,445,321
Operating margin	10.7%	25.0%
Profit margin	11.2%	25.7%
ROCE	13.7%	32.4%
Earnings per share	2.94	5.65

Income statement

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

Lerøy Seafood Group Consolidated	Notes	2017	2016
Operating revenue and expenses			
Operating revenue	4/24	18,623,515	17,269,278
Other gains and losses	4	-3,927	457
Cost of materials	22/24	9,916,876	10,561,407
Change in inventories	22	-262,665	-296,387
Salaries and other personnel costs	15/21	2,438,259	1,785,537
Other operating expenses	21	2,227,105	1,864,088
EBITDA before fair value adjustments related to biological assets		**4,300,013**	**3,355,089**
Depreciation	6/7	583,265	511,621
Operating profit before fair value adjustments related to biological assets		**3,716,749**	**2,843,468**
Fair value adjustments related to biological assets	9	-1,716,309	1,470,561
Operating profit (EBIT)		2,000,440	**4,314,030**
Associates and net financial items			
Income from associates	4/8	302,651	262,783
Net financial items	12/22/23	-209,623	-131,491
Profit before tax		**2,093,468**	**4,445,321**
Taxation	16	-343,984	-926,691
Annual profit		**1,749,484**	**3,518,630**
Of which controlling interests		1,749,494	3,224,143
Of which non-controlling interests		-11	294,488
Earnings per share	**18**	**2.94**	**5.65**
Diluted earnings per share	18	2.94	5.65

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	2017	2016
The year's result to equity		**1,749,484**	**3,518,630**
Items that will not be reclassified subsequently to profit or loss			
Estimate differences pension plans (including associates)	8/15	1,176	4,346
Conversion differences that are reclassified to profit or loss in the period	23	-487	0
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Translation differences related to subsidiaries	23	42,239	-59,095
Translation differences from associates	8/23	32,334	-97,957
Change in value of financial instruments (cash flow hedges)	12	20,338	40,934
Change in value from associates	8	-2,772	-2,842
Comprehensive income		**1,842,312**	**3,404,016**
Of which controlling interests		1,842,322	3,115,688
Of which non-controlling interests		-11	288,328

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)

Lerøy Seafood Group Consolidated	Notes	31.12.17	31.12.16
Non-current assets			
Deferred tax asset	16	28,852	31,059
Licences, rights and goodwill	6/13	8,019,627	8,018,448
Buildings, real estate, operating accessories	7/13/14	5,148,271	4,209,108
Shares in associates	4/8/13	960,587	730,875
Shares held for sale	8/12	5,534	8,019
Long-term receivables	11	122,836	76,679
Total non-current assets		**14,285,707**	**13,074,188**
Current assets			
Biological assets	9/13	4,458,095	6,418,313
Other inventories	10/13/22	991,186	721,803
Trade receivables	11/12/13	1,972,438	2,209,281
Other receivables	11/12/13	436,590	421,302
Cash and cash equivalents	12/13	3,514,096	2,233,700
Total current assets		**11,372,405**	**12,004,399**
Total assets		**25,658,112**	**25,078,587**

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

Statement of financial position

(All figures in NOK 1,000)

Lerøy Seafood Group Consolidated	Notes	2017	2016
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		**8,769,401**	**7,702,055**
Non-controlling interests		874,828	935,478
Total equity		**14,482,122**	**13,475,426**
Long-term liabilities			
Long-term interest-bearing debt	12/13/14	4,946,254	4,541,276
Deferred tax	16	2,313,950	2,802,271
Pension liabilities	15	3,113	5,219
Other long-term liabilities	12	96,202	121,958
Total long-term liabilities		**7,359,519**	**7,470,724**
Short-term liabilities			
Trade payables	12	1,310,098	1,366,634
Short-term loans	12/13	830,009	1,094,089
Public duties payable		233,982	263,991
Tax payable	16	819,884	477,842
Other short-term liabilities	12/13/17	622,498	929,880
Total short-term liabilities		**3,816,471**	**4,132,437**
Total liabilities		**11,175,990**	**11,603,161**
Sum equity and liabilities		**25,658,112**	**25,078,587**

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

Bergen, 19 April 2018
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board Member

Britt Kathrine Drivenes
Board Member

Hege Charlotte Bakken
Board Member

Didrik Munch
Board Member

Karoline Møgster
Board Member

Henning Beltestad
Group CEO

Hans Petter Vestre
Employee's representative

Statement of cash flows

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

Lerøy Seafood Group Consolidated	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		2,093,467	4,445,321
Taxes paid during the period		-493,896	-224,573
Other gains and losses		-4,100	0
Depreciation	6/7	583,265	511,621
Profit impact associates	8	-302,651	-262,783
Change in fair value adjustments related to biological assets	9	1,716,309	-1,470,561
Change in inventories/biological assets	9/10	-262,661	-283,775
Change in trade receivables	11	237,117	-390,159
Change in trade payables		-56,569	346,337
Change in net pension liabilities	15	2,105	1,454
Net financial items classified as financing activities	22	209,623	131,490
Change in other accruals		-33,741	-37,280
Net cash flow from operating activities		**3,688,269**	**2,767,093**
Cash flows from investing activities			
Proceeds from sale of fixed assets	7	98,971	27,746
Payments for acquisitions of fixed assets	7	-1,562,888	-769,841
Payments for acquisitions of intangible assets	6	-20,323	-534
Proceeds from sale of shares in associates and other businesses	8	18,143	22,081
Payments for acquisitions of shares in associates and other businesses	8	-77,172	-15,000
Dividend payments received from associates	4/24	164,015	103,800
Payments for acquisition of Group companies and redemption of minorities	5	-5,009	-3,376,208
Cash and cash equivalents from business combinations	3/5	1,194	288,311
Proceeds/payments on other loans (short and long-term)		-46,158	-9,121
Net cash flow from investing activities		**-1,429,227**	**-3,728,766**
Cash flows from financing activities			
Movement in short-term interest-bearing debt		-393,173	-328,151
Proceeds from establishing new long-term debt		1,031,927	1,634,884
Downpayments of long-term debt		-594,885	-727,300
Interest payments received		21,391	18,539
Interest paid and other financial expenses		-209,755	-159,675
Equity contributions		0	2,174,289
Dividends paid	19	-834,151	-664,828
Net cash flow from financing activities		-978,646	1,947,758
Net cash flow in the accounting period		**1,280,396**	**986,085**
Cash and cash equivalents at start of period		2,233,700	1,247,614
Cash and cash equivalents at end of period		**3,514,096**	**2,233,700**
This consists of:			
Bank deposits, etc.		3,514,096	2,233,700
Of which restricted funds		84,302	95,135
Unutilised overdraft facilities		2,554,070	1,684,982

Due to the business combinations, not all cash flows will be directly comparable with the change in the statement of financial position. The effect from the acquisition balance is excluded from the cash flow/change. For information on which items in the statement of financial position are involved, please refer to the note on business combinations.

Statement of changes in equity

(All figures in NOK 1,000)

Lerøy Seafood Group Consolidated	Share capital	Treasury shares	Premium reserve	Currency translation differences	Cash flow hedges	Other equity	Non-controlling interests*	Total equity
Equity 31 December 2015	**54,577**	**-330**	**2,731,690**	**139,130**	**-93,321**	**5,053,950**	**878,357**	**8,764,052**
Annual profit 2016				0	17,822	3,206,322	294,488	3,518,631
Comprehensive income for the year				-150,892	40,934	1,503	-6,160	-114,615
Total profit/loss 2016	**0**	**0**	**0**	**-150,892**	**58,756**	**3,207,825**	**288,328**	**3,404,016**
Transactions with shareholders								
Dividend payments						-654,928	-13,857	-668,785
Dividend paid on treasury shares						3,957		3,957
Sale of treasury shares		300				122,332		122,632
New equity from capital increase	5,000		2,046,656					2,051,656
Business combinations				0	-31,008	31,008	1,028,312	1,028,312
Redemption of non-controlling interests				35,080		-19,834	-1,245,663	-1,230,417
Total transactions with shareholders	**5,000**	**300**	**2,046,656**	**35,080**	**-31,008**	**-517,464**	**-231,208**	**1,307,357**
Equity 31 December 2016	**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**	**-60,639**	**-835,615**
Equity 31 December 2017	**59,577**	**-30**	**4,778,346**	**97,404**	**-65,722**	**8,737,719**	**874,828**	**14,482,122**

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

Business combinations and redemption of non-controlling interests

There have been no material transactions in 2017. Redemption of a minor non-controlling interest in Bulandet Fiskeindustri AS, together wiht a contingent fee related to the redemption of non-controlling interests in Lerøy Portugal in 2016, have lead to a minor reallocation between non-controlling and controlling interests, and a total equity charge of NOK 1.5 million.

Share split

The number of shares in Lerøy Seafood Group ASA was increased from 59,57,368 to 595,773 680 on 24 May 2017 due to a share split of 1:10 as resolved at the annual general meeting held on 23 May 2017. One old share was replaced with 10 new shares. The new nominal value of the shares is NOK 0.10.

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 the 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 for treasury shares is NOK 8.12 per share. The average purchase price is adjusted according to the split.

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 2017 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 19 April 2018.

(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 statement of financial position at fair value: Biological assets, onerous contracts, Fish Pool contracts, other shares, forward contracts and interest rate swaps.

Preparation of the 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 the note on significant accounting estimates and assesments.

The accounting policies discussed below have been consistently applied for all periods presented in the consolidated financial statements, as well as for the IFRS opening balance per 1 January 2004 prepared in connection with the transition to IFRS.

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). Financial statements 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 step acquisitions, the Group's shareholding from former acquisitions will be revalued 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%.

The Group has chosen to report all assets (including goodwill) at 100% of fair value identified on the date of acquisition for all acquisitions during the period from and including 2010. This implies that non-controlling interests are also allocated a share of goodwill.

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 statement of financial positi 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 on the income statement when risk and ownership benefits have essentially been transferred to the buyer, which normally is at the time of delivery.

Operating revenue is not recognised if there is significant uncertainty associated with the actual payment of overdue receivables, if the goods in all likelihood will be returned, or in cases where the Group has the right of disposition of delivered goods. Fees, discounts and bonuses are deducted from operating revenue.

(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 structure and commercial risk. The Group's operating segments comprise the following: (1) Wild Catch and Whitefish, (2) Farming and (3) 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.

Wild Catch and Whitefish 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

Note 1
Accounting policies cont.

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) North Norway region, comprising the Lerøy Aurora AS group, (2) Central Norway region, comprising Lerøy Midt AS, and (3) West Norway region (also known as Lerøy Sjøtroll), comprising Lerøy Vest AS, Sjøtroll Havbruk AS, Lerøy Kjærelva AS and Norsk Oppdrettsservice 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.

VAP, Sales and Distribution is the third operating segment. This segment comprises several individual cash-generating units. 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, Sjømathuset AS, Lerøy Quality Group AS and Lerøy & Strudshavn AS. The foreign units are: Rode Beheer BV group, Lerøy Sverige AB group, SAS Lerøy Seafood group, Hallvard Lerøy 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 statement of financial at cost price less accumulated write-downs. Deferred tax in connection with licences 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.

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

Licences related to farming are not amortised. Licences are carried at cost price less any accumulated write-downs. Licences are tested annually for impairment. An overview of the different licences 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 licences) are valued at acquisition cost minus any accumulated amortisation and impairment loss. The licences comprise basic quotas with no time limit and structural quotas with a time limit of 20 and 25 years respectively. The structural quotas have a definite useful life and are amortised over the length of the structural period. The basic quotas have an indefinite useful life and are not amortised, but are tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with 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 licences/fishing rights is provided in the 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. This depreciation is distributed linearly over estimated useful life (depreciation period). Significant parts of fixed assets that have different depreciation periods are decomposed and depreciated separately.

The estimated useful life of operating assets is estimated as:

* Land	Lasting value
* Buildings and real estate	20-25 years
* Machinery and production equipment	5-15 years
* Vessels	10-30 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) consumer products. The group for consumer products also comprises the subgroup for parent fish, utilised to produce roe. As this subgroup is immaterial, it is dealt with in the same way as other consumer products ready for slaughter.

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

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

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

For consumer products, the fair value is calculated by applying a 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 slaughter weight when they have a live weight corresponding to 4 kg gutted weight. This corresponds to a live weight of 4.8 kg. Fish with a live weight of 4.8 kg or more are classified as ready for slaughter (mature fish), while fish that have still not achieved this weight are classified as not ready for slaughter (immature fish). For fish ready for slaughter, the highest and best use is defined as slaughtering and selling the fish as quickly as possible in the month following the date of the statement of financial position. For fish not yet ready for slaughter, the highest and best use is in principle defined as growing the fish to slaughter weight, then slaughtering and selling the fish. The slaughter date applied in the valuation may however be brought forward if required by situations at a specific locality. Such situations may involve biological challenges (disease, salmon lice infestation etc.).

The cash flow-based present value model 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

Note 1
Accounting policies cont.

when it is ready for slaughter. 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 slaughter, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money. Please refer to the note on significant accounting estimates and assessments for more detailed information on discounts, and sensitivity analysis.

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

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

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

Onerous contracts are contracts where the expenses of fulfilling the contracts are higher than the economic yield the company expects to gain by fulfilling the contracts. The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfil the contract. As a result, physical delivery contracts where the contractual price is lower than the price on which fair value estimation of the biological assets was based will be defined as onerous contracts according to IAS 37, even if the contractual price is higher than the production costs for the products. At the end of the period, the management will evaluate whether contracts are onerous contracts by estimating the value of the commitment per contract. This evaluation is based on a number of premises and estimates. The estimate includes all contracts involving the sale of salmon and trout, where the fish have been produced by the Group. For contracts where the product to be delivered has a higher degree of processing than gutted fish, the contractual price is converted to a price per kilo gutted weight based on estimated yield for the different product types and normal processing costs in accordance with the Group's calculations. All contractual prices are translated to Norwegian kroner. For contracts that contain different product types, a weighted price is estimated. The weighted price per contract is then compared with an estimated benchmark price per month. This price corresponds to the price applied as a starting point for valuation of the biological assets, and is based on forward prices from Fish Pool, adjusted for export margin and transport from fish farm to Oslo. A provision is recognised on the statement of financial position. 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 statement of financial position (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 statement of financial position at nominal amount after deduction of provision for estimated losses. Provision for losses is made according to individual assessments of the individual receivables. Loans and receivables are classified as short-term debt or current assets unless they mature more than 12 months after the date of the statement of financial position. 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 date of the statement of financial position.

(L) Shares
Shares are booked at fair value on the date of the statement of financial position. 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.

(M) Liquid assets
Liquid assets consist of cash in hand and bank deposits and are valued at the exchange rates on the date of the statement of financial position. The amount that is restricted funds is specified in the statement of cash flows.

(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 date of the statement of financial position 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

Note 1
Accounting policies cont.

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 23% (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 carryforward 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 licences 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 statement of financial position 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 figures on the statement of financial position between financial years do not match the corresponding figures in the statement of cash flows, 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.

Currency risk
The Group has international operations requiring a number of currencies, and is thus exposed to currency risk. Forward contracts, together with negative and positive balances on multi-currency accounts, are used to hedge, as far as possible, against the currency risk on trade receivables and executed sales contracts, as well as ongoing contract negotiations. Receivables, debts, deposits, forward contracts and sales contracts are booked at the exchange rate on the date of the statement of financial position. The company seeks to keep the net exposure associated with monetary assets and liabilities in foreign currency on an acceptable level by buying and selling foreign currency at day-rates whenever necessary to counter any short-term imbalances. Currency derivatives are traded to hedge future incoming payments in accordance with the Group's strategy for currency risk management. An overview of currency derivatives as per 31 December is shown 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 eliminate interest risk for a share of the Group's long-term debt. The interest rate swaps are reported as cash flow hedging. An overview 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. The Group seeks to reduce this risk factor by ensuring that a certain proportion of revenue comes from contract sales.

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 in to account the Group's scheduled new loans, compliance with terms and conditions of loans, compliance with in-house objectives for figures on the statement of financial position and, if relevant, external regulatory or legal requirements.

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 figures on statement of financial position.

The table in the 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 downpayment 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 is managed at corporate level. 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. 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 has established procedures for the use of credit limits and compliance with procedures is regularly monitored. All but an insignificant part of the Group's trade receivables is covered by credit insurance. Sales to end users are paid for by cash. 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 the 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 and interest rate swaps.

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.

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. The Group uses fair value hedging of delivery contracts at agreed prices in foreign currencies. Gains and losses on foreign currency are included in the item "Purchases".

Note 1
Accounting policies cont.

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. Gains or losses related to the effective share of interest rate swaps to hedge loans with a floating rate of interest are booked through profit or loss, as a financial item, 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 statement of financial position. 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 the 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 percentage growth conditional on a low level of lice. Enterprises in this region that satisfy the specified conditions can purchase increased volume capacity. The Group utilised this option in 2017, buying a 2% increase in volume for a total of eight licences: six in Finnmark and two in Troms. 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 spread knowledge of the aquaculture industry. Such licences are often operated in cooperation with a non-commercial entity.

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

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

Slaughter cage licences are allocated for the use of sea cages for live fish 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

Note 1
Accounting policies cont.

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.

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.

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

Costs related to licences
Payment has been required for new licences granted during more recent allocation rounds. The amount of the payment depends on the allocation criteria, including for example a fixed price versus the auction principle. Given that there is no requirement to apply for renewal of licences, then there are no costs involved in licence renewal.
The costs of maintaining aquaculture licences in Norway are insignificant. There are no annual fees or other types of duties linked to the actual licence. However, there are certain fees to be paid for inspection and control of the licences. Fees also have to be paid to establish new localities and/or to extend/amend localities. As a main rule, an amount of NOK 12,000 is paid per licence covered by an application for amendment at locality level, cf. section 2 of the Regulation relating to fees and duties for aquaculture activities. All fees and costs are immediately recognised as an operating expense.

Assessment of economic life
According to past and present legislation and the general interpretation and practice in the industry, Norwegian fish farming licences are not a time-limited right, and licences should therefore not be subject to amortisation. Where time-limited R&D licences, demonstration licences and educational licences are concerned, these are awarded free of charge so amortisation is normally not relevant. However, in cases where related acquiring or renewing costs are 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) Extremely low expenditure involved in maintaining the licences
(3) High threshold for revocation of licences; this has never happened in Norway

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

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

Parent fish licences
As mentioned above, these licences are granted for 15 years at a time, and applications can be submitted for renewal. In 2007, the duration of parent fish licences was amended from 10 years to 15 years (amendment to regulation dated 14 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 and amended standards implemented in 2017
The Group has implemented the following new or amended IFRS standards or IFRIC interpretations with effect from 1 January 2017:
– Recognition of deferred tax assets for unrealised losses - change to addition to IAS 12.
– Disclosure initiative (addition to IAS 7): New disclosure requirement concerning change in liabilities arising from financing activities. See note on loans, mortgages and guarantees for more details on interest-bearing debt etc.

Implementation of these amendments had no material impact on the financial statements for the current year or former periods. Neither are they expected to have any material impact on subsequent periods.

(b) New standards, amendments and interpretations of existing standards which have not come into effect and where the Group has not opted for early application

Several new standards and amendments to standards and interpretations have been published, but are not obligatory for the financial year ending 31 December 2017.

A separate note on new IFRS standards provides an explanation of the new standards in addition to the Group's assessment of how these standards will affect the financial statements when implemented.

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 consumer products. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets.

Valuation is based on a number of different premises, many of which are non-observable. The premises can be categorised in four different groups: (1) Price, (2) Cost, (3) Volume and (4) Discount rate.

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

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

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

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

(4) Discounts
Every time a fish is slaughtered and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality. The cash flow is allocated to the month when slaughter is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the sea on the date of the statement of financial position. 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 slaughter date, the higher the risk that something may occur to affect cash flow. Three significant factors could have an impact on cash flow. Volume could change, costs could change and prices could change. The one thing all three factors have in common is that the sample space is unsymmetrical.

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

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

Sensitivity analysis 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 normal slaughter weight,
(3) monthly discount rate and
(4) estimated number of fish.

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

Note 2
Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

Sensitivity analysis for weighted average price and expected normal slaughter weight

		Projected slaughter weight per fish in kg GWE				
		3.5	3.75	4.0	4.25	4.5
		Change in projected slaughter weight per kg GWE				
Average price per kg (NOK)	Change in price per kg (NOK)	-0.50	-0.25	-	0.25	0.50
43.5	-5.00	3,026,642	3,307,811	3,588,981	3,870,150	4,151,320
46.5	-2.00	3,362,541	3,663,227	3,963,913	4,264,599	4,565,285
47.5	-1.00	3,474,507	3,781,699	4,088,890	4,396,082	4,703,273
48.5	-	3,586,474	3,900,171	**4,213,868**	4,527,565	4,841,262
49.5	1.00	3,698,440	4,018,643	4,338,845	4,659,048	4,979,250
50.5	2.00	3,810,407	4,137,115	4,463,823	4,790,531	5,117,239
53.5	5.00	4,146,306	4,492,530	4,838,755	5,184,980	5,531,204

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

Sensitivity analysis for weighted average price and monthly discount rate applied

		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%
43.5	-5.00	4,068,005	3,816,880	3,588,981	3,381,674	3,192,672
46.5	-2.00	4,501,537	4,219,583	3,963,913	3,731,531	3,519,835
47.5	-1.00	4,646,048	4,353,818	4,088,890	3,848,150	3,628,889
48.5	-	4,790,559	4,488,053	**4,213,868**	3,964,769	3,737,944
49.5	1.00	4,935,070	4,622,287	4,338,845	4,081,388	3,846,998
50.5	2.00	5,079,580	4,756,522	4,463,823	4,198,006	3,956,052
53.5	5.00	5,513,113	5,159,225	4,838,755	4,547,863	4,283,215

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

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

		Number of fish in stock (million fish)				
		50.9	52.5	53.5	54.6	56.2
		Change in number of fish in stock				
Average price per kg (NOK)	Change in price per kg (NOK)	-5%	-2%	0%	2%	5%
43.5	-5.00	3,318,929	3,480,960	3,588,981	3,697,001	3,859,032
46.5	-2.00	3,675,115	3,848,394	3,963,913	4,079,432	4,252,711
47.5	-1.00	3,793,844	3,970,872	4,088,890	4,206,909	4,383,937
48.5	-	3,912,572	4,093,350	**4,213,868**	4,334,386	4,515,163
49.5	1.00	4,031,301	4,215,828	4,338,845	4,461,863	4,646,390
50.5	2.00	4,150,029	4,338,305	4,463,823	4,589,340	4,777,616
53.5	5.00	4,506,215	4,705,739	4,838,755	4,971,771	5,171,295

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 date of the statement of financial position. 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 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 (million)	Change in number of fish	-2.0%	-1.0%	0.0%	1.0%	2.0%
50.9	-5%	4,441,525	4,164,148	3,912,572	3,683,864	3,475,471
52.5	-2%	4,650,945	4,358,491	4,093,350	3,852,407	3,632,955
53.0	-1%	4,720,752	4,423,272	4,153,609	3,908,588	3,685,449
53.5	-	4,790,559	4,488,053	**4,213,868**	3,964,769	3,737,944
54.1	1%	4,860,366	4,552,833	4,274,127	4,020,950	3,790,438
54.6	2%	4,930,172	4,617,614	4,334,386	4,077,131	3,842,933
56.2	5%	5,139,592	4,811,957	4,515,163	4,245,674	4,000,416

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 2. 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	Operating segment	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12
Wild Catch and Whitefish							
Aker Seafoods AS	Wild Catch and Whitefish	Havfisk AS	Norway	Ålesund	2016	100%	100%
Havfisk Stamsund AS	Wild Catch and Whitefish	Havfisk AS	Norway	Vestvågøy	2016	100%	100%
Havfisk Melbu AS	Wild Catch and Whitefish	Havfisk AS	Norway	Hadsel	2016	100%	100%
Nordland Havfiske AS	Wild Catch and Whitefish	Havfisk Stamsund AS	Norway	Vestvågøy	2016	53%	53%
Nordland Havfiske AS	Wild Catch and Whitefish	Havfisk Melbu AS	Norway	Vestvågøy	2016	47%	47%
Havfisk Finnmark AS	Wild Catch and Whitefish	Havfisk AS	Norway	Hammerfest	2016	100%	100%
Havfisk Båtsfjord AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Båtsfjord	2016	100%	100%
Havfisk Nordkyn AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Lebesby	2016	100%	100%
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	78%	78%
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Båtsfjord AS	Norway	Hammerfest	2016	13%	13%
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Nordkyn AS	Norway	Hammerfest	2016	6%	6%
Hammerfest Industrifiske AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	60%	60%
Havfisk Management AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	100%	100%
Havfisk AS	Wild Catch and Whitefish	Lerøy Seafood Group ASA	Norway	Ålesund	2016	100%	100%
Norway Seafoods Group AS	Wild Catch and Whitefish	Lerøy Seafood Group ASA	Norway	Oslo	2016	100%	0% 7)
Melbu Fryselager AS	Wild Catch and Whitefish	Lerøy Norway Seafoods AS	Norway	Hadsel	2016	67%	67%
Lerøy Norway Seafoods AS **	Wild Catch and Whitefish	Lerøy Seafood Group ASA	Norway	Båtsfjord	2016	100%	100%
Sørvær Kystfiskeinvest AS	Wild Catch and Whitefish	Lerøy Norway Seafoods AS	Norway	Hasvik	2016	51%	51%
Skårvågfisk AS	Wild Catch and Whitefish	Lerøy Norway Seafoods AS	Norway	Bø	2017	0%	0% 1), 7)
A/S Norway Seafoods	Wild Catch and Whitefish	Lerøy Norway Seafoods AS	Denmark	Grenå	2016	100%	0% 5)
SAS Norway Seafoods	Wild Catch and Whitefish	Lerøy Norway Seafoods AS	France		2016	100%	100%
SAS Norway Seafoods Boulogne	Wild Catch and Whitefish	SAS Norway Seafoods	France		2016	100%	0% 7)
Farming							
Lerøy Aurora AS	North Norway	Lerøy Seafood Group ASA	Norway	Tromsø	2005	100%	100%
Lerøy Laksefjord AS	North Norway	Lerøy Aurora AS	Norway	Lebesby	2005	100%	100%
Senja Akvakultursenter AS	North Norway	Lerøy Aurora AS	Norway	Tromsø	2015	100%	100%
Lerøy Midt AS	Central Norway	Lerøy Seafood Group ASA	Norway	Hitra	2003	100%	100%
Lerøy Aakvik Rogn og Stamfisk AS	Central Norway	Lerøy Midt AS	Norway	Halsa	2006	100%	0% 7)
Lerøy Vest AS	West Norway	Lerøy Seafood Group ASA	Norway	Austevoll	2007	100%	100%
Sjøtroll Havbruk AS	West Norway	Lerøy Seafood Group ASA	Norway	Austevoll	2010	51%	51%
Lerøy Sjøtroll Kjærelva AS	West Norway	Lerøy Vest AS	Norway	Austevoll	2017	0%	50% 3)
Lerøy Sjøtroll Kjærelva AS	West Norway	Sjøtroll Havbruk AS	Norway	Austevoll	2017	0%	50% 3)
Norsk Oppdrettsservice AS	West Norway	Lerøy Seafood Group ASA	Norway	Flekkefjord	2015	51%	51%

Comments on changes:
1) Business combination
2) Redemption of non-controlling interests
3) Foundation of new company
4) Intragroup purchase/sale of company/shareholding
5) Sale of shares to external non-controlling interests
6) Private placement (with change in shareholding)
7) 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 Norway Seafoods AS to Lerøy Norway Seafoods AS. It was the aqcuiring part in a business combination with its parent company Norway Seafoods Group AS.
***) The company has changed its name from SAS Hallvard Lerøy to SAS Lerøy Seafood France.

Table cont.

Company	Operating segment	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12
VAP, Sales and Distribution							
Bulandet Fiskeindustri AS	VAP, sales and distr.	Lerøy Seafood AS	Norway	Askvoll	2005	76%	79%
Hallvard Lerøy USA, Inc	VAP, sales and distr.	Lerøy Seafood AS	USA	North Carolina	2016	100%	100%
Leroy Culinair B.V.	VAP, sales and distr.	Rode Retail B.V.	Netherlands	Urk	2012	100%	100%
Leroy Germany GmbH	VAP, sales and distr.	Rode Beheer B.V.	Germany	Witten	2015	50%	50%
Leroy Germany GmbH	VAP, sales and distr.	Lerøy Seafood AS	Germany	Witten	2016	50%	50%
Lerøy & Strudshavn AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Bergen	1927 *	100%	100%
Lerøy Alfheim AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Bergen	2005	100%	100%
Lerøy Alt i Fisk AB	VAP, sales and distr.	Lerøy Sverige AB	Sweden	Gothenburg	2001	100%	100%
Lerøy Delico AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Stavanger	2006	100%	100%
Lerøy Finland OY	VAP, sales and distr.	Lerøy Seafood Group ASA	Finland	Turku	2011	100%	100%
Lerøy Fossen AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Bergen	2006	100%	100%
Lerøy Nord AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Tromsø	2015	51%	51%
Lerøy Nordhav AB	VAP, sales and distr.	Lerøy Sverige AB	Sweden	Lomma	2001	100%	100%
Lerøy Portugal Lda	VAP, sales and distr.	Lerøy Seafood Group ASA	Portugal	Lisbon	2005	100%	100%
Lerøy Processing Spain SL	VAP, sales and distr.	Lerøy Seafood Group ASA	Spain	Madrid	2012	100%	100%
Lerøy Quality Group AS	VAP, sales and distr.	Lerøy Seafood AS	Norway	Bergen	2006	100%	100%
Lerøy Seafood AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Bergen	1939*	100%	100%
Lerøy Sjømatgruppen AS	VAP, sales and distr.	Lerøy Delico AS	Norway	Bergen	2006	18%	18%
Lerøy Sjømatgruppen AS	VAP, sales and distr.	Lerøy Alfheim AS	Norway	Bergen	2006	24%	24%
Lerøy Sjømatgruppen AS	VAP, sales and distr.	Lerøy Trondheim AS	Norway	Bergen	2006	8%	8%
Lerøy Sjømatgruppen AS	VAP, sales and distr.	Lerøy Nord AS	Norway	Bergen	2015	3%	3%
Lerøy Smøgen Seafood AB	VAP, sales and distr.	Lerøy Sverige AB	Sweden	Smøgen	2002	100%	100%
Lerøy Stockholm AB	VAP, sales and distr.	Lerøy Sverige AB	Sweden	Stockholm	2001	100%	100%
Lerøy Sverige AB	VAP, sales and distr.	Lerøy Seafood Group ASA	Sweden	Gothenburg	2001	100%	100%
Lerøy Trondheim AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Trondheim	2006	100%	100%
Lerøy Turkey	VAP, sales and distr.	Lerøy Seafood Group ASA	Turkey	Istanbul	2015	100%	100%
Rode Beheer B.V.	VAP, sales and distr.	Lerøy Seafood Group ASA	Netherlands	Urk	2012	100%	100%
Rode Retail B.V.	VAP, sales and distr.	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
Rode Vaestgoed B.V.	VAP, sales and distr.	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
Rode Vis B.V.	VAP, sales and distr.	Rode Beheer B.V.	Norway	Urk	2012	100%	100%
Rode Vis International AS	VAP, sales and distr.	Rode Beheer B.V.	Norway	Bergen	2012	100%	100%
Royal Frozen Seafood B.V.	VAP, sales and distr.	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
SAS Eurosalmon	VAP, sales and distr.	SAS Lerøy Seafood France	France	Saint Jean d'Ardières	2008	100%	100%
SAS Fishcut	VAP, sales and distr.	SAS Lerøy Seafood France	France	Saint Laurent Blangy	2008	100%	100%
SAS Lerøy Seafood France ***	VAP, sales and distr.	Lerøy Seafood AS	France	Boulogne	2008	100%	100%
Sirevaag AS	VAP, sales and distr.	Lerøy Delico AS	Norway	Hå	2006	100%	100%
Sjømathuset AS	VAP, sales and distr.	Lerøy Seafood Group ASA	Norway	Oslo	2006	100%	100%
Not allocated							
Lerøy Seafood Group ASA	ASA / Other / Elim.	*See note on shareholder information*		Bergen	1995		
Preline Fishfarming Sys. AS	ASA / Other / Elim.	Lerøy Seafood Group ASA	Norway	Skien	2015	96%	96%

Note 4
Operating revenues/segment information

(All figures in NOK 1,000)

Operating revenue	**2017**	**2016**
Sale of goods and services	18,592,403	17,221,829
Lease income	623	2,507
Compensation received	93	706
Other operating revenue	30,396	44,236
Total operating revenue	**18,623,515**	**17,269,278**

Other gains and losses	**2017**	**2016**
Gain from disposal of fixed assets	4,829	457
Gain from re-measurement related to business combination	-8,756	0
Total other gains	**-3,927**	**457**

Operating segments

The Group has the following segments: (1) Wild Catch and Whitefish, (2) Farming, (3) 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, (B) Central and (C) West (Lerøy Sjøtroll).

The segment VAP, sales and distribution has previously been presented as two separate segments. These are now combined into one segment, as activities in both segments have become increasingly similar and it is no longer appropriate to have these activities split into two segments. For comparability the figures from the previous year are also presented as one combined segment, which means that internal sales revenues within the combined segment are eliminated.

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

2016	**Wild Catch and Whitefish**	**Farming**	**VAP, sales and distribution**	**Elimination / unallocated**	**Group**
External operating revenue	810,298	523,683	15,935,623	-326	17,269,278
Internal operating revenue	35,800	7,814,221	66,258	-7,916,279	0
Total operating revenue	**846,098**	**8,337,904**	**16,001,881**	**-7,916,605**	**17,269,278**
Other gains and losses	0	27	431	0	457
Operating expenses	757,463	5,918,850	15,603,084	-7,853,129	14,426,268
Operating profit (EBIT) before fair value adjustments	**88,635**	**2,419,081**	**399,228**	**-63,476**	**2,843,468**
Change in fair value adjustment of fish in sea		1,730,028			1,730,028
Change in fair value of loss-making contracts		-284,381			-284,381
Change in fair value of Fish Pool contracts			24,914		24,914
Total fair value adjustments related to biological assets	**0**	**1,445,647**	**24,914**	**0**	**1,470,561**
Operating profit	**88,635**	**3,864,728**	**424,142**	**-63,476**	**4,314,030**
Profit from associates	-2,409	262,899	2,293	0	262,783
Net financial items	-17,638	-74,491	-14,132	-25,230	-131,491
Profit before tax	**68,588**	**4,053,136**	**412,303**	**-88,706**	**4,445,321**
Tax cost					-926,691
The year's result					**3,518,630**
Operating margin before fair value adjustments	10.5%	29.0%	2.5%	0.8%	16.5%

Table cont.

Assets (excluding associates)	6,060,308	15,340,307	4,176,768	-1,229,670	24,347,712
Associates	20,333	703,995	6,548	0	730,875
Total assets	**6,080,640**	**16,044,301**	**4,183,316**	**-1,229,670**	**25,078,587**
Total liabilities	**2,578,068**	**7,406,861**	**2,923,369**	**-1,305,137**	**11,603,161**
Net investments in intangibles and fixed assets	38,943	640,288	65,512	-2,570	742,173
Depreciation	41,908	397,370	72,342	0	511,621

2017	**Wild Catch**	**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**
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

Note 4
Operating revenues/segment information cont.

(All figures in NOK 1,000)

More detailed information on the operating segments under Farming

2016	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region (Lerøy Sjøtroll)	Elimination (group purchases /sales)	Total Farming
External operating revenue	234,261	24,969	264,453		523,683
Internal operating revenue	1,586,534	2,930,296	3,361,703	-64,312	7,814,221
Total operating revenue	**1,820,795**	**2,955,265**	**3,626,156**	**-64,312**	**8,337,904**
Other gains and losses	26	0	0	0	27
Operating expenses	1,094,981	2,210,768	2,675,820	-62,719	5,918,850
Operating profit (EBIT) before fair value adjustments	**725,840**	**744,497**	**950,336**	**-1,593**	**2,419,081**
Volume salmon (GWT)*	30,010	52,208	32,721		114,939
Volume trout (GWT)			35,243		35,243
Total volume	30,010	52,208	67,964		150,182
EBIT/kg **	**24.2**	**14.3**	**14.0**	**-0.0**	**16.1**

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**

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

Information on product area

Operating revenue	2017	%	2016	%
Whole salmon	8,061,730	43.3	7,046,983	40.8
Processed salmon	4,446,498	23.9	5,031,636	29.1
Whitefish	3,344,873	18.0	1,790,147	10.4
Trout	1,574,988	8.5	2,164,155	12.5
Shellfish	482,400	2.6	560,024	3.2
Pelagic	76,350	0.4	63,638	0.4
Other	636,676	3.4	612,694	3.5
Total operating revenue	**18,623,515**	**100.0**	**17,269,278**	**100.0**

Information on currency

Operating revenue in NOK by currency

Operating revenue	2017	%	2016	%
NOK	5,508,389	29.6	4,519,603	26.2
SEK	1,142,969	6.1	1,577,852	9.1
GBP	619,397	3.3	554,503	3.2
EUR	7,549,857	40.5	6,951,132	40.3
USD	2,498,137	13.4	2,448,054	14.2
JPY	867,564	4.7	842,736	4.9
Other currency	437,202	2.3	375,397	2.2
Total operating revenue	**18,623,515**	**100.0**	**17,269,278**	**100.0**

Sales in foreign currency from Group companies in Norway normally take place at an approximate transaction rate (week rates). 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	2017	%	2016	%
EU	10,737,890	57.7	10,214,306	59.1
Norway	3,438,502	18.5	2,770,069	16.0
Asia	2,616,321	14.0	2,296,659	13.3
USA & Canada	990,920	5.3	1,030,674	6.0
Rest of Europe	610,761	3.3	685,537	4.0
Other	229,120	1.2	272,033	1.6
Total operating revenue	**18,623,515**	**100.0**	**17,269,278**	**100.0**

Assets	2017	%	2016	%
Norway *	23,953,778	93.4	23,317,809	93.0
EU	1,564,434	6.1	1,716,091	6.8
Other countries	139,900	0.5	44,687	0.2
Total assets	**25,658,112**	**100.0**	**25,078,587**	**100.0**

** Most of the trade receivables in the subsidiary Lerøy Seafood AS are from customers abroad. At year-end, this amounted to NOK 983,713 out of NOK 1,193,760 (NOK 1,004,945 out of NOK 1,228,125 previous year). Trade receivables are covered by credit insurance.*

Net investments	2017	%	2016	%
Norway	1,263,781	85.1	699,118	94.2
EU	214,417	14.4	41,454	5.6
Other countries	6,042	0.4	1,601	0.2
Total net investments	**1,484,240**	**100.0**	**742,173**	**100.0**

Net investment expenses are defined as the cost price for new operating accessories (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)

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

Final purchase price allocation for the acquisitions of Havfisk ASA and Norway Seafoods Group AS in 2016
The final purchase price allocation for the acquisitions of Havfisk ASA and Norway Seafoods Group AS in 2016 is unchanged from the preliminary purchase price allocation.

Aggregated VAT analysis	Acquisition balance	Eliminations between acquired companies	Final purchase price allocation	Fair value on the date of acquisition
Goodwill				0
Deferred tax asset	6,885		58,772	65,657
Licences	757,790	-3,919	2,941,594	3,695,465
Fixed assets	1,271,609		-179,952	1,091,657
Financial assets	265,344	-205,483	0	59,861
Inventory	255,702		-2,284	253,418
Short-term receivables	305,679	-115	-157	305,407
Cash in bank	288,311			288,311
Total assets	**3,151,321**	**-209,517**	**2,817,973**	**5,759,777**
Equity	1,045,604	19,975	2,106,785	3,172,364
Deferred tax	194,385	6,658	682,845	883,888
Other long-term debt	1,309,336	-214,420		1,094,916
Short-term debt	601,996	-21,730	28,343	608,609
Total equity and debt	**3,151,321**	**-209,517**	**2,817,973**	**5,759,777**

In the table above, intercompany balances between the Havfisk ASA group and Norway Seafoods Group AS group are eliminated. Differences in net book value related to intercompany balances, rights and liabilities, derived from earlier impairment losses before acquisition date, are eliminated against equity in the purchase price allocation.

Lerøy Seafood Group perceives the two acquired enterprises plus their subsidiaries to be so closely integrated with each other that they must be considered as one in relation to the business combination. Havfisk's licences come with certain commitments. One condition for the use of the licences is that Havfisk fulfils certain commitments related to the onshore plants in North Norway operated by Norway Seafoods Group. These commitments cover supply, operations and processing. These commitments are described in the note on intangible assets.

Note 6
Intangible assets

(All figures in NOK 1,000)

Reconciliation carrying value, gross value and life

2016	Goodwill	Licences	Other rights	Total
As of 1 December 2016				
Acquisition cost	2,133,039	2,178,102	71,590	4,382,731
Accumulated amortisation			-32,815	-32,815
Carrying value as of 1 December 2016	**2,133,039**	**2,178,102**	**38,775**	**4,349,916**
Financial year 2016				
Carrying value as of 1 January 2016	2,133,039	2,178,102	38,775	4,349,916
Translation differences	-13,721	0	-99	-13,820
Additions from business combinations	0	3,695,465	0	3,695,465
Acquisition of intangible assets		0	534	534
Amortisation for the year		-9,466	-4,181	-13,647
Carrying value as of 31 December 2016	**2,119,318**	**5,864,101**	**35,029**	**8,018,448**
As of 31 December 2016				
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 31 December 2016	**2,119,318**	**5,864,101**	**35,029**	**8,018,448**
Assets with unlimited useful life	2,119,318	5,459,503	2,000	7,580,821
Assets with limited useful life		404,598	33,029	437,627
Carrying value as of 31 December 2016	**2,119,318**	**5,864,101**	**35,029**	**8,018,448**

2017	Goodwill	Licences	Other rights	Total
Financial year 2017				
Carrying value as of 1 January 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 December 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 December 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 December 2017	**2,131,819**	**5,855,851**	**31,957**	**8,019,627**

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

Specification of intangible assets per acquisition, per segment

31.12.16	Region	Acquisition year	Goodwill	Licences	Other rights	Total
Wild Catch						
Havfisk AS		2016 [5]		3,685,999		3,685,999
Total			**0**	**3,685,999**	**0**	**3,685,999**
Farming						
Lerøy Midt AS group	Central Norway	2003, 2006 [1]	956,509	644,100		1,600,609
Lerøy Vest AS	West Norway	2007	535,001	507,718	17,685 [3]	1,060,404
Sjøtroll Havbruk AS	West Norway	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North Norway	2005, 2014 [2]	134,567	312,771	2,000	449,338
Norsk Oppdrettsservice AS	West Norway	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,178,102**	**19,685**	**4,043,112**
Total VAP, sales and distribution		[4]	**273,992**	**0**	**15,344** [3]	**289,336**
Total			**2,119,318**	**5,864,101**	**35,029**	**8,018,448**

31.12.17	Region	Acquisition year	Goodwill	Licences	Other rights	Total
Wild Catch						
Havfisk AS		2016		3,657,600 [6]		3,657,600
Lerøy Norway Seafoods AS		2017	2,646		100	2,746
Total			**2,646**	**3,657,600**	**100**	**3,660,346**
Farming						
Lerøy Midt AS	Central Norway	2003, 2006 [1]	956,509	644,100		1,600,609
Lerøy Vest AS	West Norway	2007	535,001	507,718	16,621 [3]	1,059,340
Sjøtroll Havbruk AS	West Norway	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North Norway	2005, 2014 [2]	134,567	326,771	2,000	463,338
Norsk Oppdrettsservice AS	West Norway	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,192,102**	**18,621**	**4,056,048**
Total VAP, sales and distribution		[4]	**283,848**	**0**	**13,236** [3]	**297,084**
Lerøy Seafood Group ASA		2017		**6,150** [7]		**6,150**
Total			**2,131,819**	**5,855,852**	**31,957**	**8,019,627**

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 and the Lerøy Finnmark (Villa) acquisition from 2014, in addition to paid amount for increased volume in 2017.
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) The change in licences in 2016 comes from the acquisition of Havfisk AS (business combination).
6) 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.
7) Consists of initial costs related to R&D licence, which is owned by Lerøy Vest AS and presumed renewed in 2018. Definite life time of 3 years from 2018.

Licences

Licences in the Farming segment

The net book value of licences in the Farming segment is NOK 2,198,252 including the capitalised 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.

		Norsk Oppdretts-service		Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total Group	
Salmon and trout licences		**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**
Grow-out licences *3)	1)			57	44,980	53	41,340	25	24,297	135	110,617
Slaughter cage licences				2	1,030	1	780	2	1,800	5	3,610
R&D licences **	2)			2	1,560	2	1,560	1	780	5	3,900
Green farming licences				1	780					1	780
Demonstration licences				1	780	1	780	1	780	3	2,340
Teaching licences **	3)			1	780	2	1,560	1	390	4	2,730
Parent fish licences	4)			2	1,560	2	1,560	1	780	5	3,900
Total number and volume		**0**	**0**	**66**	**51,470**	**61**	**47,580**	**31**	**28,827**	**158**	**127,877**
Licence equivalents (number of licences communicated to the market)											
Slaughter cage licences (without own production)				-2		-1		-2		-5	
Adjustment for one licence with double volume				1						1	
Total number of licence equivalents				**65**		**60**		**29**		**154**	

1) Access to licences for consumer products relates to purchase of extra volume (5%) at 14 localities in North Norway. The purchase price was NOK 14 million.
2) The R&D licences are time-limited with a duration of three years. Three of the licences were awarded in 2015 and two in 2017. The licences were awarded free of charge. Total costs of NOK 6,150,000 linked to renewal of the licence for Lerøy Vest AS in 2018 have been capitalised. The costs have been capitalised in Lerøy Seafood Group ASA, which heads up the application process in the Group.
3) The teaching licences are considered time-limited with a duration of 10 years. The licences were awarded free of charge in 2017 but not capitalised until 2018. The useful life is calculated from the capitalisation date. The teaching licences in Lerøy Vest AS, Sjøtroll Havbruk AS and Lerøy Midt AS have a normal duration of 10 years, while that in Lerøy Aurora provisionally has an estimated duration of one year.
4) The parent fish licence shown for Lerøy Aurora is owned by Lerøy Midt AS but operated by Lerøy Aurora AS.

	Norsk Oppdretts-service		Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total Group	
Other farming licences	**Number**	**Volume (million in-dividuals)**	**Number**	**Volume (million in-dividuals)**	**Number**	**Volume (million in-dividuals)**	**Number**	**Volume (million in-dividuals)**	**Number**	**Volume (million in-dividuals)**
Juvenile fish licences			14	41.9	7	27.5	1	11.5	22	80.9
Cleaner fish licences	2	4.0	1	2.5	2	5.0	1	2.5	6	14.0
Total	**2**	**4.0**	**15**	**44.4**	**9**	**32.5**	**2**	**14.0**	**28**	**94.9**

In 2017, the Group was also awarded 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.

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

Licences in the Wild Catch and Whitefish segment

Licences (quotas) for Wild Catch	NBV* in acquired company on date of acquisition	Excess value identified and allocated	Accumulated amortisation (01.09.16 - 31.12.17)	NBV as of 31.12.2017
Structural quotas, cod trawling	339,807	2,941,594		3,281,401
Basic quotas for cod, shrimp and greater silver	414,064		-37,865	376,199
Total	**753,871**	**2,941,594**	**-37,865**	**3,657,600**

** NBV = Net book value*

The Wild Catch and Whitefish segment comprises the two sub-groups, Havfisk AS and Lerøy Norway Seafoods AS. Havfisk AS is a shipowning company, with trawlers involved in wild catch. 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. 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" 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, eight shrimp trawling licences and three 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 2017 (2016), each vessel was permitted up to four (four) licence units. 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 2017 (2016), one cod licence entitled the holder to fish for 1,480 (1,491) tonnes of cod, 564 (578) tonnes of haddock and 388 (366) tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2016 (2015), this is a change of -1% (+1%) for cod, -2% (+26%) for haddock and +6% (+12%) 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)*. The Participant Act stipulates inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of Lerøy Seafood Group ASA's acquisition of the majority shareholding in Havfisk AS was granted on the basis of Lerøy Seafood Group ASA's ownership on the date of the approval. The approval also states that no new applications are required for future changes in ownership of Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA provided that Lerøy Seafood Group ASA continues to own minimum 60% of the shares in Havfisk AS and that Austevoll Seafood ASA continues to own minimum 50% of the shares in Lerøy Seafood Group ASA. However, the approval does not allow for changes in ownership that result in Laco AS directly owning less than 55.55% of the shares in Austevoll Seafood ASA. Any significant changes in ownership in Laco AS also require approval. The approval also requires continuation of the prevailing terms related to permits for the vessels and structural quotas, in addition to compliance with the nationality requirement in section 5 of the Participant Act. Pursuant to the nationality requirement in section 5 of the Participant Act, operating permits can only be granted to parties that are Norwegian citizens or have status that equals Norwegian citizenship. According to the second paragraph letra a) of the provision, limited companies, public limited companies and other companies with limited liability have equal status to Norwegian citizens when the company's head office and Board of Directors are located in Norway, when the majority of the Board members, including the Chairman of the Board, are Norwegian citizens resident in Norway and who have lived in Norway for the last two years, and when Norwegian citizens own shares or stocks corresponding to minimum 6/10 of the company's capital and have voting rights in the company with minimum 6/10 of the votes. Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA are obliged to submit an overview twice a year detailing the company's shareholders, including specification of the shares held by foreign shareholders. Ultimately, a breach of the above-mentioned licence provisions could result in Havfisk AS losing its licence rights.

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	Wild Catch and Whitefish	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		16,621		16,621
Contracts with customers	10 years			11,000	11,000
Other rights	3 - 5 years			2,236	2,236
Total		**0**	**16,621**	**13,236**	**29,857**
Accumulated purchase price		0	44,973	27,410	72,383
Accumulated amortisation		0	-28,352	-12,074	-40,426
Total other rights		**100**	**18,621**	**13,236**	**31,957**

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

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 three 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.

Wild Catch and Whitefish
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	3,657,600 [2]	100	**3,660,346**
Lerøy Aurora	134,567	326,771	2,000	**463,338**
Lerøy Midt	956,509	644,100	-	**1,600,609**
Lerøy Vest AS and Sjøtroll Havbruk AS	740,955	1,181,231	16,621 [1]	**1,938,807**
Norsk Oppdrettsservice AS	13,295	40,000	-	**53,295**
Rode Beheer BV Group	139,300	-	-	**139,300**
Other VAP, sales and distribution companies	144,548	-	13,236 [1]	**157,784**
Lerøy Seafood Group ASA	-	6,150 [3]		**6,150**
Total	2,131,819	5,855,852	31,957	**8,019,627**

Book value of intangible assets that are amortised:	**412,206**
Book value of intangible assets that are not amortised but tested for impairment:	**7,607,421**
Total	**8,019,627**

1) Rights with definite useful life and subject to amortisation.
2) Structual quotas included in this amount, have a definite economic life time, and are subject to amortisation.
3) Capitalised costs related to time-limited R&D licence, subject to depreciation

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% and 94%.

The cash-generating unit (CGU) Wild Catch, 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.

Within 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. However, with the new green licences granted recently, together with new R&D licences, the probability of future growth has increased. 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 21% and 94%. The Farming segment requires an EBIT in the terminal element of an amount from NOK - 4.3 to NOK 1.5 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:	2017	2016
Discount rate (WACC) before tax	7.5%	7.5%
Discount rate (WACC) after tax	5.8%	5.7%
Nominal rate of growth	3.0%	2.0%
Projected inflation	2.0%	1.0%
Projected real growth	1.0%	1.0%

Note 6
Intangible assets cont.

(All figures in NOK 1,000)

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	8.4%	5)	10.0%	7.5%
Lerøy Aurora	463,338	-4.3	4)	93.5%	7.5%
Lerøy Midt	1,600,609	-0.5	4)	31.5%	7.5%
Lerøy Vest AS and Sjøtroll Havbruk AS	1,922,186	1.5	4)	21.4%	7.5%
Total	**3,986,132**	**-0.3**	**4)**	**30.7%**	**7.5%**
Norsk Oppdrettsservice AS (NOS)	53,295	-0.7%	5)	27.5%	7.5%
Rode Beheer BV Group	139,300	1.9%	5)	15.6%	7.5%
Other VAP, sales and distribution companies	144,548	-0.3%	5)	49.8%	7.5%
Total	**283,848**	**-0.2%**	**5)**	**36.0%**	**7.5%**
Total	**7,607,421**				**7.5%**

4) The terminal value for Farming, excluding NOS, is estimated on the basis of EBIT/kg.
5) The terminal value for Wild Catch, NOS, VAP, sales and distribution is estimated on the basis of the profit margin.

Note 7
Fixed assets

(All figures in NOK 1,000)

2016	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
1 January 2016					
Acquisition cost	125,088	1,275,479		4,071,951	5,472,518
Accumulated depreciation	0	-310,703		-2,222,884	-2,533,587
Accumulated impairment loss	0	-15,798		-23,500	-39,298
Carrying value 01.01.16	**125,088**	**948,978**	**0**	**1,825,567**	**2,899,633**
Financial year 2016					
Carrying value 1 January 2016	125,088	948,978	0	1,825,567	2,899,633
Foreign currency translation differences	-1,683	-15,379	0	-9,243	-26,305
Operating assets acquired	15,884	140,025	14,525	599,858	770,292
Operating assets acquired via business combinations	3,922	22,228	1,014,818	50,688	1,091,656
Disposal	-1,720	-9,589		-16,886	-28,195
Depreciation for the year	0	-72,274	-25,731	-399,968	-497,973
Impairment loss	0	0	0	0	0
Carrying value 31 December 2016	**141,491**	**1,013,989**	**1,003,612**	**2,050,016**	**4,209,108**
31 December 2016					
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 31 December 2016	**141,491**	**1,013,989**	**1,003,612**	**2,050,016**	**4,209,108**

2017	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
Financial year 2017					
Carrying value 1 January 2017	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
Impairment loss	0	0	0	0	0
Carrying value 31 December 2017	**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 December 2017	**193,808**	**1,760,426**	**987,591**	**2,206,445**	**5,148,271**

In 2017 (and in 2016) fixed assets acquired do not include any capitalised interests.

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 the note on leasing.
Information on mortgages for fixed assets is provided in the note on loans, mortgages and guarantees.

Note 8
Associates and other investments

(All figures in NOK 1,000)

The associated companies in the Group are listed in the table below, and each company is allocated to an 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	LSG ASA	Farming	Norway	Bergen	50%	50%	746,934
Seistar Holding AS - group	LSG ASA	Farming	Norway	Austevoll	50%	50%	95,324
Seafood International A/S - group	LSG ASA	VAP, sales and distr.	Denmark	Hirtshals	0%	33%	93,229
Total							**935,487**
Other associates							
Lerøy Sommarøy AS	LSG ASA	Wild Catch	Norway	Tromsø	50%	50%	8,118
Nesset Kystfiske AS	Sørvær Kystfiskeinvest AS	Wild Catch	Norway	Hasvik	34%	34%	913
Holmen Fiske AS	Sørvær Kystfiskeinvest AS	Wild Catch	Norway	Hasvik	34%	34%	1
Itub AS	Lerøy Norway Seafoods AS	Wild Catch	Norway	Ålesund	22%	22%	3,815
Finnmark Kystfiske AS	Havfisk AS	Wild Catch	Norway	Hammerfest	48%	48%	1,058
Vestvågøy Kystrederi AS	Havfisk AS	Wild Catch	Norway	Vestvågøy	50%	50%	2,879
Ocean Forest	LSG ASA	Farming	Norway	Bergen	50%	50%	134
Kirkenes Processing AS	Lerøy Aurora AS	Farming	Norway	Kirkenes	50%	50%	4,055
Romsdal Processing AS	Lerøy Aurora AS	Farming	Norway	Midsund	50%	50%	3,386
Norway Salmon AS	Lerøy Midt AS	Farming	Norway	Rørvik	50%	50%	395
Lerøy Schlie	LSG ASA	VAP, sales and distr.	Denmark	Hirtshals	50%	0%	0
The Seafood Innovation Cl. AS	LSG ASA	VAP, sales and distr.	Norway	Bergen	20%	20%	346
Total							**25,100**
Total for all associates							**960,587**

Information about historical purchase price is included in the note on shares in associates and other investments in Lerøy Seafood Group ASA's financial statements.

Subsidiaries in associates considered as material (consolidated in the associated sub-group)

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%
Terregles Salmon Company 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 International A/S	VAP, sales and distr.	Denmark	0%	100%
Scanfish A/S	Seafood International A/S	VAP, sales and distr.	Denmark	0%	100%
Thorfisk A/S	Seafood International A/S	VAP, sales and distr.	Denmark	0%	100%
Lerøy Schlie A/S	Seafood International A/S	VAP, sales and distr.	Denmark	0%	100%
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%

2017	Seafood International A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
Reconciliation of changes in book value in 2017					
Opening balance 01.01	0	86,485	611,985	32,405	730,875
Change from business combination					0
Companies acquired	77,170				77,170
Companies sold				-7,521	-7,521
Share of this year's profit	11,876	11,839	270,660	141	294,516
Dividend distributed		-3,000	-161,015		-164,015
Currency translation differences *	4,183		28,077	73	32,333
Other changes over equity			-2,773	2	-2,771
Closing balance as of 31.12	**93,229**	**95,324**	**746,934**	**25,100**	**960,587**

*) *Currency translation differences relate to translation for the sub-group Scottish Seafarms, owned by Norskott Havbruk AS, where functional and reporting currency is GBP*

	Seafood International A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
Profit for the year from associates is calculated as follows					
Share of this year's profit	11,876	11,839	270,660	141	294,516
Gain from disposal of associate (Lerøy Schlie A/S)				8,135	8,135
Income from associates	**11,876**	**11,839**	**270,660**	**8,276**	**302,651**
Fair value adjustments related to biological assets (after tax) from associates			-4,351		-4,351
Income from associates, before fair value adjustments related to biological assets	**11,876**	**11,839**	**266,309**	**8,276**	**298,300**

	Seafood International A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group
Information on the investments in associates considered material to the Group			
Country	Denmark	Norway	Norway
Municipality	Hirtshals	Austevoll	Bergen
Acquisition year	2017	2015	2001
Owner and voting rights	33%	50%	50%
Acquisition cost	**77,170**	**61,500**	**163,273**

Financial information (100%) about investments in associates considered material to the Group

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

Companies	Seafood International A/S		Seistar Holding AS		Norskott Havbruk AS	
Consolidated figures	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	1,920,189	0	142,692	104,518	2,088,007	1,720,555
Pre-tax profit	65,434	0	23,284	27,515	670,275	581,759
Annual profit	48,586	0	22,586	26,970	541,320	477,608
Comprehensive income	**0**	**0**	**0**	**0**	**-5,544**	**-5,686**
Fixed assets	329,956	0	365,774	367,509	983,398	875,983
Current assets	360,623	0	124,294	81,584	1,360,089	1,130,419
Total assets	**690,579**	**0**	**490,068**	**449,093**	**2,343,487**	**2,006,402**
Long-term debt	117,110	0	294,867	295,003	557,360	479,810
Short-term debt	281,239	0	45,804	23,420	292,255	302,622
Total debt	**398,349**	**0**	**340,671**	**318,423**	**849,615**	**782,432**
Net interest-bearing debt	173,214	0	222,631	221,752	180,906	267,323
Equity	**292,229**	**0**	**149,397**	**130,670**	**1,493,872**	**1,223,970**

Note 8
Associates and other investments cont.

(All figures in NOK 1,000)

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

Fair value adjustment related to biological assets in the statement of financial position	2017		2016	
Ownership	**100%**	**50%**	**100%**	**50%**
Fair value adjustment as of 01.01	178,237	89,119	50,399	25,200
Fair value adjustment of biological assets through profit or loss	8,989	4,495	127,838	63,919
Fair value adjustment as of 31.12	187,226	93,613	178,237	89,119
Cost price of biological assets	625,308	312,654	737,402	368,701
Carrying value of biological assets 31.12	**812,534**	**406,267**	**915,640**	**457,820**
Total fish in sea (LWT)	**16,303**	**8,152**	**18,409**	**9,205**

Fair value adjustment related to biological assets in the income statement	2017		2016	
Ownership	**100%**	**50%**	**100%**	**50%**
Tax rate applied during the accounting period (for calculation of tax cost)	24%	24%	25%	25%
Tax rate applied for future periods (for calculation of deferred tax)	23%	23%	24%	24%
Profit and loss impact before tax	8,989	4,495	127,838	63,919
Tax cost before effect of change in tax rate	-2,157	-1,079	-31,960	-15,980
Effect of change in tax rate (change in deferred tax in the statement of financial position)	1,872	936	1,782	891
Net effect of the fair value adjustment of biological assets, after tax *	**8,704**	**4,352**	**97,661**	**48,830**

**) 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.*

Total harvest volume in the period (GWT):	**30,996**	**15,498**	**28,043**	**14,022**

Shares held for sale	Location	Ownership/ voting share	Cost price	Fair value 31.12
DNB Private Equity II (IS) AS	Oslo	1.11%	1,806	1,806
Bulandet Eiendom AS	Bulandet	12.67%	680	680
Other minor shareholdings			3,048	3,048
Total shares held for sale			**5,534**	**5,534**

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 have 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 slaughter 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 Fish Pool.

The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to 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 statement of financial position (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

Carrying amount of biological assets	2017	2016
Fish in sea at historical cost *	3,466,270	3,433,980
Roe, fry, smolt and cleaner fish at cost *	244,227	283,234
Total biological assets before fair value adjustment	3,710,497	3,717,214
Fair value adjustment of biological assets	747,598	2,701,099
Total biological assets 31.12	**4,458,095**	**6,418,313**
Fish in sea at fair value	4,213,868	6,135,079
Roe, fry, smolt and cleaner fish at fair value	244,227	283,234
Total biological assets 31.12	**4,458,095**	**6,418,313**

** Historical cost minus expensed mortality*

Total loss-making contracts 31.12	**-5,455**	**-284,381**
Total Fish Pool contracts 31.12	**-16,988**	**24,914**

Recognised fair value adjustment related to biological assets	2017	2016
Change in fair value adjustment of biological assets (fish in sea)	-1,953,500	1,730,028
Change in fair value of onerous contracts	278,926	-284,381
Change in fair value of Fish Pool contracts	-41,735	24,914
Fair value adjustments related to biological assets	**-1,716,309**	**1,470,561**

Note 9
Biological assets cont.

(All figures in NOK 1,000)

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 1 January 2016	**243,966**	**3,105,795**	**971,070**	**4,320,830**
Changes in 2016				
Increase from biological transformation (released and net growth)	635,882	5,187,375		5,823,258
Reduction due to sale and internal use (smolt and cleaner fish)	-596,614	0		-596,614
Reduction due to harvest (salmon and trout)	0	-4,673,280		-4,673,280
Reduction due to incident-based mortality	0	-180,974		-180,974
Reduction due to accidental release	0	-4,936		-4,936
Net change in fair value (fish in sea)	0	0	1,730,028	1,730,028
Biological assets 31 December 2016	**283,234**	**3,433,980**	**2,701,099**	**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 December 2017	**244,226**	**3,466,270**	**747,599**	**4,458,095**

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

Reconciliation of volume (LWT) for stock of fish in sea	2017	2016
Live weight of fish in sea at 01.01 (tonnes)	**108,413**	**108,270**
Changes through the year		
Increase from biological transformation (released and net growth)	199,795	186,151
Reduction due to harvesting	-187,581	-179,700
Reduction due to incident-based mortality	-8,137	-6,111
Reduction due to accidental release	0	-196
Live weight of fish in sea at 31.12 (tonnes)	**112,489**	**108,413**

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)	2017	2016
Distribution by live weight		
Fish in sea, 0-1 kg	11,526	11,823
Fish in sea, 1-2 kg	13,581	14,098
Fish in sea, 2-3 kg	12,934	17,229
Fish in sea, 3-4 kg	45,596	23,329
Fish in sea, more than 4 kg	28,852	41,933
Fish in sea, total salmon and trout	**112,489**	**108,413**

Groups of biological assets (LWT)	2017	2016
Distribution according to ready for slaughter or not, and by salmon and trout		
Fish ready for slaughter (fish with live weight > 4.8 kg)	14,396	15,786
- Salmon	13,129	15,786
- Trout	1,267	0
Fish not ready for slaughter (fish with live weight < 4.8 kg)	98,093	92,627
- Salmon	83,321	78,858
- Trout	14,772	13,769
Total volume:	112,489	108,413
- Salmon	96,450	94,644
- Trout	16,039	13,769
Number of individuals		
Number of individuals, all groups (in 1,000)	53,531	52,768

Parameters applied for calculation of fair value

Price parameters

2016 - Estimated future price during expected harvesting period	Forward price *	Exporter fee	Clearing cost	Net forward price
Q1 2017	73.52	-0.75	-0.185	72.58
Q2 2017	72.05	-0.75	-0.185	71.12
Q3 2017	64.83	-0.75	-0.185	63.90
Q4 2017	64.80	-0.75	-0.185	63.87
Q1 2018	64.10	-0.75	-0.185	63.17
Q2 2018	63.90	-0.75	-0.185	62.97

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 30 December 2016.*

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.*

Adjustments are also made for:	2017	2016
Price premium (+/-) for trout	0.00	0.00
Reduction for quality differences	-0.25	-0.25
Reduction for size differences	-0.40	-0.40

Note 9
Biological assets cont.

(All figures in NOK 1,000)

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

Based on the above parameters, an estimated net price is calculated for each locality, and is then included in the cash flow calculation in relation to the assessment of fair value.

In connection with the sensitivity analysis conducted in the note on significant accounting estimates and assessments, an estimated average net price is applied to all sizes. This is calculated by dividing the total estimated net sales revenue per locality by the total estimated volume (measured as slaughter weight), based on projected slaughter weight.

	2017	2016
Estimated average net price, all sizes (NOK/kg), after primary processing and freight costs	48.51	61.87

Other parameters	**2017**	**2016**
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 2017

For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. In 2017, the Group reported three minor accidental releases. In June 2017, a crack in a tank led to 1,200 trout smolt being accidentally released from a young fish facility in Sjøtroll Havbruk; 1,064 of the fish were recovered. In July, 15 fish were accidentally released from Lerøy Midt in connection with a loading operation. In September, four fish were accidentally released from Lerøy Midt in connection with delousing. The accident was insignificant in terms of weight and value. All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident.

Incident-based mortality

From and including 2016, 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 2017, incident-based mortality has been caused by sea lice treatment and also a serious outbreak of gill disease in Lerøy Sjøtroll.

Fish health, including minimising mortality, is the cornerstone of the Group's strategy. There has been a positive trend in the number of delousing treatments and in related mortality in 2017.

Note 10
Other inventories

(All figures in NOK 1,000)

Other inventories consist of	**2017**	**2016**
Feed, packaging materials, auxiliary and other raw materials	337,048	282,771
Finished goods / goods for sale	661,644	443,194
Write-down of inventories re obsolescence	-7,506	-4,162
Total other inventories	**991,186**	**721,803**

Note 11
Receivables

(All figures in NOK 1,000)

Non-current receivables	2017	2016
Loan to associates	22,597	17,481
Prepayment for vessel under contruction (delivery in 2018)	72,607	32,378
Deposits (mainly Norges Råfisklag)	12,827	11,206
Loans to fishermen	7,163	8,102
Loans to employees	2,641	1,618
Other receivables and periodisations	5,001	5,894
Total	**122,836**	**76,679**

Trade receivables	2017	2016
Nominal value	2,013,695	2,236,412
Provision for bad debts	-41,258	-27,131
Total trade receivables	**1,972,438**	**2,209,281**

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, 95.5% of trade receivables (nominal value) had been collected, compared with 96.3% in the previous year. This represents 97.5% of book value, which is the same as in the previous year.

Trade receivables 31.12 - overdue, no provision	2017	2016
0 to 3 months	404,444	319,089
3 to 6 months	11,131	7,474
More than 6 months	7,673	29,096
Total	**423,248**	**355,659**

Trade receivables 31.12 - overdue, provision	2017	2016
0 to 3 months	4,052	2,167
3 to 6 months	2,217	465
More than 6 months	16,826	14,690
Total	**23,095**	**17,321**

Bad debt, including change in provision, amounted to NOK 15,732 in 2017, compared with NOK - 8,814 in 2016.

Trade receivables in currency	2017	2016
NOK	746,165	741,792
SEK	175,831	167,417
GBP	63,124	59,085
EUR	742,861	943,706
USD	154,988	194,681
JPY	29,974	33,905
Other currencies	59,495	68,695
Total trade receivables	**1,972,438**	**2,209,281**

The Group has international operations and is exposed to currency risk in several currencies. Receivables are recognised at market rate on date of the statement of financial position. 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 receivables	2017	2016
VAT to be refunded	228,920	252,287
Pre-payments	96,975	56,436
Derivatives used for hedging (ref note 12)	15,400	57,570
Other	95,295	55,009
Total other receivables	**436,590**	**421,302**

Note 12
Financial instruments

(All figures in NOK 1,000)

Interest rate swaps

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:

Agreements maturing after more than one year:

- Agreement from 2011: NOK 500,000; Start date when agreement was signed; Duration 10 year;, 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

Agreements maturing within one year:

Agreement from 2013: NOK 571,835; Start date when agreement was signed. Duration 2 years; Terminates 05.10.2018; Interest rate 3.33%; Havfisk AS. Two new agreements to replace the maturing contract, are acquired, and will start running from the same date as the old contract matures. Therefore, the maturing contract is presented as a long-term interest swap agreement in the table below.

	Long-term interest swap agreements	Short-term interest swap agreements	Total of all interest rate swaps
Book value 1 anuary 2016			
Nominal amount 1 January 2016	1,000,000		1,000,000
Fair value of interest rate swaps at 1 January 2016	-124,429		-124,429
Deferred tax asset related to interest rate swaps, 25%	31,107		31,107
Net value (negative) after tax 1 January 2016	**-93,322**	**0**	**-93,322**
Changes in 2016			
Changes from business combinations			
Nominal amount on acquired agreements	1,248,835	50,000	1,298,835
Fair value of interest rate swaps from acquisitions	-29,705	-2,026	-31,731
Deferred tax related to interest rate swaps from acquisitions	7,426	507	7,933
Net value of interest rate swaps from acquisitions	-22,279	-1,520	-23,798
Changes charged to equity			
Change in value of interest rate swaps in 2016	37,830	695	38,525
Change in deferred tax related to change in value during the period, 25%	-9,457	-174	-9,631
Total changes charged to equity (cash flow hedging)	28,372	521	28,894
Changes through profit or loss			
Effect of change in tax rate from 25% to 24% recorded through profit or loss (change in estimate)	-1,163	-13	-1,176
Total changes recorded through profit or loss	-1,163	-13	-1,176
Book value 31 December 2016			
Nominal amount	2,248,835	50,000	1,298,835
Fair value of interest rate swaps at 31 December 2016	-116,304	-1,331	-117,635
Deferred tax asset related to interest rate swaps, 24%	27,913	319	28,232
Net value (negative) after tax 31 December 2016	**-88,391**	**-1,012**	**-89,403**

Table cont.

Interest charged in 2016 related to interest rate swaps:	26,286	82	26,368
Changes in 2017			
Change in agreements			
Reduction in nominal amount due to expiry of agreement (Lerøy Norway Seafoods AS)		-50,000	-50,000
Reduction in nominal amount due to agreed reduction following the instalments (Havfisk AS)	-30,000		-30,000
Changes charged to equity			
Change in value of interest rate swaps in 2017	25,893	1,857	27,750
Change in deferred tax related to change in value during the period, 24%	-6,214	-446	-6,660
Total changes charged to equity (cash flow hedging)	19,679	1,411	21,090
Changes through profit or loss			
Estimation deviation on expiry date of agreement		-400	-400
Effect of change in tax rate from 24% to 23% recorded through profit or loss (change in estimate)	-904		-904
Total changes recorded through profit or loss	-904	-400	-1,304
Book value 31 December 2017			
Nominal amount	2,218,835	0	1,218,835
Fair value of interest rate swaps at 31 December 2017	-90,411	0	-90,411
Deferred tax asset related to interest rate swaps, 23%	20,795	0	20,795
Net value (negative) after tax 31 December 2017	**-69,616**	**0**	**-69,616**
Interest charged in 2017 related to interest rate swaps:	39,728	0	39,728
Net fair value on long-term agreements with expiry date within a year	-8,309		
Net fair value on long-term agreements with expiry date later than one year	-61,307		

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.

The Group minimises currency risk in the accounts by hedging contractual sales individually with currency forward contracts, and by entering into currency forward contracts weekly to hedge estimated spot sales. Trade receivables by currency are presented in the note on receivables. The tables below show the company's currency forward contracts at 31.12. The contracts are for purchase or sale of currency against NOK.

Overview of currency forward contracts at 31 December 2016	Currency amount, future	Forward exchange rate, currency	Forward amount, NOK	Rate 31.12.16	Estimated fair value currency forward contracts 31.12.2016 NOK
EURO	132,202	9,09	1,201,801	9,09	545
USD	34,190	8,55	292,268	8,65	-3,326
GBP	18,223	10,71	195,105	10,61	1,759
SEK	189,900	97,11	184,421	94,84	4,320
JPY	7,303,249	0,0769	561,618	0,0739	22,273
AUD	5,020	6,30	31,619	6,24	286
CHF	350	8,48	2,969	8,45	11
DKK	22,100	122,80	27,139	122,23	126
Sum					**25,994**

Note 12
Financial instruments cont.

(All figures in NOK 1,000)

Overview of currency forward contracts at 31 December 2017	Currency amount, future	Forward exchange rate, currency	Forward amount, NOK	Rate 31.12.17	Estimated fair value currency forward contracts 31.12.2017 NOK
EURO	83,560	9.76	815,426	9.85	-7,724
USD	31,460	8.26	259,979	8.24	714
GBP	11,690	10.69	124,993	11.10	-4,775
SEK	338,600	99.86	338,111	99.92	-218
JPY	5,928,770	0.0736	436,199	0.0732	2,468
AUD	5,180	6.31	32,667	6.42	-600
CHF	600	8.29	4,977	8.44	-85
DKK	12,000	131.29	15,755	132.31	-122
Sum					**-10,342**

The effect of currency forward contracts is a net negative market value of NOK 10.3 million at 31 December 2017. The fair value of currency forward contracts is classified as other short-term receivables at 31 December 2017 (and at 31 December 2016), while non-realised gain is classified as other short-term debt. At 31 December 2017, non-realised gain totalled NOK 5.1 million, and related to added value on currency forward contracts offset against binding commitments not entered in the accounts. The effect of realised currency forward contracts during the year is charged to cost of goods in the income statement.

Financial purchase and sales contracts for salmon (Fish Pool contracts)
At the end of 2017, Lerøy Seafood Group has open financial purchase contracts for salmon (Fish Pool contracts). The fair value of these contracts is NOK -17.0 million at 31 December 2017. At the end of 2016, the Group had open contracts with a value of NOK 24.9 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 (decrease) recognised in 2017 is NOK 41.7 million. The corresponding figure in 2016 was an increase of NOK 24.9 million. The effect is charged to cost of goods when realised.

Bunker derivatives
At the end of 2017, Lerøy Seafood Group had no open financial purchase contracts for bunkers (bunker derivatives). At the end of 2016, the Group had contracts with a total fair value of NOK 6.6 million. The derivatives at end of 2016 were acquired in connection with the acquisition of Havfisk AS.

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". 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.

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

Changes booked through OCI	2017	2016
Interest swap agreements	21,090	28,894
Bunker derivates	-752	12,384
Currency forward contracts		-344
Total	**20,338**	**40,934**

Financial instruments by category
The following principles have been used for the subsequent measurement of financial instruments in the statement of financial position.

As of 31 December 2016 – Assets	Loans, receivables and cash	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets held for sale	Total
Shares available for sale				8,019	8,019
Trade receivables and other receivables *	2,264,291		57,570		2,321,861
Cash and cash equivalents	2,233,700				2,233,700
Total	**4,497,991**	**0**	**57,570**	**8,019**	**4,563,580**

As of 31 December 2016 – Liabilities	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Long-term liabilities (interest rate swaps)			116,304		116,304
Loans (excl. financial leases)	4,495,319				4,495,319
Financial leases	609,679				609,679
Overdraft facility	530,368				530,368
Trade payables and other debt **	65,355		1,331	1,673,235	1,739,921
Sum	**5,700,721**	**0**	**117,635**	**1,673,235**	**7,491,591**

As of 31 December 2017 – Assets	Loans, receivables and cash	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets held for sale	Total
Shares available for sale				5,534	5,534
Trade receivables and other receivables *	2,067,733		15,400		2,083,133
Cash and cash equivalents	3,514,096				3,514,096
Total	**5,581,829**	**0**	**15,400**	**5,534**	**5,602,763**

As of 31 December 2017 – Liabilities	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Long-term liabilities (interest rate swaps)			90,411		90,411
Loans (excl. financial leases)	4,769,692				4,769,692
Financial leases	804,021				804,021
Overdraft facility	202,550				202,550
Trade payables and other debt **	0		27,330	1,872,480	1,899,810
Total	**5,776,263**	**0**	**117,741**	**1,872,480**	**7,766,484**

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

Note 12
Financial instruments cont.

(All figures in NOK 1,000)

Financial instruments included in other long-term liabilities

Other long-term liabilities in the statement of financial position consist of:	2017	2016
Interest swap agreements	90,411	116,304
Other long-term commitments	5,791	5,654
Total	**96,202**	**121,958**

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 December 2017 – Assets	Level 1	Level 2	Level 3
Financial assets held for sale			
– Shares			5,534
Derivatives used for hedging			
– Fish Pool contracts		0	
– Fair value of sales contracts hedged with currency forward contracts (fair value hedging)		10,342	
– Bunker derivatives (cash flow hedging)		5,058	
Total		**15,400**	**5,534**

As of 31 December 2017 – Liabilities	Level 1	Level 2	Level 3
Derivatives used for hedging			
– Fish Pool contracts		16,988	
– Currency forward contracts (fair value hedging)		10,342	
– Interest rate swaps (cash flow hedging)		90,411	
Total		**117,741**	

Note 13
Loans, mortgages and guarantees

(All figures in NOK 1,000)

Net interest-bearing debt	2017	2016
Specification		
Long-term interest-bearing debt	4,946,254	4,541,277
Short-term interest-bearing debt	830,009	1,159,444
Long-term interest-bearing receivables	0	-33,534
Short-term interest-bearing receivables	0	0
Bank deposits	-3,514,096	-2,233,700
Net interest-bearing debt 31.12	**2,262,167**	**3,433,487**
Reconciliation of change in net interest-bearing debt		
EBITDA before fair value adjustments related to biological assets	4,300,013	3,355,089
Taxes paid during the period	-493,896	-224,573
Change in capital employed	-96,760	-329,690
Other changes	-21,088	-33,733
Net cash flow from operating activities (A)	**3,688,269**	**2,767,093**
Acquisitions and redemption of non-controlling interests	-5,864	-3,376,208
Net investment in intangibles and fixed assets	-1,484,240	-742,629
Dividends received from associates	164,015	103,800
Other changes in non-current assets	-104,332	-1,970
Net cash flow from investing activities (B)	**-1,430,421**	**-4,017,007**
Net financial expenses	-188,364	-141,135
Net payments from new equity	0	2,174,289
Payment of dividends (including to non-controlling interests in subsidiaries)	-834,151	-664,828
Net cash flow from financing activities (C)	**-1,022,515**	**1,368,326**
Change in net interest-bearing debt from business combination	52	-985,386
Change in net interest-bearing debt from currency change effects on long-term loans	-30,532	28,140
Other changes (long-term receivable which is excluded from the term NIBD)	-33,533	0
Total other changes (D)	**-64,013**	**-957,246**
Net interest-bearing debt 01.01	3,433,487	2,594,653
Changes during the year (A+B+C+D)	-1,171,319	838,834
Net interest-bearing debt 31.12	**2,262,167**	**3,433,487**

Acquired cash balances and bank deposits for the acquired entity are recognised in “change in net interest-bearing debt from business combinations” under Other changes (D) in the specification above. Cash flow from investing activities (B) above will therefore deviate from the corresponding total in the standard statement of cash flows by an amount equivalent to the acquired bank deposits of acquired companies.

Since raising of new borrowings and repayment of existing borrowings are not included in the specification above, the cash flow from financing activities (C) in this specification will deviate from the corresponding figure in the standard statement of cash flows by an amount equivalent to the net change in interest-bearing debt, excluding the effect of any business combinations.

Note 13
Loans, mortgages and guarantees cont.

(All figures in NOK 1,000)

Interest-bearing debt	2017	2016
Long-term interest-bearing debt		
Debt to credit institutions, etc.	4,767,453	4,486,760
Leasing liabilities	804,021	609,679
Other long-term debt	2,239	8,559
Next year's instalments on long-term debt	-627,459	-563,721
Total long-term interest-bearing debt 31.12	**4,946,254**	**4,541,277**
Short-term interest-bearing debt		
Debt to credit institutions (multi-currency credit)	202,550	530,368
Factoring agreement with DNB	0	65,355
Next year's instalments on long-term liabilities	627,459	563,721
Total short-term interest-bearing debt 31.12	**830,009**	**1,159,444**
Total interest-bearing debt 31.12	**5,776,263**	**5,700,721**
Interest-bearing debt specified by currency		
NOK	5,212,638	5,261,141
SEK	99,468	85,480
EUR	453,328	349,886
Other currencies	10,829	4,214
Total	**5,776,263**	**5,700,721**

Loans secured by mortgages	2017	2016
Long-term debt to credit institutions, etc.	4,767,453	4,486,760
Short-term debt to credit institutions (multi-currency credit)	202,550	530,368
Factoring agreement with DNB	0	65,355
Other long-term interest-bearing debt	2,239	8,559
Leasing liabilities	804,021	609,679
Total liabilities secured by mortgages 31.12	**5,776,263**	**5,700,721**

Mortgaged assets	2017	2016
Trade and other receivables	674,295	844,031
Shares in associates (Norskott Havbruk AS)	746,935	611,984
Biological assets and other goods	5,203,755	6,978,457
Buildings and other fixed assets	4,610,553	3,920,718
Licences *	644,100	644,100
Total	**11,879,638**	**12,999,290**

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

Payment profile financial liabilities	2018	2019	2020	2021	2022	Later	Total
Instalment profile long-term debt							
Instalments on debt to credit institutions	477,629	625,516	502,755	1,405,821	634,518	1,121,215	4,767,453
Instalments on leasing debt	149,574	138,822	117,068	94,574	82,056	221,925	804,020
Instalments on other long-term interest-bearing debt	257	264	272	281	289	877	2,239
Total	**627,459**	**764,602**	**620,095**	**1,500,675**	**716,863**	**1,344,016**	**5,573,712**
Interest payment profile long-term debt							
Interest on debt to credit institutions	165,644	149,933	133,864	94,912	47,534	60,209	652,096
Interest on leasing debt	15,784	12,663	9,894	7,603	5,692	12,519	64,155
Total	**181,428**	**162,596**	**143,758**	**102,515**	**53,226**	**72,728**	**716,251**
Other short-term financial liabilities							
Overdraft	202,550						202,550
Factoring agreement with DNB	0						0
Accrued interests	19,338						19,338
Total	**221,888**	**0**	**0**	**0**	**0**	**0**	**221,888**
Grand total	**1,030,775**	**927,198**	**763,853**	**1,603,190**	**770,089**	**1,416,744**	**6,511,851**

Instalments for next year are classified as short-term debt in the statement of financial position *(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	2018	2019	2020	2021	2022	2023	Later
Interest-bearing debt 01.01	5,776,263	4,946,254	4,181,651	3,561,556	2,060,881	1,344,018	701,569
Instalments	-830,009	-764,602	-620,095	-1,500,675	-716,863	-642,449	-701,569
Interest-bearing debt 31.12	4,946,254	4,181,651	3,561,556	2,060,881	1,344,018	701,569	0
Interest-bearing debt secured with fixed interest							
NOK 500 mill, until 16.01.2022	500,000	500,000	500,000	500,000	0	0	0
NOK 500 mill, until 16.11.2021	500,000	500,000	500,000	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	323,500	323,500	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	323,500	323,500	0	0	0	0
Secured interest-bearing debt	**1,647,000**	**1,647,000**	**1,647,000**	**500,000**	**0**	**0**	**0**
Unsecured interest-bearing debt	**3,299,254**	**2,534,651**	**1,914,556**	**1,560,881**	**1,344,018**	**701,569**	**0**
Total interest-bearing debt (NIBD)	**4,946,254**	**4,181,651**	**3,561,556**	**2,060,881**	**1,344,018**	**701,569**	**0**
Portion of NIBD exposed to interest rate changes	67%	61%	54%	76%	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 36,130 for 2018. Average interest-bearing debt according to the payment profile above has been used as the base for this calculation. NOK 1.6 billion of total interest-bearing debt will not be impacted by a potential change in the interest level due to the interest rate swaps.

Note 13
Loans, mortgages and guarantees cont.

(All figures in NOK 1,000)

Conditions for loans ("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 statement of financial position 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 2017.

Note 14
Lease contracts

(All figures in NOK 1,000)

Leased assets booked in the consolidated financial statements as financial leases:	2017	2016
Book value of leasing debt (present value)	804,021	609,679
Book value of leased assets:	819,366	600,398
- Buildings	15,882	14,266
- Production equipment and other operating assets	803,484	586,132
Minimum rent, financial leases		
0-1 year	162,128	143,271
1-5 years	467,097	374,337
5 years -	236,050	143,804
Total	**865,275**	**661,412**
Interest costs, financial leases		
0-1 year	12,022	10,849
1-5 years	31,359	26,526
5 years -	17,872	14,357
Total	**61,254**	**51,732**
Future minimum lease payments		
0-1 year	150,105	132,422
1-5 years	435,738	347,811
5 years -	218,179	129,447
Total	**804,020**	**609,679**

Specification of operating lease commitments	2017	2016
Minimum rent, operating leases		
0-1 year	50,569	25,795
1-5 years	117,322	66,298
5 years -	48,004	5,680
Total	**215,896**	**97,773**
Net present value of future minimum rent		
0-1 year	46,692	25,232
1-5 years	108,585	62,142
5 years -	45,718	4,500
Total	**200,996**	**91,874**

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 pension plans are in the main established as defined contribution pension plans.

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 pension plans but is recognised as a defined contribution pension plans 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 pension plans.

Moreover, certain Group companies have defined benefit pension plans, and other companies have unsecured pension plans 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 pension plans 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 pension plans	2017	2016
Present value of future pension liabilities	26,428	27,587
Fair value of pension funds	-23,315	-22,368
Net pension liabilities	**3,113**	**5,219**

Change in capitalised liabilities	2017	2016
Carrying value as of 01.01	5,219	3,765
Costs booked during the year	403	826
Estimate differences recognised through comprehensive income (before tax)	-1,694	-5,795
Pension payments and payments of pension premiums	-815	-702
Change in liability from business combination	0	7,124
Carrying value at 31.12. defined benefit pension plans	**3,113**	**5,219**

Total pension cost through profit or loss	2017	2016
Net pension cost, defined contribution pension plans	76,702	64,044
Net pension cost, defined benefit pension plans	403	826
Total	**77,105**	**64,870**

Total pension cost through comprehensive income	2017	2016
Net pension cost (before tax) from benefit plans - comprehensive income	-1,694	-5,795
Total pension cost through comprehensive income	**-1,694**	**-5,795**

Note 16
Taxation

(All figures in NOK 1,000)

Tax cost	2017	2016
Tax payable	836,520	516,792
Change in deferred tax	-492,536	409,899
Total tax cost	**343,984**	**926,691**

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:

	2017	2016
Pre-tax profit/loss	2,093,467	4,445,321
Tax based on tax rates in the various countries	508,522	1,112,601
Effect on deferred tax of changed tax rate	-99,562	-115,399
Tax effect of change in US positions not booked on accounts	-5,364	-13,287
24% / 25% of net permanent differences etc.	6,678	2,486
24% / 25% of recycled translation differences	117	0
24% / 25% of gain related to withdrawal from associate etc.	-1,952	-3,589
24% / 25% of share of profit/loss from associate	-70,684	-36,156
24% / 25% of other differences	6,230	-19,965
Tax cost	**343,984**	**926,691**
Effective tax rate	16,4%	20,8%

Change in book value of deferred tax	2017	2016
Capitalised value 01.01	2,771,212	1,526,438
Business combination	0	818,230
Tax effect through total profit/loss (equity)	6,422	16,645
Recognised change	-492,536	409,899
Net capitalised value 31.12	**2,285,098**	**2,771,212**
Capitalised deferred tax asset *)	-28,852	-31,059
Capitalised deferred tax	2,313,950	2,802,271

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

Note 16
Taxation cont.

(All figures in NOK 1,000)

Deferred tax liabilities (+)	Licences, rights and goodwill	Operating assets and leases	Goods/ biological assets	Receivables	Other differ-ences	Total
01 January .2016	462,123	42,509	1,063,342	0	0	1,567,974
Business combination (25%)	863,570	-45,559	0	9,445	56,431	883,887
Recognised in the period	-62,458	3,547	475,197	-9,445	-56,431	350,410
31 December 2016	**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**

Deferred tax assets (-)	Loss carry-forward	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01 January 2016	-25,501	-5730,31	0	-6,813	-3,491	-41,536
Business combination (25%)	-58,772	-6314	-571			-65,657
Recognised in the period	83,200	-3,172	571	1,877	-22,988	59,489
Deferred tax on records through other comprehensive income					16,645	16,645
31.12.16	**-1,073**	**-15,216**	**0**	**-4,936**	**-9,834**	**-31,059**
Recognised in the period	-17,454	14,092	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**

Deferred tax	31,12,17	31,12,16
Deferred tax on positive temporary differences 31.12.	2,313,950	2,802,271
Deferred tax on negative temporary differences 31.12.	-28,852	-31,059
Net	**2,285,098**	**2,771,212**
Short-term tax positions	1,010,433	1,533,603
Long-term tax positions	1,274,665	1,237,609
Total	**2,285,098**	**2,771,212**

Note 17
Other short-term debt

(All figures in NOK 1,000)

Other short-term debt	2017	2016
Loss-making contracts (related to fair value adjustment of biological assets)	5,455	284,381
Accrued wages and holiday pay	258,926	272,322
Other accruals	192,733	148,553
Factoring, DNB	0	65,355
Accrued customer discounts	63,237	63,907
Prepayments from customers	30,878	56,996
Accrued interest costs	19,338	21,522
Other short-term debt	24,601	15,513
Impacts of cash flow hedging from short-term interest rate swaps	0	1,331
Impacts of fair value hedging from currency forward contracts	10,342	0
Unrealised loss from Fish Pool contracts	16,988	0
Total other short-term debt	**622,498**	**929,880**

Note 18
Earnings per share

	2017	**2016**
This year's earnings to LSG shareholders (NOK 1,000)	1,749,494	3,224,143
No. of shares on date of the statement of financial position (NOK 1,000)	595,770	595,770
Average number of shares (NOK 1,000)	595,770	570,770
Average number of shares with dilution (NOK 1,000)	595,770	570,770
Earnings per share	**2.94**	**5.65**
Diluted earnings per share	2.94	5.65

The number of shares in Lerøy Seafood Group ASA was increased from 59,577,368 to 595,773,680 the 24 May 2017 due to a share split of 1:10 as resolved at the annual general meeting on 23 May 2017. One old share was replaced with 10 new shares. The new nominal value of the shares is value is NOK 0.10. The comparable figures for 2016 have been adjusted accordingly.

Note 19
Dividend per share

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

Distributed dividend in current financial year
Distributed dividend in 2017, based on 2016 profit, was NOK 1.30 per share (adjusted according to new number of shares after share split on 24 May 2017). This amounts to NOK 774,506.

Recommended dividend
Based on the 2017 profit, a corresponding dividend of NOK 1.50 per share is recommended for distribution in 2018. This amounts to NOK 893,661. A final decision will be made by the general meeting on 23 May 2018.

Share split
The number of shares in Lerøy Seafood Group ASA was increased from 59,577,368 to 595,773,680 the 24 May 2017 due to a share split of 1:10 as resolved at the annual general meeting on 23 May 2017. One old share was replaced with 10 new shares. The new nominal value is NOK 0.10. In the first table below, the number of shares in previous years before the share split has been recalculated based on the split, in order to obtain comparable figures for the complete period from Stock Exchange listing in 2002. In the second table below, the numbers are not recalculated, and are in accordance with previous presented annual figures.

Dividend per share after recalculation based on the share split in 2017

Year	Number of shares 31.12	Recommended dividend per share	Recommended dividend	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, before fair value adjustments *	Earnings per share, before fair value adjustments *	Recommended dividend relative to profit, before fair value adjustments *
2017	**595,774**	**1.50**	**893,661**	**1,749,494**	**2.94**	**51%**	**2,919,657**	**4.90**	**31%**
2016	595,774	1.30	774,506	3,224,143	5.65	24%	2,192,909	3.84	35%
2015	545,774	1.20	654,928	1,179,718	2.16	56%	1,057,767	1.94	62%
2014	545,774	1.20	654,928	1,055,916	1.93	62%	1,312,258	2.40	50%
2013	545,774	1.00	545,774	1,733,352	3.18	31%	1,152,700	2.11	47%
2012	545,774	0.70	382,042	480,797	0.88	79%	278,958	0.51	137%
2011	545,774	0.70	382,042	382,705	0.70	100%	825,625	1.51	46%
2010	545,774	1.00	545,774	1,419,507	2.62	38%	1,193,765	2.21	46%
2009	535,774	0.70	375,042	729,488	1.36	51%	685,940	1.28	55%
2008	535,774	0.28	150,017	124,730	0.23	120%	151,416	0.28	99%
2007	535,774	0.18	96,439	277,014	0.57	35%	279,611	0.58	34%
2006	427,774	0.50	214,309	651,516	1.59	33%	575,141	1.40	37%
2005	393,774	0.18	70,879	319,312	0.87	22%	248,443	0.67	29%
2004	344,408	0.09	30,308	83,402	0.24	36%	82,216	0.24	37%
2003	344,408	0.06	20,664	30,518	0.12	68%	30,518	0.12	68%
2002	294,408	0.06	17,664	25,650	0.11	69%	25,650	0.11	69%
Sum			**5,808,976**	**13,467,261**		**43%**	**13,012,574**		**45%**

Note 19
Dividend per share cont.

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

Dividend per share after adjustment in relation to share split in 2017

Year	Number of shares 31.12	Recom-mended dividend per share	Recom-mended dividend	Share of profit for the year to LSG shareholders	Earnings per share	Recom-mended dividend relative to profit	Share of profit for the year to LSG sharehold-ers, before fair value adjusments*	Earnings per share, before fair value ad-justments*	Recom-mended dividend relative to profit, before fair value ad-justments*
2017	**595,774**	**1.50**	**893,661**	**1,749,494**	**2.94**	**51%**	**2,919,657**	**4.90**	**31%**
2016	59,577	13.00	774,506	3,224,143	56.49	24%	2,192,909	38.42	35%
2015	54,577	12.00	654,928	1,179,718	21.62	56%	1,057,767	19.38	62%
2014	54,577	12.00	654,928	1,055,916	19.35	62%	1,312,258	24.04	50%
2013	54,577	10.00	545,774	1,733,352	31.76	31%	1,152,700	21.12	47%
2012	54,577	7.00	382,042	480,797	8.81	79%	278,958	5.11	137%
2011	54,577	7.00	382,042	382,705	7.01	100%	825,625	15.13	46%
2010	54,577	10.00	545,774	1,419,507	26.25	38%	1,193,765	22.08	46%
2009	53,577	7.00	375,042	729,488	13.62	51%	685,940	12.80	55%
2008	53,577	2.80	150,017	124,730	2.33	120%	151,416	2.83	99%
2007	53,577	1.80	96,439	277,014	5.75	35%	279,611	5.80	34%
2006	42,777	5.01	214,309	651,516	15.86	33%	575,141	14.00	37%
2005	39,377	1.80	70,879	319,312	8.65	22%	248,443	6.73	29%
2004	34,441	0.88	30,308	83,402	2.42	36%	82,216	2.42	37%
2003	34,441	0.60	20,664	30,518	1.15	68%	30,518	1.15	68%
2002	29,441	0.60	17,664	25,650	1.13	69%	25,650	1.13	69%
Sum			**5,808,976**	**13,467,261**		**43%**	**13,012,574**		**45%**

** Alternative Performance Measures. The profit amounts are adjusted by 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).*

Note 20
Share capital and shareholder information

(All figures in NOK 1,000)

The share capital consists of	Number	Nominal value	Book value
Share capital 01 January .2017	59,577,368	1.00	59,577,368
Share split 24 May 2017			
Old shares replaced with new shares	-59,577,368	-1.00	-59,577,368
New shares replacing the old shares	595,773,680	0.10	595,773,680
Share capital 31 December 2017	**595,773,680**	**0.10**	**595,773,680**

The number of shares in Lerøy Seafood Group ASA was increased from 59,577,368 to 595,773,680 on 24 May 2017 due to a share split of 1:10 as resolved at the the annual general meeting 23 May 2017. One old share was replaced with 10 new shares. The new nominal value is NOK 0.10.

Lerøy Seafood Group ASA had 5,297 shareholders at 31 December 17. The corresponding number at year end 2016 was 4,211. All shares confer the same rights in the company. The Group had 611 foreign shareholders at the end of 2017.. The correspondig number at year end 2016 was 521. At year-end 2017, foreign shareholders owned 167,798,385 shares in total, representing 28.16% of the total capital. The comparative figures for year-end 2016 were was 152,638,300 shares, representing 25.62% of the total capital.

	2017		2016	
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	29,411,286	4.94%	25,298,440	4.25%
STATE STREET BANK AND TRUST COMP	13,582,499	2.28%	14,442,540	2.42%
JPMORGAN CHASE BANK, N.A., LONDON	8,877,585	1.49%	6,351,210	1.07%
CLEARSTREAM BANKING S.A.	7,388,608	1.24%	6,057,800	1.02%
DANSKE INVEST NORSKE INSTIT. II.	5,949,077	1.00%	6,708,530	1.13%
PARETO AKSJE NORGE	5,886,998	0.99%	6,288,450	1.06%
STATE STREET BANK AND TRUST COMP	5,146,038	0.86%	-	0.00%
STATE STREET BANK AND TRUST COMP (OM06)	4,748,656	0.80%	5,624,380	0.94%
PICTET & CIE (EUROPE) S.A.	4,314,846	0.72%	3,400,950	0.57%
STATE STREET BANK AND TRUST COMP (West non-treaty account)	4,289,176	0.72%	2,861,720	0.48%
BNP PARIBAS SECURITIES SERVICES	4,142,901	0.70%		
SKANDINAVISKA ENSKILDA BANKEN AB	3,949,193	0.66%	5,023,520	0.84%
FERD AS	3,915,000	0.66%	6,000,000	1.01%
VERDIPAPIRFONDET ALFRED BERG GAMBA	3,434,840	0.58%	3,434,840	0.58%
JPMORGAN CHASE BANK, N.A., LONDON	3,339,030	0.56%	2,989,130	0.50%
SOCIÉTÉ GÉNÉRALE	3,207,546	0.54%		
DANSKE INVEST NORSKE AKSJER INST	3,206,690	0.54%	3,101,920	0.52%
J.P. MORGAN BANK LUXEMBOURG S.A.	3,150,940	0.53%		
CACEIS BANK	3,132,951	0.53%		
STATE STREET BANK AND TRUST COMP (OM08)			4,596,530	0.77%
VPF NORDEA KAPITAL			3,316,230	0.56%
KONTRARI AS			3,000,000	0.50%
JP MORGAN BANK LUXEMBOURG S.A JPML SA RE CLT ASSETS LUX RES LEND			2,965,670	0.50%
VPF NORDEA NORGE VERDI C/O JPMORGAN EUROPE LTD, OSLO BR.			2,828,790	0.47%
Total 20 largest shareholders	**435,016,670**	**73.02%**	**428,233,460**	**71.88%**
Others	160,757,010	26.98%	167,540,220	28.12%
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	2017	2016
Salary	1,972,415	1,426,584
Employer's national insurance contribution	177,802	154,403
Hired personnel	116,771	83,975
Pension costs	77,105	64,870
Other remuneration	36,597	11,934
Other personnel expenses	57,570	43,770
Total	**2,438,259**	**1,785,537**

Number of full-time equivalents	2017	2016
Men	2,880	2,578
Women	1,418	1,260
Total	**4,298**	**3,838**
Percentage of women	33.0%	32.8%

	CEO		CFO		EVP Farming		EVP Wild Catch*
Remuneration of senior executives	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Salary	3,000	2,971	2,343	2,134	2,375	2,325	367
Bonus including extraordinary bonus	2,100	1,700	1,339	893	1,600	1,200	0
Premium recognised for defined contribution plan	158	113	158	111	156	112	7
Other remuneration	33	38	10	27	100	100	152

** The position Executive Vice President Wild Catch (EVP Wild Catch) was established on 1 November 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. A sign-on bonus of NOK 150 is included 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. Remuneration of other board members totalled NOK 1,200 in 2017 (equally distributed), the same as in 2016. The number of Board members is also the same as it was in 2016.

Remuneration of the nomination committee is unchanged compared to the previous year, and amounts to NOK 105 in 2017. 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 2017. 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 annual general meeting on 12 May 2000. This mandate has been replaced with a new mandate at the annual general meeting on 23 May 2017, due to the share split. 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 nominal 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 2017. Renewal of the mandate will be recommended to the general meeting on 23 May 2018.

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 annual general meeting of 4 May 1999 and subsequently renewed by the annual general meeting on 23 May 2017, and is to remain valid for 24 months from the date on which the resolution was adopted. The mandate was exercised in 2016. It will be recommended that an equivalent mandate be approved by the annual general meeting on 23 May 2018.

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 annual 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 2017, and have been as follows:

Fees to auditor	2017	2016
Auditing fees Group auditor	6,221	4,576
Auditing fees other auditors	2,670	2,013
Other certification services Group auditor	104	303
Other certification services other auditors	81	164
Tax advice Group auditor	767	319
Tax advice other auditors	607	437
Other services Group auditor	2,290	1,925
Other services other auditors	1,062	594
Total	**13,802**	**10,331**

Auditing fees and other services are increased due to extra services derived from the business combination and redemption of non-controlling interests.

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
Biological assets and other inventory 01 January 2017	6,418,313	-2,701,099	**3,717,214**	721,803	**4,439,017**
Biological assets and other inventory 31 December .2017	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**

Financial revenue	2017	2016
Other interest revenue	24,105	18,539
Currency gain [1]	0	7,640
Other financial revenue	4,173	925
Total financial revenue	**28,278**	**27,104**

Financial costs	2017	2016
Other interest costs	191,605	150,670
Currency loss [1]	23,790	0
Other financial costs	22,506	7,925
Total financial costs	**237,901**	**158,595**
Net financial items	**-209,623**	**-131,491**

Capitalised interests	2017	2016
Capitalised interests relate to fixed assets (production plants)	0	0

1) 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 2017 is NOK 41.7 million. In 2016, net gain was NOK 54.4 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 date of the statement of financial position. 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 January 2016	**139,130**	**41,240**	**180,370**
Currency translation differences 2016	-150,892	-6,160	-157,052
Redemption of foreign non-controlling interests	35,080	-35,080	0
Accumulated currency translation differences as of 31 December 2016	**23,318**	**0**	**23,318**
Accumulated currency translation differences as of 01 January 2017	**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 December 2017	**97,404**	**0**	**97,404**

Note 24
Related parties

(All figures in NOK 1,000)

Lerøy Seafood Group ASA is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco AS. Laco AS is the ultimate parent company. Transactions and intercompany accounts with other Group companies in the Laco AS corporation, not covered by Lerøy Seafood Group ASA, are classified as transactions and intercompany accounts with related parties. The same applies to associates of the above.

Associates owned by Lerøy Seafood Group, and non-controlling interests in subsidiaries, are also classified as related parties.

In addition, any companies owned by employees, in particular senior executives, are classified as related parties. No transactions of significance between such companies have been identified.

Transactions and intercompany accounts with associates and other identified related parties of Lerøy Seafood Group ASA are as follows:

2016	Ownership	Sales	Purchases	Receivables	Debt
Transactions with parent company and its related parties:					
Laco AS	"Ultimate parent"	0	4,469	0	0
Fitjar Mekaniske Verksted AS	Laco AS (100%)	0	12,292	0	1,729
Pelagia AS	Laco AS (50%)	0	1,349	0	0
Austevoll Seafood ASA	Laco AS (55.55%)	0	0	0	0
Hordafor AS	Pelagia AS (50%)	42,100	29,060	6,399	2,161
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)	242,499	90,684	36,285	11,207
Brødrene Birkeland AS	Austevoll Seafood ASA (49.99%)	0	0	40	0
Br. Birkeland Fiskebåtrederi AS	Brødrene Birkeland AS (100%)	0	0	0	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland AS (100%)	0	387,112	0	98,553
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%)	85	0	0	0
Scottish Seafarms	Norskott Havbruk AS (100%)	0	34,930	591	9,648
Seistar Holding AS corporation	Lerøy Seafood Group ASA (50%)	0	53,198	0	1,463
Lerøy Schlie	Lerøy Seafood Group ASA (50%)	60,909	354	6,215	205
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50%)	0	10,832	0	68
Ocean Forest AS	Lerøy Seafood Group ASA (50%)	143	3,000	1,186	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20%)	0	459	0	0
Norway Salmon AS	Lerøy Midt AS (20%)	0	0	0	0
Romsdal Processing AS	Lerøy Aurora AS (50%)	13	27,842	1,534	2,376
Kirkenes Processing AS	Lerøy Aurora AS (50%)	345	21,901	7,463	0
Nesset Kystfiske AS *	Sørvær Kystfiskeinvest AS (34%)	0	0	0	0
Holmen Fiske AS *	Sørvær Kystfiskeinvest AS (34%)	0	0	0	0
Itub AS *	Norway Seafoods Group AS (22.3%)	0	84	0	0
Vestvågøy Kystrederi AS *	Havfisk AS (49.6%)	0	0	0	0
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		346,094	677,565	73,526	127,409

**) Sale and purchase of goods from and including 01 September .2016*

NCI is an abbreviation for "non controlling interests"
Dividend received from Norskott Havbruk AS in 2016 was NOK 100,800.
Dividend received from Seistar Holding AS in 2016 was NOK 3,000.

2017	Ownership	Sales	Purchases	Receivables	Liabilities
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
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
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
Vestvågøy Kystrederi AS	Havfisk AS (49.6%)	0	0	0	0
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 is an abbreviation for "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.

Note 25
Events after date of the statement of financial position

On 5 February 2018, Lerøy Seafood Group ASA signed an agreement regarding the acquisition of 100% of the shares in Laks & Vildtcentralen AS. The acquisition required approval from the Norwegian Competition Authority. The transaction was completed in the second half of March 2018, after such approval was granted. The consolidation takes place from end of March 2018.

Laks- og Vildtcentralen AS operates a specialist wholesale business providing meat and – mainly – fish products to institutional households in the Oslo area. Lerøy Seafood Group has worked with the company for many years, and the acquisition will significantly strengthen the Group's geographical breadth as a wholesaler to the institutional households market in Norway. The company has around 50 employees.

The Board is not aware of any other material events in the period from the date of the statement of financial position 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

IFRS 9 Financial instruments
In July 2015, the IASB published the final version of IFRS 9 Financial Instruments as a replacement for IAS 39.

IFRS 9 covers classification, measurement and impairment of financial assets and liabilities, new regulations for hedge accounting and a new loss impairment model for financial assets.

Application of the standard is mandatory for financial years starting on 1 January 2018 or later, and the new standard will then replace the current IAS 39 Financial Instruments. Early application is permitted.

The standard stipulates three categories for classification of financial instruments: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The Group has entered into interest rate swaps and currency forward contracts for hedge accounting purposes. Hedge accounting is applied to those instruments that qualify for this in accordance with the prevailing regulations in IAS 39. Below is an explanation of accounting methods in situations where the requirements for hedge accounting are met.

- The interest rate swaps are recognised at fair value. A market to market value at date of the statement of financial position is calculated for each contract by the credit institution, and applied by the Group as fair value. The effective part of the change in value is recorded through other comprehensive income (FVOCI). The hedged object is borrowing at floating interest rates. Interest rate swaps (the hedging instrument) mean that the Group receives a floating interest rate and pays a fixed interest rate. The hedging is therefore considered a cash flow hedge.

- A significant share of the Group's revenue is generated in currencies other than the functional currency (NOK). Among other things, the Group reduces its currency risk by means of hedging supply contracts, net foreign currency deposits and net receivables in currencies other than the functional currency using forward exchange contracts. This is considered a fair value hedge, where the hedged objects primarily comprise binding supply contracts, net foreign currency deposits and net receivables. The forward exchange contracts are recognised in the statement of financial position at fair value on the date of the statement of financial position, whether or not they qualify for hedge accounting. The associated assets/liabilities that are subject to fair value hedges are also recognised in the statement of financial position at fair value on the date of the statement of financial position. At 31 December 2017, there were only fair value hedges linked to the forward exchange contracts, i.e. no cash flow hedges linked to the forward exchange contracts. Changes in fair value of the forward exchange contracts linked to fair value hedges are recognised via the income statement (FVPL). Similarly, changes in fair value of the associated assets/liabilities that are subject to fair value hedges are also recognised via the income statement (FVPL).

The Group also enters into financial purchase and sale contracts for salmon (Fish Pool contracts). The contracts are recognised at fair value. The change in value on the contracts is recognised on the accounting line for fair value adjustment related to biological assets (FVPL).

In connection with the acquisition of Havfisk AS, the Group has recognised purchase contracts for bunkers (bunker derivatives). The effective share of the change in value of the derivatives is recorded through other comprehensive income (FVOCI).

The Group will apply the new standard on 1 January 2018. The Group will then implement the modified retrospective approach, such that any effects resulting from the implementation of IFRS 9 will be accounted for as an adjustment to equity at 1 January 2018. This means that the comparative figures will not be restated when the standard is implemented.

The amendments to the regulations governing hedge accounting may entail a relaxation of the requirements for hedging documentation, thereby potentially increasing the number of hedging instruments that will qualify for hedge accounting. The Group has conducted a review of its financial assets and liabilities in connection with the introduction of the new standard from 1 January 2018. The Group assesses that the rules in IFRS 9 will not entail material changes in the scope of the hedge accounting compared with current practice (IAS 39) at 31 December 2017 and will not have a material effect on profit or equity.

The new standard also includes extended requirements on disclosure in the notes. In the Group's assessment, the new standard – when implemented – will require more information in the notes on the financial instruments when applied.

IFRS 15 Revenue from Contracts with Customers
The IASB has published a new standard for recognising revenue. The new standard replaces the current IAS 11 Construction

Note 26
New IFRS standards cont.

Contracts and IAS 18 Revenue.

According to the current regulations, the timing for recognition of revenue is based on the transfer of risk and rewards. IFRS 15 defines the timing for recognition of revenue as the point(s) in time when control of the goods or service is transferred from the seller to the buyer. This implies that the timing of revenue may be different according to the new standard when compared with the current regulations.

Both full retrospective and modified retrospective implementation of the standard are permitted.

The Group has the following three segments: (1) Wild Catch and Whitefish, (2) Farming and (3) VAP, Sales and Distribution. The Group's revenue is principally generated from the following areas:
- Production of Atlantic salmon and trout for consumers,
- Fishing for whitefish (cod, haddock, saithe etc.) for consumers, and
- Processing of the above-mentioned species

A preliminary assessment has been conducted of how the new standard will affect the financial statements. The assessment was based on application of the so-called five-step model. A summary of these steps is provided below.

1. Identify contracts with customers:
One fundamental premise in the new standard is the existence of a legally binding agreement (contract) between two or more parties as the basis for revenue recognition. All the Group's deliveries to customers are made in accordance with contracts.

2. Identify separate performance obligations in the contracts:
IFRS 15 requires the identification of separable performance obligations in the contracts, which are to be recorded separately. In order to identify a performance obligation as separate, the customer must be able to make use of the goods or service irrespective of other goods or services in the contract. The management and Board consider that the major share of the contracts entered into with customers do not contain performances that are separable. It is however possible that the performance obligations in the contracts may be met at different points in time, by means of part deliveries. Nonetheless, the Group does not consider that this implies a change to the current accounting treatment.

3. Determine the transaction price:
The transaction price is presented in the contracts and, in most instances, is a function of volume and price (e.g. price per kg). Variable elements may appear in the contracts, e.g. discounts and refunds. In most cases, the discounts will be a known factor when control is transferred to the customer, and require only a minor degree of assessment in the accounts. Refunds also occur, e.g. as a result of a quality nonconformance. The Group currently makes provisions for refunds based on historical data and specific information related to the respective deliveries. The Group mainly supplies fresh goods, and refunds will therefore as a rule be notified quickly after the customer has taken over control of the goods. It is the Group's assessment, therefore, that the new standard does not imply any significant changes in relation to the accounting treatment of variable elements.

4. Allocate the transaction price to separate performance obligations:
Allocation of the transaction price between separate performance obligations is not deemed relevant, cf. item 2 above.

5. Recognise revenue as performance obligations are met:
It is the Group's assessment that revenue shall be recognised at the point in time of delivery.

As presented above, it is also the Group's assessment that the new standard will imply only minor changes to the accounting treatment in the income statement and statement of financial position. The standard does however place a number of new requirements on the notes, and it is assumed that more detailed information will have to be disclosed on the Group's revenue streams when the standard is implemented.

Application of the standard is obligatory for financial years starting on 1 January 2018 or later, and the standard will replace the current IAS 11 Construction Contracts and IAS 18 Revenue. Early application is permitted.

The Group has decided to apply the standard on 1 January 2018. The Group will then implement the modified retrospective method, such that any effects resulting from the implementation of IFRS 15 will be accounted for as an adjustment to equity at 1 January 2018. This means that the comparative figures will not be restated when the standard is implemented.

IFRS 16 Leases
IFRS 16 will require practically all lease agreements to be capitalised in the statement of financial position, as the distinction between operating and financial leases has been eliminated. According to the new standard, the asset (right of use) and the obligation to pay the lease are recognised in the financial statements. Exemptions are made for short-term leases and low-value lease agreements.

Accounting for the lessor will in essence remain the same. The new standard will affect the accounting for lease objects, which according to current regulations are recorded as operating leases. It is thought that the new standard will have a lesser impact on lease agreements currently accounted as financial leases.

The Group has carried out a general review of its agreements, which according to the prevailing regulations are accounted for as operational leases. These mainly comprise office buildings. In the note on leases, the annual lease amounts for operating leases are presented in addition to their present value. The Group has not carried out a specific assessment of the extent to which these obligations will result in the recognition of assets and liabilities on the statement of financial position, and how this will affect the Group's results and classification in the statement of cash flows.

A number of the obligations may also be covered by the exemptions for short-term leases and low-value lease agreements.

Application of the new standard is obligatory for financial years starting on 1 January 2019 or later. Early application is permitted.

The Group has decided not to implement the standard until 1 January 2019.

Financial Statements for the parent company 2017

Parent company financial statements consist of

Notes to the financial statements

Income statement

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

Lerøy Seafood Group ASA	Notes	2017	2016
Operating revenue and costs			
Operating revenue	1	60,720	33
Wages and other personnel costs	10	38,425	32,614
Other operating costs	10	71,827	22,449
Depreciation	4	0	0
Total operating costs		**110,252**	**55,063**
Operating profit		**-49,532**	**-55,030**
Financial revenue and costs			
Income from investments in subsidiaries	3	3,367,560	1,909,206
Income from associates	3	175,881	103,800
Change in fair value of financial instruments at fair value	8	7,330	11,596
Other financial items, net	11	-69,902	-26,443
Profit before tax		**3,431,337**	**1,943,129**
Total tax cost (-)	9	-656,438	-439,993
The year's profit		**2,774,899**	**1,503,136**
Information regarding:			
Transferred to (+) / from (-) other equity		1,881,238	728,630
Allocated to dividend		893,661	774,506

Balance sheet

(All figures in NOK 1,000)

Lerøy Seafood Group ASA	Notes	31.12.17	31.12.16
Non-current assets			
Intangibles			
Licences	4	6,150	0
Deferred tax assets	9	21,987	27,502
Total intangibles		**28,137**	**27,502**
Fixed assets			
Buildings and real estate	4	1,695	1,695
Other fixtures	4	148	
Total fixed assets		**1,843**	**1,695**
Financial assets			
Shares in subsidiaries	5	7,703,672	7,582,536
Shares in associates	6	316,989	243,612
Shares in other companies	6	2,093	5,262
Loans to subsidiaries	3	46,810	56,762
Other long-term receivables		3,166	3,833
Total non-current financial assets		**8,072,730**	**7,892,006**
Total non-current assets		**8,102,710**	**7,921,203**
Current assets			
Receivables			
Receivables from Group companies	3	3,005,113	1,799,634
Other receivables		16,667	12,684
Total receivables		**3,021,780**	**1,812,318**
Cash and cash equivalents	**7**	**943,580**	**351,969**
Total current assets		**3,965,360**	**2,164,287**
Total assets		**12,068,070**	**10,085,490**

(All figures in NOK 1,000)

Lerøy Seafood Group ASA	Notes	31.12.17	31.12.16
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	4,037,315	2,149,110
Total retained earnings		**4,037,315**	**2,149,110**
Total equity		**8,979,782**	**7,091,577**
Long-term liabilities			
Other long-term liabilities	8	83,779	99,765
Total long-term liabilities		**83,779**	**99,765**
Long-term debt			
Mortgage debt	7	1,288,527	1,435,995
Total long-term debt		**1,288,527**	**1,435,995**
Short-term debt			
Trade payables		2,888	3,156
Taxes payable	9	621,488	351,767
Public duties payable		1,655	1,871
Allocated to dividend	2	893,661	774,506
Short-term Group debt	3	173,677	310,017
Other short-term debt		22,613	16,836
Total short-term debt		**1,715,982**	**1,458,153**
Total debt		**3,088,288**	**2,993,913**
Total equity and debt		**12,068,070**	**10,085,490**

Bergen, 19 April 2018

Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board Member

Britt Kathrine Drivenes
Board Member

Hege Charlotte Bakken
Board Member

Didrik Munch
Board Member

Karoline Møgster
Board Member

Henning Beltestad
Group CEO

Hans Petter Vestre
Employee's representative

Statement of cash flows

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

Lerøy Seafood Group ASA	2017	2016
Cash flow from operating activities		
Pre-tax result	3,431,337	1,943,129
Taxes paid during the period	-343,126	-179,616
Gain on disposal of shares in associated companies	-11,866	0
Change in trade payables	-268	34
Effect from currency rate changes	21,259	-11,741
Items classified as investing activities	-3,531,575	-2,013,006
Change in financial instruments recognised at fair value	-7,330	-11,596
Other items classified as financing activities	48,642	36,089
Change in other accruals	16,006	6,740
Net cash flow from operating activities	**-376,921**	**-229,967**
Cash flow from investing activities		
Proceeds from sale of fixed assets	0	2,583
Payments for acquisitions of fixed assets and intangibles	-6,298	-13
Proceeds from disposal of Group companies and associates	15,659	0
Payments for acquisitions of Group companies and associates	-78,034	-3,408,732
Proceeds from sale of shares in other companies	3,169	703
Proceeds from previous year's accrual of Group contributions and dividends from subsidiaries	2,302,074	1,000,122
Payment for previous year's accrual of Group contribution to subsidiaries	-309,564	-156,449
Proceeds from dividends received during the year from associates	164,015	103,800
Proceeds/payments for short-term intragroup receivables (loans)	-139,982	0
Proceeds/payments for long-term intragroup receivables (loans)	9,952	1,364
Proceeds/payments for other long-term receivables (loans)	666	-3,833
Net cash flow from investing activities	**1,961,658**	**-2,460,456**
Cash flow from financing activities		
Proceeds from establishing new long-term debt	0	1,282,240
Instalments paid on long-term liabilities	-168,727	-403,336
Proceeds/payments on sale/purchase of treasury shares	0	122,632
Increase in paid-in equity	0	2,051,656
Net interest paid and financial expenses	-50,280	-30,679
Payment of dividends	-774,506	-654,928
Proceeds from dividends on treasury shares	387	3,957
Net cash flow from financing activities	**-993,126**	**2,371,543**
Net cash flow for the accounting period	**591,611**	**-318,880**
Cash and cash equivalents at the start of the period	351,969	670,849
Cash and cash equivalents at the end of the period	**943,580**	**351,969**
This consists of:		
Bank deposits etc.	943,580	351,969
Of which restricted funds	1,057	1,161

Additional information

Net cash flow from operating activities can also be summarised as follows:	2017	2016
EBIT	-49,532	-55,030
Taxes paid during the period	-343,126	-179,616
Change in capital employed	15,737	4,679
Net cash flow from operating activities	**-376,921**	**-229,967**

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 statement of financial position items
Current assets and short-term debt comprise normal items due for payment within one year after date of the statement of financial position, 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 statement of financial position 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 date of the statement of financial position. 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 statement of financial position 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 23% 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.

Note 2
Equity

(All figures in NOK 1,000)

2016	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01 January .2016	54,577	-330	2,731,690		1,388,963	4,174,900
The year's result to equity					1,503,136	1,503,136
Dividend received on treasury shares					3,957	3,957
Sale of treasury shares		300		106,440	17,760	124,500
Transaction costs related to sale of treasury shares				-1,868		-1,868
Issue of 5 million new shares, NOK 415 per share	5,000		2,070,000			2,075,000
Transaction costs related to share issue (after tax)			-23,344			-23,344
Change in value of interest swap (cash flow hedge)					9,801	9,801
Group contribution given to subsidiaries					-232,173	-232,173
Change in value of shares in subsidiaries due to Group contribution					232,173	232,173
Provision for dividend					-774,506	-774,506
Equity as of 31 December 2016	**59,577**	**-30**	**4,778,346**	**104,572**	**2,149,112**	**7,091,577**

2017	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01 January 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 December 2017	**59,577**	**-30**	**4,778,346**	**104,572**	**4,037,317**	**8,979,782**

Share capital	Total number of shares	Nominal value	Recognised
Ordinary shares	595,773,680	0,10	59,577,368
Total	**595,773,680**		**59,577,368**

Changes in share capital
The number of shares in Lerøy Seafood Group ASA was increased from 59,577,368 to 595,773,680 on the 24 May 2017 due to a share split of 1:10 as resolved at the annual general meeting on 23 May 2017. One old share was replaced with 10 new shares. The new nominal value is NOK 0.10.

Number of shareholders
Lerøy Seafood Group ASA had 5,297 shareholders as per 31 December 2017. 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 the nominal value of treasury shares is included in "paid-in capital" (- NOK 30,000), and the purchase price exceeding the 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	2017	2016
Intragroup contributions received from subsidiaries	2,863,314	1,797,828
Dividend received from subsidiaries	504,246	111,378
Total income from investments in subsidiaries	**3,367,560**	**1,909,206**

Intragroup contributions received from subsidiaries	2017	2016
Lerøy Midt AS	1,218,482	446,303
Lerøy Aurora AS	1,040,246	593,118
Lerøy Vest AS	349,270	566,319
Lerøy Seafood AS	250,000	190,000
Lerøy Delico AS	2,742	0
Lerøy Trondheim	1,429	2,088
Lerøy Alfheim AS	1,146	0
Total intragroup contributions received from subsidiaries	**2,863,314**	**1,797,828**

Dividend received from subsidiaries	2017	2016
Dividend received from Havfisk AS	408,245	0
Dividend received from Sjøtroll Havbruk AS	58,549	0
Dividend received from Rode Beheer BV	35,834	11,378
Dividend received from Norsk Oppdrettsservice AS	1,618	0
Dividend received from Lerøy Vest AS	0	100,000
Total dividend received from subsidiaries	**504,246**	**111,378**

Income from investments in associates	2017	2016
Dividend received from Norskott Havbruk AS	161,015	100,800
Dividend received from Seistar Holding AS	3,000	3,000
Gain from disposal of shares in associated company (Lerøy Schlie A/S)	11,866	0
Total income from investments in associates	**175,881**	**103,800**

Long-term loans to subsidiaries	2017	2016
Sjømathuset AS	27,047	28,642
Lerøy Alfheim AS	14,395	1,172
Lerøy Processing Spain SL	5,368	6,629
Preline Fishfarming System AS	0	17,947
Lerøy Sverige AB	0	2,260
Lerøy Delico AS	0	112
Total long-term loans to subsidiaries	**46,810**	**56,762**

Short-term receivables from subsidiaries	2017	2016
Intragroup contributions received from subsidiaries	2,863,314	1,797,828
Other short-term receivables from subsidiaries	141,799	1,806
Total short-term receivables from subsidiaries	**3,005,113**	**1,799,634**

Note 3
Transactions and balances with subsidiaries and associates cont.

Table cont.

Intragroup contributions received from subsidiaries

For specification, please refer to the table above with the heading "Income from investments in subsidiaries" Income from investments in subsidiaries

Other short-term receivables from subsidiaries	2017	2016
Lerøy Norway Seafoods AS	75,315	0
Lerøy Processing Spain SL	31,644	0
Lerøy Fossen AS	25,000	0
Lerøy Nord AS	3,500	0
Lerøy Turkey	3,335	0
Sjømathuset AS	2,985	0
Lerøy Midt AS		710
Lerøy Vest AS		447
Lerøy Aurora AS		331
Sjøtroll Havbruk AS		319
Total other short-term receivables from subsidiaries	**141,779**	**1,806**

Short-term receivables from associates	2017	2016
Lerøy Sommerøy AS	4,014	0
Total short-term receivables from associates	**4,014**	**0**

Short-term debt to Group companies	2017	2016
Intragroup contributions distributed	158,253	309,564
Other short-term debt to Group companies	15,424	453
Total short-term debt to Group companies	**173,677**	**310,017**

Intragroup contributions distributed	2017	2016
Lerøy Norway Seafoods AS	142,000	250,000
Lerøy Fossen AS	16,122	1,065
Lerøy & Strudshavn AS	75	0
Lerøy Quality Group AS	56	0
Preline Fishfarming System AS	0	35,000
Rode Beheer B.V. group (Rode Vis International AS)	0	12,582
Lerøy Aurora AS group (Lerøy Laksefjord AS)	0	10,917
Total	**158,253**	**309,564**

Other short-term debt to Group companies	2017	2016
Lerøy Seafood AS	15,332	176
Lerøy Vest AS	89	89
Lerøy Alfheim AS	3	174
Lerøy Trondheim AS	0	14
Total other short-term debt to Group companies	**15,424**	**453**

Note 4
Intangible assets and fixed assets

(All figures in NOK 1,000)

2016	Real estate	Buildings	Other fixtures	Total fixed assets
Acquisition cost per 01 January 2016	144	4,121	0	4,265
Addition of fixed assets	0	13	0	13
Disposal of fixed assets	-144	-2,439	0	-2,583
Acquisition cost per 31 December 2016	0	1,695	0	1,695
Accumulated depreciation per 31 December 2016		0	0	0
Carrying value at 31 December 2016	**0**	**1,695**	**0**	**1,695**
The year's depreciation		0	0	0

2017	Real estate	Buildings	Other fixtures	Total fixed assets
Acquisition cost per 01 January 2017	144	4,121	0	4,265
Addition of fixed assets	0	13	0	13
Disposal of fixed assets	-144	-2,439	0	-2,583
Acquisition cost per 31 December 2017	0	1,695	0	1,695
Accumulated depreciation per 31.12.17		0	0	0
Carrying value at 31 December 2017	**0**	**1,695**	**0**	**1,695**
The year's depreciation		0	0	0

The company owns an apartment in Bergen city centre. The economic life is considered to be indefinite, with no depreciation. Other fixtures are acquired at the end of the financial year, and will be depreciated from 2018, at 33.33% (straight-line basis).

Intangible assets

The addition of intangible assets consists of capitalised initial costs related to a renewal of an R&D licence, expected to be approved in 2018.
The licence is held by Lerøy Vest, and will have a definite life time of three years, starting from 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
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%			96.0%
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	Lisbon	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 Lerøy Seafood Group ASA was established in 1995*

Change in book value of shares in subsidiaries

Subsidiary	Net book value in LSG ASA 01.01	Business combination	Redemption of non-controlling interests	Transaction costs capitalised	Capital increase	Increase in value from Group contri-butions	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 BV	319,707						319,707
Lerøy Norway Seafoods AS	272,540					107,920	380,460
Lerøy Fossen AS	73,118					12,253	85,371
Lerøy Sverige AB	80,349						80,349
Lerøy Turkey	62,636						62,636
Lerøy Seafood AS	57,919					43	57,961
Lerøy Finland OY	44,262						44,262
Preline Fishfarming Sys. AS	29,121						29,121
Norsk Oppdrettsservice AS	25,000						25,000
Lerøy Trondheim AS	23,772						23,772
Lerøy Delico AS	22,070						22,070
Lerøy Processing Spain SL	20,151						20,151
Sjømathuset AS	13,925						13,925
Lerøy Alfheim AS	13,611						13,611
Lerøy Portugal Lda	8,073		864				8,937
Lerøy Nord AS	1,012						1,012
Lerøy & Strudshavn AS	434					57	491
Total	**7,582,536**	**0**	**864**	**0**	**0**	**120,272**	**7,703,672**

The increase in book value on shares in Lerøy Portugal Lda concerns a contingent additional purchase price related to the redemption in 2016.
For additional information, see also the note on consolidated companies in Lerøy Seafood Group's consolidated financial statements.

Note 6
Shares in associates and other shares

(All figures in NOK 1,000)

Associates	Place of business	Ownership/ voting share 01.01	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12	Ownership/ voting share 31.12
Norskott Havbruk AS	Bergen	50%	163,273			163,273	50%
Seistar Holding AS	Austevoll	50%	61,500			61,500	50%
Lerøy Schlie A/S	Denmark	50%	3,793		-3,793	0	0%
Seafood Denmark A/S	Denmark	0%	0	77,170		77,170	33.33%
Lerøy Sommarøy AS	Tromsø	50%	15,000			15,000	50%
Ocean Forest AS	Bergen	50%	30			30	50%
The Seafood Innovation Cluster AS	Bergen	20%	16			16	20%
Total			**243,612**	**77,170**	**-3,793**	**316,989**	

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

Other shares and investments	Place of business	Ownership/ voting share 01.01	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12	Ownership/ voting share 31.12
DnB Private Equity IS/AS	Oslo	1.11%	5,012			1,806	1.11%
CO2BIO AS	Lindås		250			250	
Other shares			0			37	
Total other shares			**5,262**	**0**	**0**	**2,093**	

Lerøy Seafood Group ASA has committed a total of NOK 10 million related to the investment in DnB Private Equity.

Note 7
Loans, mortgages and guarantees

(All figures in NOK 1,000)

	2017	2016
Long-term interest-bearing debt		
Debt to credit institutions	1,288,527	1,435,995
Total interest-bearing debt at 31.12	**1,288,527**	**1,435,995**
Bank deposits	**943,580**	**351,969**
Net interest-bearing debt at 31.12	**344,947**	**1,084,026**
Repayment profile interest-bearing debt		
2017		168,110
2018	170,403	168,110
2019	170,403	168,110
2020	170,403	168,110
2021	277,318	263,555
2022	500,000	500,000
Later		
Total	**1,288,527**	**1,435,995**

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 statement of financial position is adjusted for bank deposits and deferred tax in respect of licences.

	2017	2016
Debt secured by mortgages		
Long-term debt to credit institutions	1,288,527	1,435,995
Total mortgage-secured debt at 31.12	**1,288,527**	**1,435,995**
Mortgaged assets		
Shares in subsidiaries	859,707	653,469
Shares in associates	163,273	163,273
Total book value of mortgaged assets 31.12	**1,022,980**	**816,742**
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 also has joint and several liability for outstanding VAT together with Lerøy Seafood AS, which is included in the joint VAT registration.

Lerøy Seafood Group ASA has also posted a guarantee of NOK 2,100 in favour of VPS/Nordea.

Restricted funds
Restricted funds included in bank deposits total NOK 1,057.

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.

Given that the bank debt at year-end 2015 was significantly lower than the hedging instrument, the hedging relationship was no longer effective for the two agreements in total. The hedging relationship has therefore ceased in 2015 for the most recent interest rate swap. The cumulative change in 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 the value of financial instruments, under financial items in the income statement. From this date, the two interest rate swaps have been recognised differently. While the change in value of the first agreement is booked against equity (as a cash flow hedge), the change in value of the second agreement is booked through profit or loss, as a financial item.

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%
Net book value as of 31 December 2015			
Fair value of interest rate swaps as of 31 December 2015	-65,523	-58,906	-124,429
Deferred tax related to the interest rate swaps, 25%	16,381	14,726	31,107
Net (negative) value after tax, as of 31 December 2015	**-49,143**	**-44,179**	**-93,322**

Expensed interests in 2015 relating to the interest rate swaps amounted to NOK 20,806.

Changes in 2016			
Changes booked against equity			
Change in fair value of interest rate swaps in 2016	13,068		13,068
Change in deferred tax related to the value change in the period, 25%	-3,267		-3,267
Changes booked against equity (cash flow hedge)	**9,801**	**0**	**9,801**
Changes booked through profit or loss			
Change in fair value of interest rate swaps in 2016		11,596	11,596
Change in deferred tax related to the financial instrument, 25%		-2,899	-2,899
Effect of change in nominal tax rate, from 25% til 24%, through profit or loss (change in estimate)	-525	-473	-998
Changes booked through profit or loss	**-525**	**8,224**	**7,699**
Book value 31 December 2016			
Fair value of interest rate swaps as of 31 December 2016	-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 31 December 2016	**-39,866**	**-35,955**	**-75,821**

Expensed interests in 2016 relating to the interest rate swaps amounted to NOK 23,853.

Table cont.

Interest rate swaps	Agreement 1 17.11.11	Agreement 2 17.01.12	Total, all agreements
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 or 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 or loss	**-438**	**5,171**	**4,733**
Book value 31 December 2017			
Fair value of interest rate swaps as of 31 December 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 December 2017	**-33,725**	**-30,784**	**-64,510**

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

Note 9
Taxation

(All figures in NOK 1,000)

Permanent differences	2017	2016
Dividends received (including the 3% added on the tax base)	-661,536	-211,723
Gain on disposal of shares	-11,866	0
Other permanent differences	100	616
Total permanent differences	**-673,302**	**-211,107**

Calculation of tax payable	2017	2016
Profit before tax	3,431,337	1,943,129
Permanent differences	-673,302	-211,107
Change in temporary differences (through profit or loss)	-10,252	-15,392
The year's taxation base	**2,747,783**	**1,716,630**
Tax rate, nominal	24%	25%
Tax payable in the tax cost before intragroup contributions paid	**659,468**	**429,158**

Tax payable booked in the statement of financial position	2017	2016
Tax payable	659,468	429,158
Tax payable on intragroup contributions paid	-37,981	-77,391
Tax payable booked in the statement of financial position	**621,488**	**351,767**

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	2017	2016
Temporary differences where changes are recognised in profit or loss		
Buildings and other fixed assets	44	0
Financial instruments, total	-83,779	-99,765
Financial instruments (cash flow hedges) where changes are booked against equity	43,799	52,544
Gain/loss account	-11,863	-14,829
Temporary differences 31.12 where changes are recognised in profit or loss	-51,798	-62,050
Change in temporary differences where changes are recognised in profit or loss	**10,252**	**-3,144**
Temporary differences where changes are booked against equity		
Financial instruments (cash flow hedges) where changes are booked against equity	-43,799	-52,544
Temporary differences 31.12 where changes are booked against equity	-43,799	-52,544
Change in temporary differences where changes are booked against equity	**8,745**	**12,979**

Deferred tax	2017	2016
Deferred tax where changes are recognised in profit or loss		
Total temporary differences through profit or loss	-51,798	-62,050
Tax rate, nominal	24%	25%
Deferred tax liability (+) / asset (-)	-12,432	-15,512
Deferred tax where changes are booked against equity		
Total temporary differences 31.12, where change is booked against equity	-43,799	-52,544
Tax rate, nominal	24%	25%
Deferred tax liability (+) / asset (-)	-10,512	-13,136
Total change in temporary differences and deferred tax		
Total temporary differences	-95,597	-114,594
Tax rate, nominal	23%	24%
Deferred tax liability (+) / asset (-)	**-21,987**	**-27,502**

The year`s tax cost consists of	2017	2016
Tax payable in the tax cost before intragroup contributions paid	659,468	429,158
Change in deferred tax where changes are recognised in profit or loss	2,460	3,848
Effect of change in the nominal tax rate	956	1,146
Too much (-) or too little (+) allocated to tax previous year	-6,446	5,842
Total tax cost	**656,438**	**439,993**
Effective tax rate	19.1%	22.6%

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

(All figures in NOK 1,000)

Payroll expenses	2017	2016
Salaries, holiday pay and bonuses	28,891	21,948
Employer's contribution	3,493	3,084
Hired personnel	3,375	4,469
Remuneration to the Board of Directors	1,200	1,200
Pension costs [1]	1,040	659
Other remunerations / nomination committee	309	520
Other personnel costs	117	733
Total	**38,425**	**32,614**
1) Defined contribution pension plan		
Average number of full-time equivalents:	12	11

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:

	2017	2016
Auditing fees Group auditor	1,401	948
Other services Group auditor	1,327	1,361
Total	**2,728**	**2,309**

Auditing fees and other services are increased due to extra services and travel expenses.

Note 11
Items that are combined in the financial statements

(All figures in NOK 1,000)

Financial revenue	2017	2016
Interest income from Group companies	2,688	1,900
Other interest income	8,159	12,579
Currency exchange gain	1,407	9,646
Total financial revenue	**12,254**	**24,125**

Financial costs	2017	2016
Interest cost	56,227	44,725
Currency exchange loss	21,259	1,940
Other financial costs	4,670	3,903
Total financial costs	**82,156**	**50,568**
Other financial items, net	**-69,902**	**-26,443**
Unrealised currency gain(+) / loss (-) included above	-21,259	9,646

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 2017 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, 19 April 2018

Helge Singelstad
Chairman

Arne Møgser
Board Member

Britt Kathrine Drivenes
Board Member

Hege Charlotte Bakken
Board Member

Didrik Munch
Board Member

Karoline Møgster
Board Member

Henning Beltestad
Group CEO

Hans Petter Vestre
Employee representative

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 2017, 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 2017, 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.

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T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. 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 2016 we focused on the purchase price allocation related to the acquisition of Havfisk AS. For 2017 it has been natural to focus on the valuation of the resulting assets from the acquisition, the licenses in particular. 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.

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 4,458, of which MNOK 3,710 is historical cost and MNOK 748 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 in excess of 1/6 of the balance sheet as at 31 December 2017. 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 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

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Independent Auditor's Report - Lerøy Seafood Group ASA

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.	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 31.12.2017. 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.
Valuation of licenses controlled by Havfisk	
At the balance sheet date recognised value of licenses controlled by Havfisk makes MNOK 3,658, of which MNOK 3,281 is non-depreciable licenses. The licenses are classified as intangible assets, whose value has to be tested at least annually in accordance with the accounting standard. The Group has	We obtained the Group's impairment assessments for licenses. We compared the elements of the model to the requirements in the accounting standard and did not find any significant deviations. We also examined the mathematical accuracy of the model on a test basis without finding deviations. Furthermore, we challenged the Group's use of important assumptions in the model, including

(3)

Independent Auditor's Report - Lerøy Seafood Group ASA

performed an impairment test based on estimated present value of future cash flows. No impairment of these licenses has been recorded as a result of the impairment test.

We focused on this issue because substantial excess values were allocated to the licenses in connection with the acquisition in 2016, because the calculation is complex and the assumptions that form the basis of the estimate involves that the Group has to use judgement. The judgement is particularly related to future prices per kilo for the various species, future level of costs and future volume.

See the description of the impairment test in note 5 about acquisition of shares/business combinations and note 6 about intangible assets.

expected prices, operating expenses, volume and required rate of return.

Future price assumptions were assessed by comparing historical prices and price development for the actual species, including cod, coalfish and haddock. We considered special conditions that could impact obtained future prices, e.g. the operating structure of Havfisk and expected harvest volume. We found the price assumptions in the impairment test to be within a reasonable interval.

The assumptions for future costs for bunkers were assessed against external prognoses about expected price development from reliable sources. Variable costs as wages, were assessed by calculating the cost as part of estimated harvest values, while other variable costs was assessed against a self-calculated assumed cost per operating day and historic costs adjusted for special conditions. We found the cost assumptions in the impairment test to be within a reasonable interval.

In order to assess the volume assumptions, we used as starting point public bodies' quota recommendation for 2018, which were compared to historic volumes and harvesting rates, including the relation between how actual volume has been compared to recommended quota for different species. We also assessed whether the reduction of harvesting volume of some species could result in increased volume for other species in view of the harvesting capacity of Havfisk. Moreover, we considered possible volume change at the expiry of the structure licenses. We found the volume assumptions in the impairment test to be reasonable.

We assessed the required rate of return by comparing risk free interest, risk premium, debt margin against reliable external and internal sources. We found the required rate of return in the impairment test to be within a reasonable interval.

We ensured that the disclosures in notes expressed the valuation method appropriately and that the disclosures were in accordance with the requirements in the accounting standards.

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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.

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:

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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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, 19 April 2018
PricewaterhouseCoopers AS

Hallvard Aarø
State Authorised Public Accountant

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

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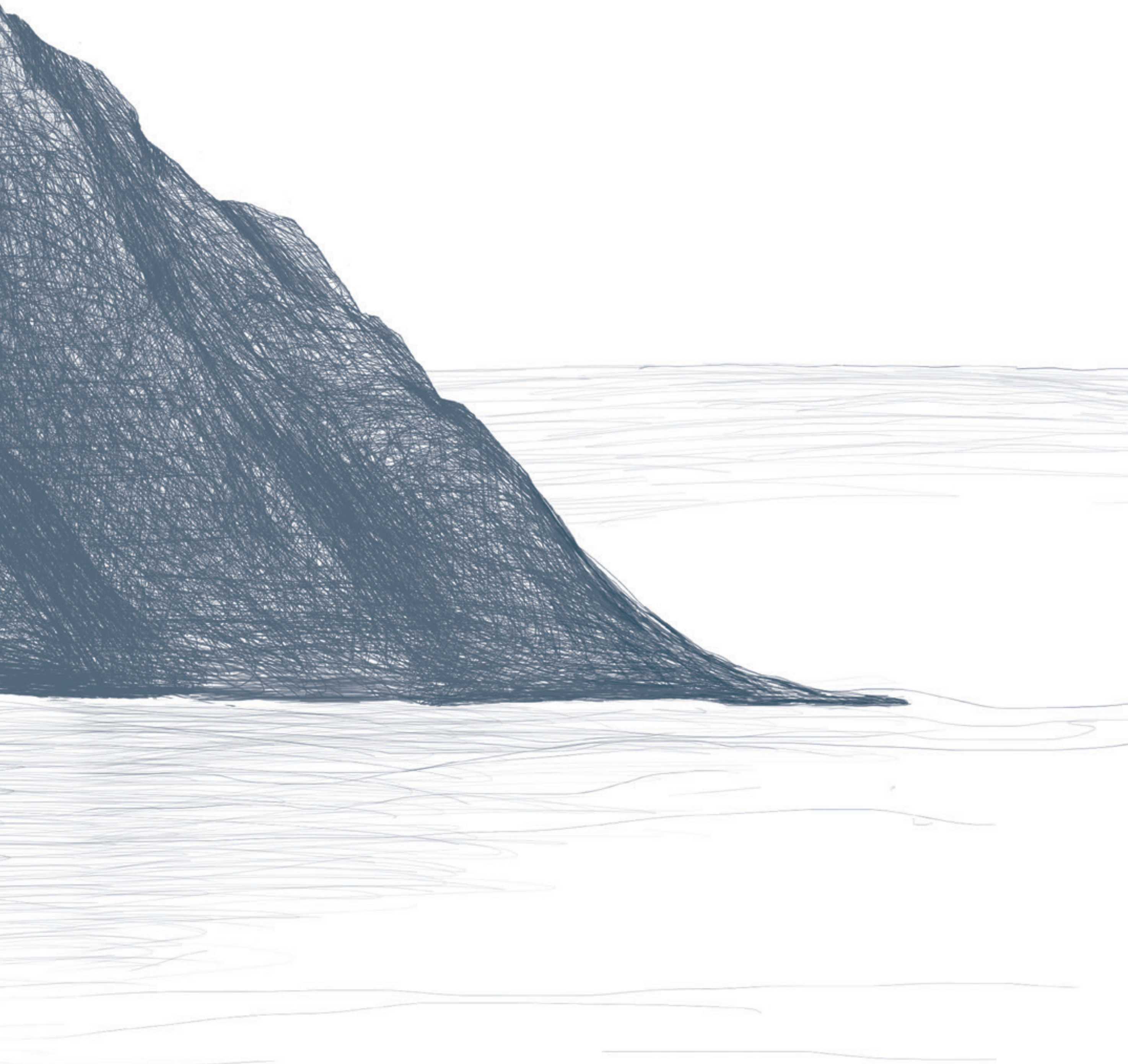

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