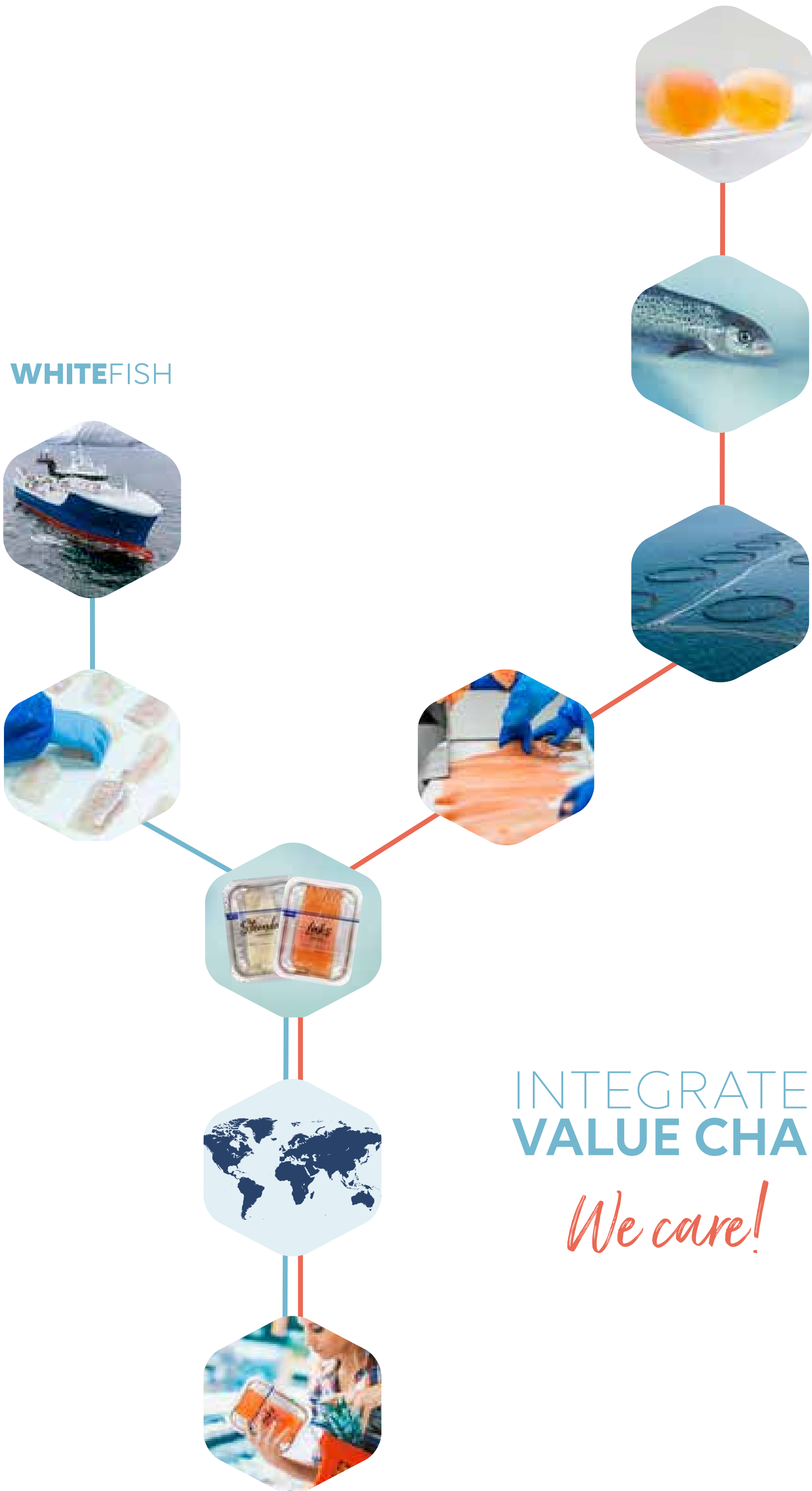
LERØY

ANNUAL REPORT 2019

REDFISH

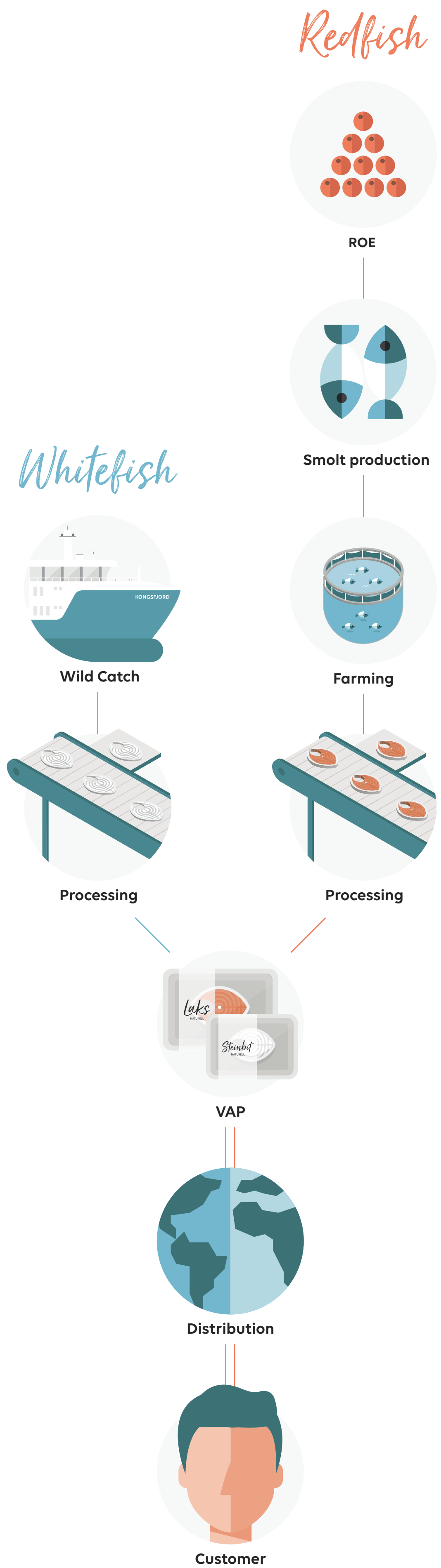
WHITEFISH



INTEGRATED
VALUE CHAIN

We care!

INTEGRATED **VALUE CHAIN**



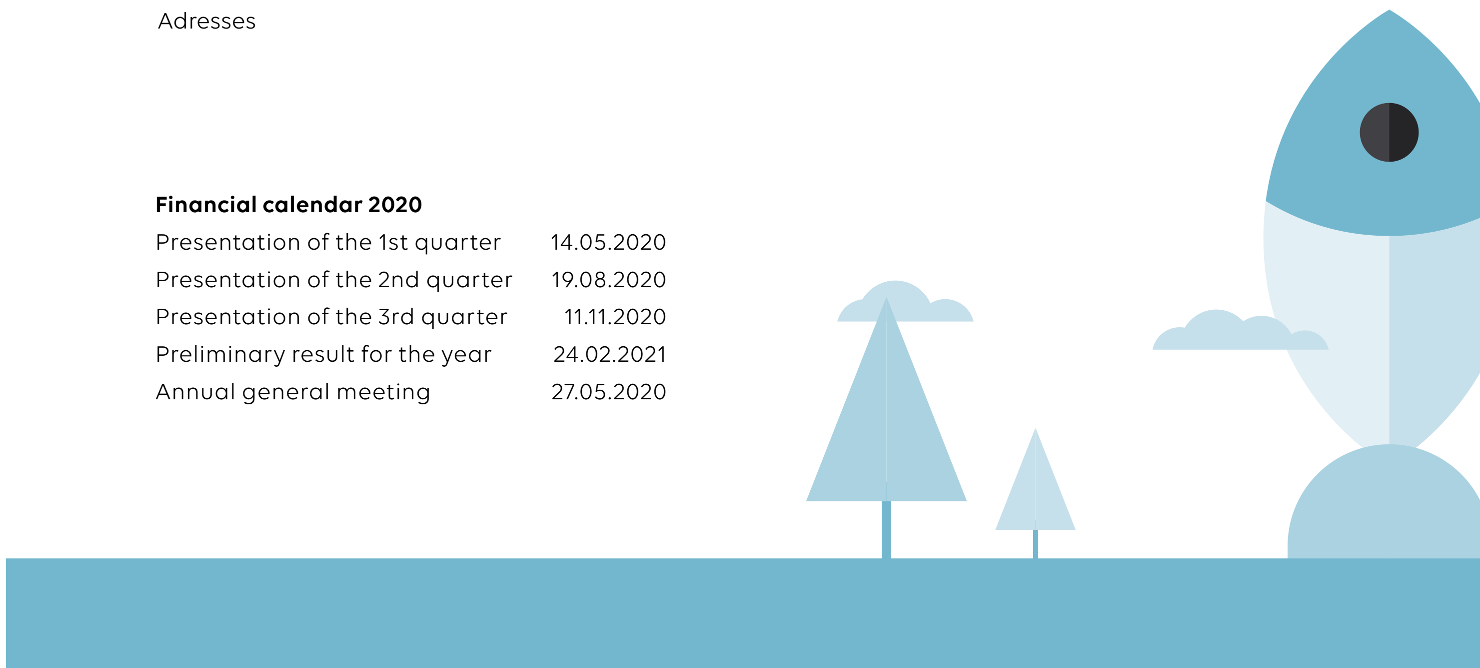
1 ABOUT US

2 CORPORATE GOVERNANCE

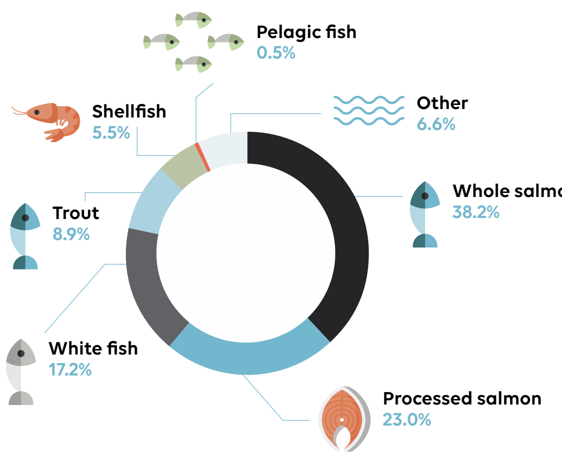
3 FINANCIAL INFORMATION

Financial calendar 2020

Presentation of the 1st quarter	14.05.2020
Presentation of the 2nd quarter	19.08.2020
Presentation of the 3rd quarter	11.11.2020
Preliminary result for the year	24.02.2021
Annual general meeting	27.05.2020

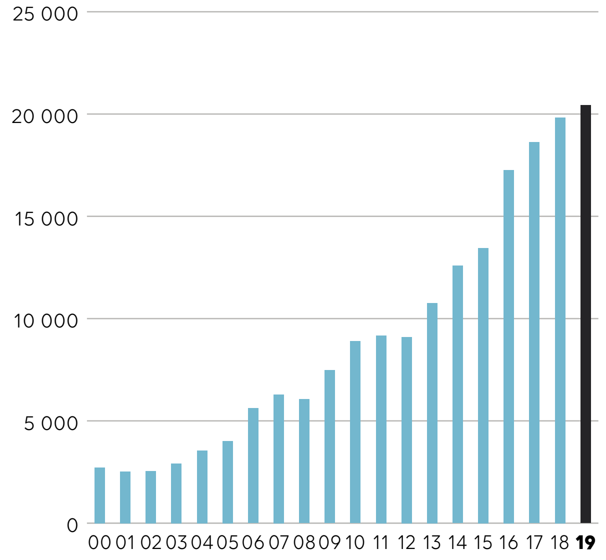


Product areas 2019

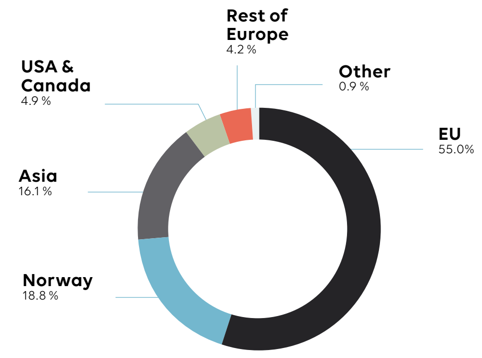


Revenue

(MNOK)

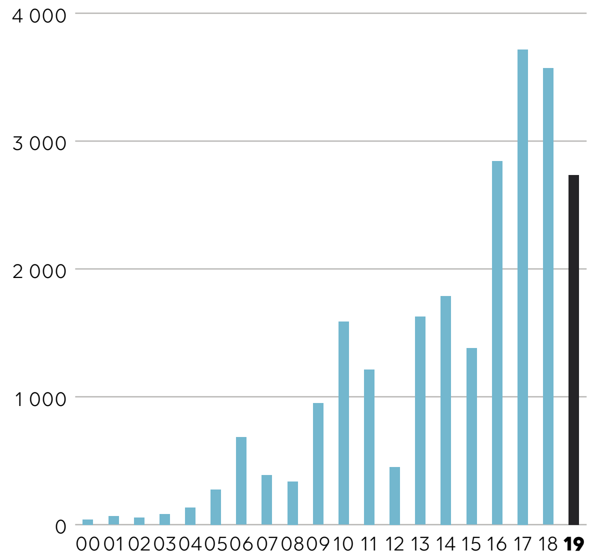


Geographic market 2019



EBIT development (before fv adj. on biomass) in total*

(MNOK)



** Before fair value adjustments related to biological assets*

Key Figures for Lerøy Seafood Group Consolidated

All figures in NOK 1 000

	2019	2018	2017	2016	2015	2014	2013	2012
LSG stock price last annual trading day	**58.30**	65.94	43.98	48.11	33.00	27.30	17.70	12.95
Dividend paid per share (distribution year)	**2.00**	1.50	1.30	1.20	1.20	1.00	0.70	0.70
Dividend per share for payment following year	**1.50***	2.00	1.50	1.30	1.20	1.20	1.00	0.70
Cash flow from operating activities per share	**4.80**	4.67	6.19	4.85	1.41	2.59	2.31	0.81
Operating revenue	**20 426 902**	19 837 637	18 623 515	17 269 278	13 450 725	12 579 465	10 764 714	9 102 941
Net interest-bearing debt	**2 641 431**	2 546 412	2 262 167	3 433 487	2 594 653	1 876 121	2 116 865	2 231 860
Equity ratio	**58,8 %**	60,4 %	56,4 %	53,7 %	54,8 %	54,4 %	54,3 %	50,7 %
Harvest volume (GWT)	**158 178**	162 039	157 767	150 182	157 697	158 258	144 784	153 403
Key figures before fair value adjustments related to biological assets								
EBITDA before fair value adjustments	**3 746 276**	4 228 205	4 300 013	3 355 089	1 813 869	2 160 138	1 938 474	774 866
Operating profit (EBIT) before fair value adjustments	**2 734 235**	3 568 536	3 716 749	2 843 468	1 379 953	1 788 676	1 625 799	450 098
Pre-tax profit before fair value adjustments	**2 717 911**	3 696 982	3 805 426	2 925 930	1 320 816	1 816 813	1 630 011	379 913
Operating margin before fair value adjustments	**13.4 %**	18.0 %	20.0 %	16.5 %	10.3 %	14.2 %	15.1 %	4.9 %
Profit margin before fair value adjustments (pre-tax)	**13.3 %**	18.6 %	20.4 %	16.9 %	9.8 %	14.4 %	15.1 %	4.2 %
ROCE before fair value adjustments (annualised)	**15.5 %**	22.3 %	25.8 %	23.9 %	14.5 %	21.2 %	20.7 %	6.2 %
Earnings per share before fair value adjustments	**3.48**	4.90	4.90	3.84	1.94	2.40	2.11	0.51
EBIT/kg before fair value adjustments	**17.3**	22.0	23.6	18.9	8.8	11.3	11.2	2.9
EBIT/kg exclusive Wild Catch, before fair value adjustments	**15.5**	19.6	21.1	18.3	8.8	11.3	11.2	2.9
Fair value adjustments related to biological assets								
Fair value adjustments related to consolidated companies' inventory (before tax)	**-333 703**	754 938	-1 716 309	1 470 561	188 508	-327 414	764 229	294 735
Fair value adjustments related to associates' inventory (after tax)	**-18 726**	-2 959	4 351	48 830	-8 214	-55 988	86 135	-139
Key figures after fair value adjustments related to biological assets								
EBITDA	**3 412 573**	4 983 143	2 583 705	4 825 651	2 002 377	1 832 724	2 702 703	1 069 601
Operating profit (EBIT)	**2 400 532**	4 323 474	2 000 440	4 314 030	1 568 461	1 461 262	2 390 028	744 832
Pre-tax profit	**2 365 482**	4 448 961	2 093 467	4 445 321	1 501 110	1 433 411	2 480 376	674 509
Operating margin	**11.8 %**	21.8 %	10.7 %	25.0 %	11.7 %	11.6 %	22.2 %	8.2 %
Profit margin (pre-tax)	**11.6 %**	22.4 %	11.2 %	25.7 %	11.2 %	11.4 %	23.0 %	7.4 %
ROCE	**12.9 %**	25.3 %	13.7 %	32.4 %	15.3 %	15.7 %	28.9 %	9.9 %
Earnings per share	**3.12**	5.77	2.94	5.65	2.16	1.94	3.18	0.88

** The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.*

ABOUT US

8-27

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.

THIS PHOTOGRAPH WAS TAKEN AT BONTELABO IN BERGEN IN 1964.
From the left: Alfred Breivik, Ingvald Johannessen, Elias Fjeldstad and Dankeret B. Johannessen.

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

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

Amended strategy

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

Access to capital and expertise

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

At the turn of the new millennium, large parts of the fish farming industry were seriously 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.

> "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."

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

"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."

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

Reaching new markets

The Group's ambition to increase demand for seafood in the form of new products for new markets has constantly been the driving force behind the Group's investments in the segment. This segment not only sells its own production of salmon and trout, but also has a high level of sales activity in cooperation with third parties, ensuring a wide product range for the Group within seafood. In recent years, the Group has also made significant investments in processing facilities, in order to take part in leading the "revolution" within the distribution of fresh seafood. These investments have been made in what is known as "fish-cuts", processing facilities where proximity to the customer is key. The distribution of fresh seafood requires quality throughout the entire organisation, flexibility, continuity in supply and a high level of service. Today, the Group has a number of fish-cuts throughout Europe, and Leroy Processing Spain can report an exciting development within ready meals and sushi. In addition to the company's factory in Madrid, the Group completed a new factory in Barcelona in 2017 and a second new factory in Valencia, completed in February 2018. The Group currently sells seafood to more than 80 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: VAPSD.

Kongsfjord, the offshore trawler, was handed over from the shipyard in January 2020. Lerøy Havfisk AS, primarily involved in catches of Whitefish, now has 10 trawlers in operation. Together with Lerøy Norway Seafoods AS, these two companies make up the Wild Catch and Whitefish segment.

Innovator within seafood

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

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

At the start of 2020, the seafood corporation Lerøy Seafood Group has a unique position for further growth and development.

Important events

Strategic events from 1999 and up until today

1999

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

2000

Capital supply

2001

Lerøy Sverige (VAP, sales and distribution): Investment in distribution companies in Sweden

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

2002

Lerøy Smøgen (VAP, sales and distribution): 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 (VAP, sales and distribution): Acquisition of 60% of shares (Portnor Lda)

2005

Bulandet Fiskeindustri AS (VAP, sales and distribution): Corporate relationship estalished with acquisition of more than 50% of the shares

Lerøy Alfheim (VAP, sales and distribution): 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 (Farming)

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 (VAP, sales and distribution): Acquisition of 100% of the shares

Capital supply

Investment in whole salers (VAP, sales and distribution): 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

2011

Jokisen Evää OY (now Lerøy Finland): Acquisition of 68.0% of the shares (VAP, sales and distribution)

Start-up of construction of new hatchery in Belsvik, Sør Trøndelag (Farming)

2012

Rode Beheer BV (VAP, sales and distribution): Shareholding increased to 50.1% in the Dutch seafood group

2013

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

Opening of world's largest RAS facility for smolt production in Belsvik. The facility, which produces up to 14 million fish every day, recycles more than 98% of water and is extremely energy-efficient

Extension of Lerøy Fossen's production localities in Hordaland and Lerøy Smøgen in Sweden (VAP, sales and distribution)

2014

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

Fish-cut investment (VAP, sales and distribution): Investments in new facilities in Norway, France, Spain and Denmark

Norsk Oppdrettsservice AS (cleaner fish): Acquisition of 34% 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 (VAP, sales and distribution)

Rode Beheer BV (VAP, sales and distribution): Acquisition of the remaining 49.9% of the shares

Official opening of new smolt facility with RAS technology in Laksefjord in Finnmark (Farming)

2017

Integration of whitefish in the value chain (Wild Catch)

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

Leroy Processing Spain: New facilities opened in Barcelona and Valencia (VAP, sales and distribution)

Rode (VAPSD): Construction start new industrial building in Urk, the Netherlands

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

2018

Stern trawler Nordtind handed over from Vard Søviknes to Havfisk ASA

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

Leroy Processing Spain (VAP, sales and distribution): New facilities opened in Valencia, Barcelona and Alicante

Reconstruction in Stamsund to increase production of ready-to-eat products (Wild Catch)

2019

Production of processed fish and ready-to-eat products starts in Stamsund (Wild Catch)

Official opening of new, highly modern factory in Hitra (Farming)

First release from new, large RAS facility for production of large smolt in Kjærelva, Fitjar (Farming)

Opening of young trout facility in Bjørsvik, Alver (Farming)

Construction start for extension of RAS facility in Belsvik, Heim for production of large smolt (Farming)

Start-up of construction stage 3 for the RAS facility in Laksefjord in Finnmark (Farming)

2020

Stern trawler Kongsfjord handed over from Vard Søviknes to Havfisk ASA

Values for the future

Lerøy can look back on several great years with impressive results, but we are constantly striving to do better. As a fully-integrated seafood company, we gain unparalleled opportunities to drive the development of our value chain and product categories, in collaboration with key end customers worldwide.

The future development of our company will be determined by our ability to achieve continuous improvements, increased efficiency, innovation and development of sustainable solutions throughout the value chain.

We have to work hard to sustain the positive developments achieved in recent years – while constantly keeping our customers at the front of our minds, and relying on our values as strong foundations.

In 2017, we started the process of developing a continuous improvement programme specially designed for our Group – Lerøy Way. This was implemented after we had reported record-high results, and represents our principles guiding us how to improve together as one company – One Lerøy.

One Lerøy
UNIQUE ALONE
STRONGER TOGETHER

By standardising, and working more closely as One Lerøy, the Group will better utilise strategies and opportunities across the organisation. This will lead to more efficient operations in the value chain, improve expertise sharing, increase long-term value creation and create a winning culture.

VISION FOR THE GROUP

«We shall be the leading and most profitableglobal supplier of sustainable high-quality seafood.»

MISSION

Take action today – for a difference tomorrow

VISION, QUALITY AND SUSTAINABILITY

Safe, sustainable quality seafood

OUR VALUES

HONEST
OPEN
RESPONSIBLE
Creative

Local roots, global perspective

Every day, 4 700 Lerøy employees contribute to the supply of Norwegian seafood equivalent to five million meals in more than 80 different countries.

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 (the last of which, Kongsfjord, was delivered and put into operation in January 2020) and receives regular deliveries from more than 600 vessels fishing along the coast. These vessels make daily deliveries of whitefish to onshore stations, where the fish is processed and packaged, while well boats transport salmon and trout from our fish farms in North Norway, Central Norway and West Norway to sites for processing.

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

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

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

Lerøy in the world

- Farming
- Wild Catch
- VAP, sales and distribution

From sea and fjord to the table

Lerøy is involved in every stage of the production of salmon and trout, catch and processing of whitefish and shellfish. In other words, we are involved not only in catches and fish farming, but we also package and process fish at our plants and distribute thousands of different seafood products to shops, restaurants, canteens and hotels – in more than 80 different countries worldwide.

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

The Group reports within three segments

> Farming
> Wild Catch
> VAP, sales and distribution

Farming

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

Wild Catch

The Wild Catch segment comprises businesses acquired in 2016, when Lerøy Seafood Group became the sole owner of both Havfisk AS and Norway Seafoods Group AS. These are businesses with substantial operations in the catching and processing of whitefish in Norway. Havfisk currently has ten trawlers, while Lerøy Norway Seafoods runs factories in Berlevåg, Båtsfjord, Forsøl, Kjøllefjord, Melbu, Stamsund, Sørvær and Tromvik. Lerøy also had operations at Sommarøy in 2018. It has now been discontinued.

VAP, sales and distribution

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

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

LEROY PROCESSING SPAIN produces and supplies large volumes of sushi and ready meals from the company's factories in Madrid, Valencia, Alicante and Barcelona.

Priority tasks

The Group's values – open, honest, responsible and creative – shall form the foundations for our daily operations, but also for the perpetual, strategic business development required to achieve the Group's vision of being the leading and most profitable global supplier of sustainable, quality seafood. The company shall therefore maintain a continued and special focus on the following areas:

1. Market orientation

Lerøy is a customer-oriented business and our success is contingent upon the success of our customers. We shall focus on growth on new and existing markets, based on forward-looking and innovative solutions and alliances that are sure to provide profitability and increased market share. The company shall play a leading role within product development in order to ensure customer satisfaction and, as a result, profitability.

2. Efficient and creative value chain – alliances

Values are created in value chains and in businesses in value chains that form a network and competitive processes for their customers. Lerøy aims to create the world's most efficient and innovative value chain for seafood. This must be achieved by means of continuous improvements to processes and the Group's core operations, but also by further developing long-term, binding alliances with both suppliers and customers.

3. Environment and quality

For Lerøy, developments shall be based on a perspective of perpetuality. This requires a high focus on quality and sustainability among management and employees. By ensuring further development of processes and routines throughout the entire value chain from breeding to smolt, fish production, harvesting, processing, sale and distribution, we shall be able to guarantee sustainable operations.

4. Attractive employer

We shall be a leading player in a global industry in which the changes in framework conditions require flexible employees who are dynamic and willing to learn. We aim to attract, retain and develop our talented employees by offering formal and informal courses and training, and by encouraging an increase in internal mobility by allowing employees to explore in-house career opportunities.

5. Managerial role in Lerøy

Appointment to a managerial position at Lerøy is a declaration of trust and carries with it significant responsibilities. All managers shall represent the Group's values and act as positive ambassadors for Lerøy. We are confident that all our managers will lead the way as positive role models, complying with Lerøy's management standards, which are based on the Group's values: honest, open, responsible and creative.

6. Strategic business development

Historically, the Group has carried out major acquisitions, and strategic business development will remain a decisive factor for further development of the Group.

7. Risk management

We shall continue to develop operating systems for identifying risks in order to avoid imbalances between commercial risks and the profitability requirement. The Group's risk profile and its strategies for value creation shall be reconciled with the Group's available resources.

8. Continuous improvements

We continue to develop by means of constant improvements to our processes and value chain. Our success will be determined by and made visible in our ability to create added value for our customers. Our results can be measured in relation to stability of operations and raw material supply, and in relation to financial, climate-related and environmental sustainability. We shall continue to focus on the right level of quality, high food safety, traceability and service. The pioneering spirit and innovations at Lerøy shall continue to develop.

Henning Beltestad
CEO
Lerøy Seafood Group

Stig Nilsen
COO Farming
Lerøy Seafood Group

Sjur S. Malm
CFO
Lerøy Seafood Group

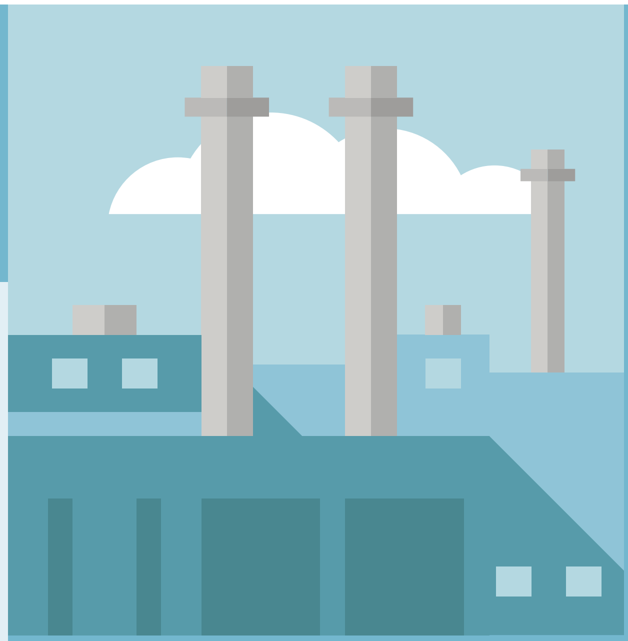
Webjørn Barstad
COO Wild Catch
Lerøy Seafood Group

Siren Grønhaug
Group Director HR
Lerøy Seafood Group

Ivar Wulff
COO Sales and Distribution
Lerøy Seafood Group

Sustainability*

*Download Lerøy´s Sustainability report on www.leroyseafood.com



Ripple effects for society in 2019 in Norway

All amounts in NOK 1 000

9 142 576*
Value generat

* Subject to prevailing market prices
Formula from NOFIMA

1 299 112*
Taxes

* Tax from employees and tax paid by the Group in 2019

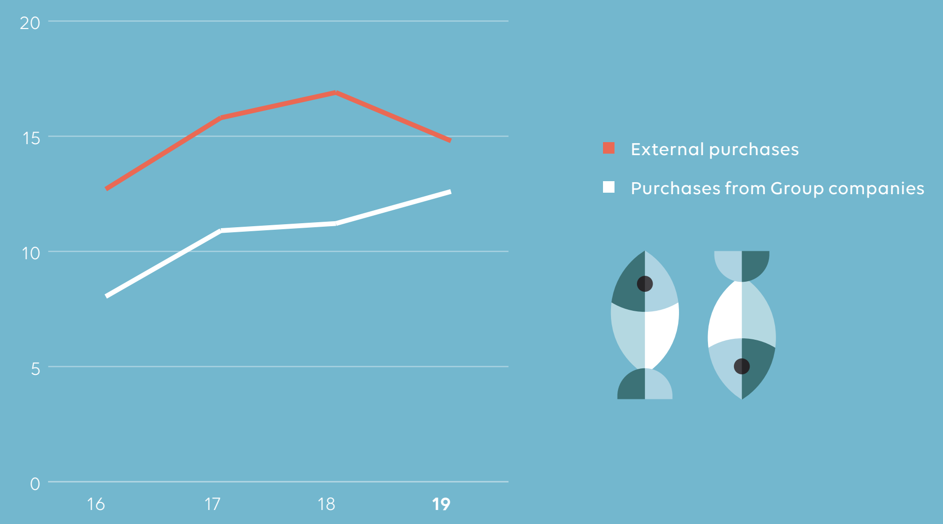
2 997
Jobs

1 233
Places in nursing homes

7 294
Children in municipal kindergardens

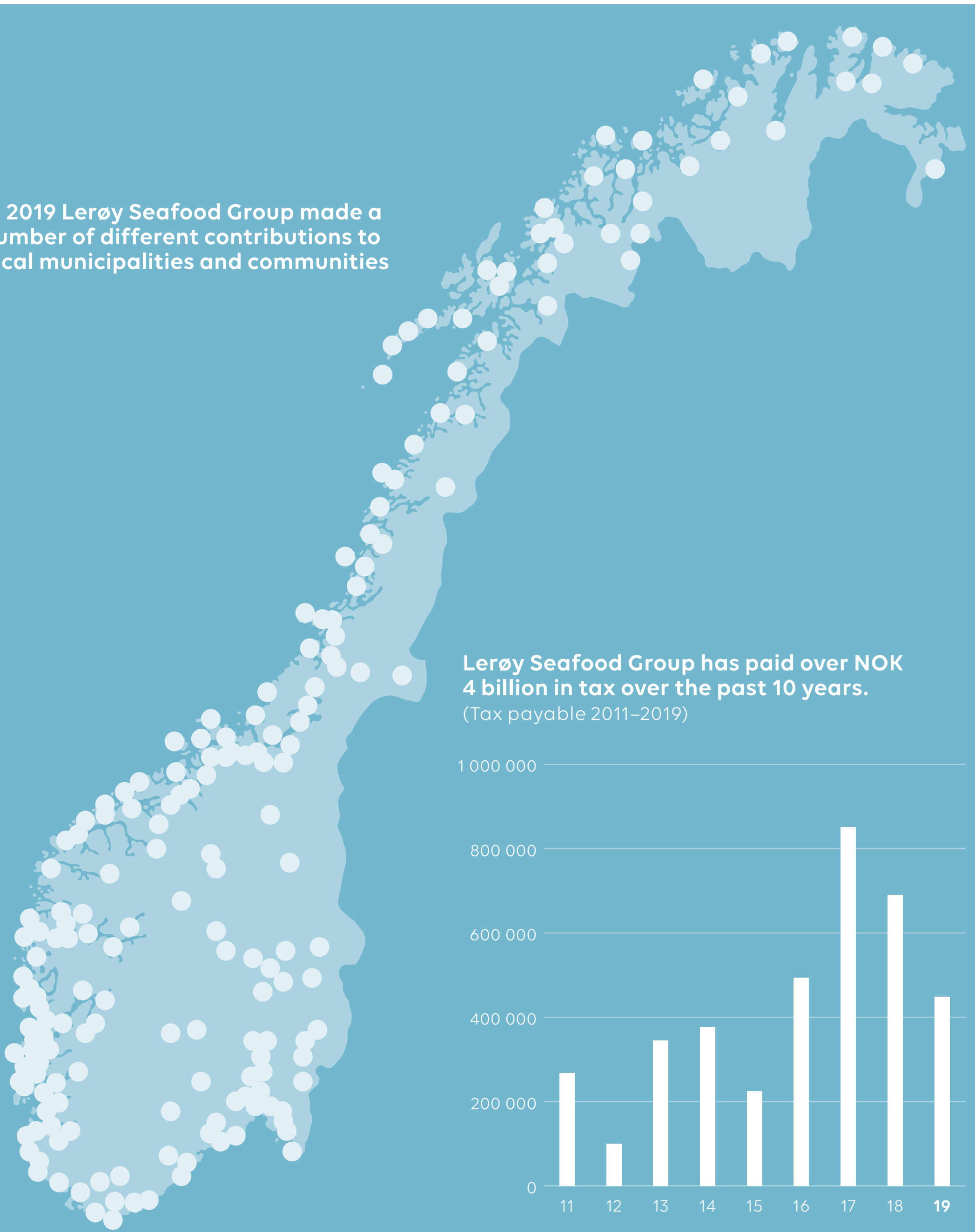
Purchases made by our Norwegian companies from Norwegian suppliers in 2019 (Invoiced 2019)

All amounts in NOK 1 000



In 2019 Lerøy Seafood Group made a number of different contributions to local municipalities and communities

Lerøy Seafood Group has paid over NOK 4 billion in tax over the past 10 years.
(Tax payable 2011–2019)



60

municipalities

We had company activities in approx. 60 Norwegian municipalities.

NOK 14.8

billion

We purchased goods and services amouting to NOK 14.8 billion from more than 250 Norwegian municipalities.

NOK 608.6

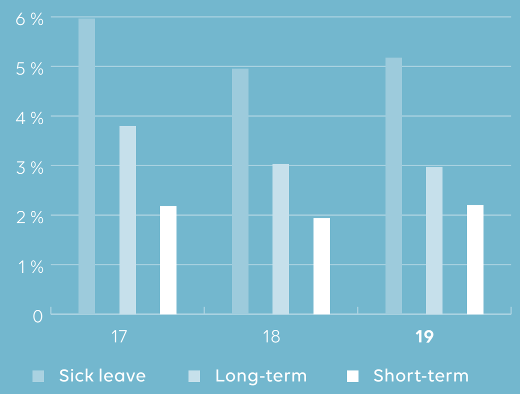
million

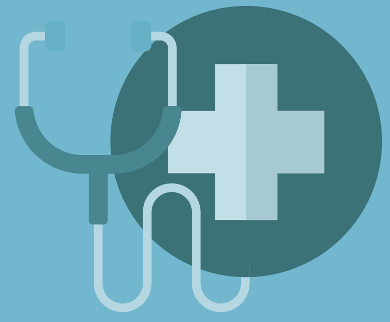
Our employees paid tax income to different Norwegian municipalities with a total value of NOK 608.6 million.

KEY FIGURES

Society

Sick leave





No. employees 2019

4 693

Men

3 035

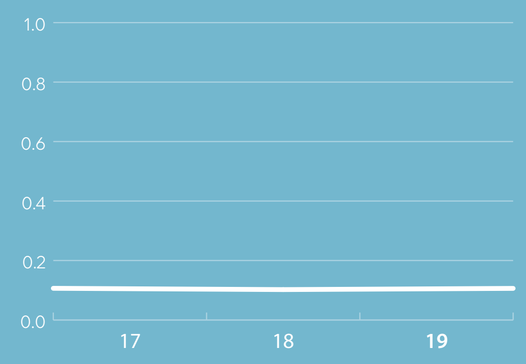
Women

1 658

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.

Emissions of greenhouse gases Scope 1 + 2 for Farming segment (Tonnes CO_2 e/tonne gross growth)



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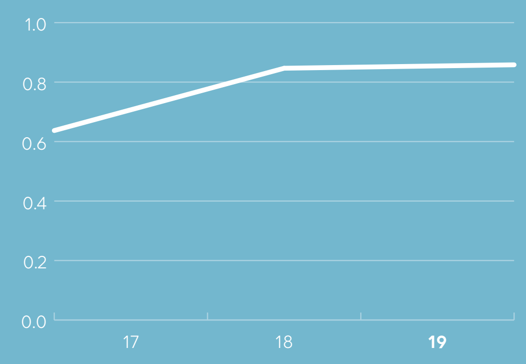
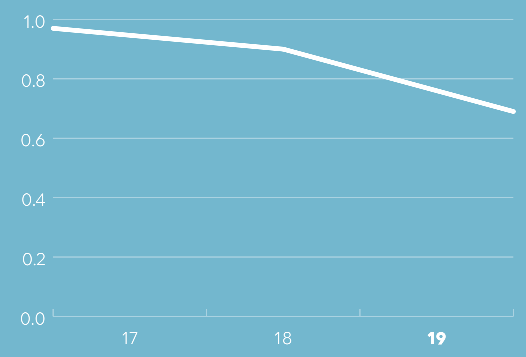
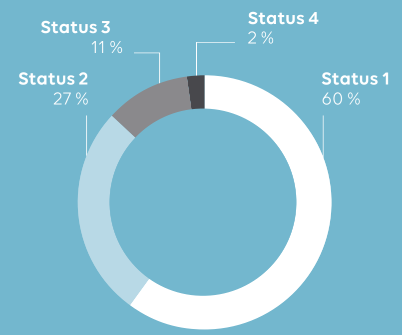


Environment

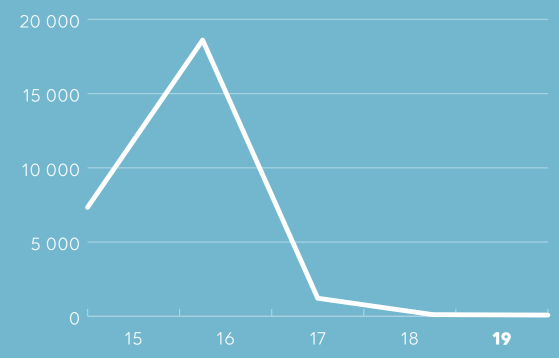
FIFO Ratio (Fish in, fish out ratio)



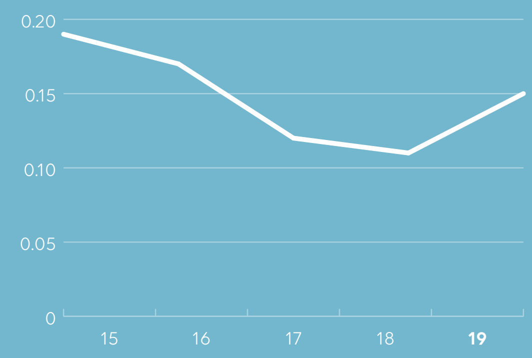
Location status



Number of accidentally released fish per year, salmon and trout



Trend curve for development of fully grown lice per fish



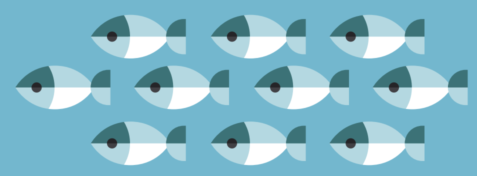
The average level of fully grown lice has been relatively stable the last years.

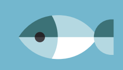
Accidental release

The Group can report a low number of accidentally released fish in 2019, 85 pieces.

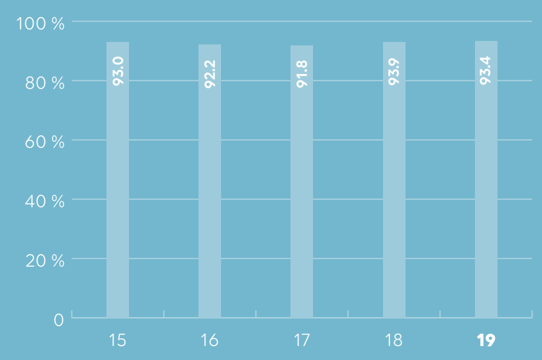
0 use of antibiotics

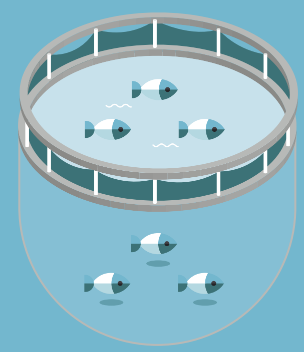
The use of antibiotics is almost at zero in the Norwegian fish farming industry. No antibiotics were used by Lerøy Seafood Group, in 2019.





Survival, rolling 12 month (GSI)





CORPORATE GOVERNANCE

30-45

Operational Manager at the seafood center in Urk, Netherlands

Reporting on corporate governance

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

The Group's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES), dated 17 October 2018, see also www.nues.no. The NUES Code of Practice complies with the Norwegian Acts relating to Limited Liability Companies, Accounting, Stock Exchange and Securities Trading, in addition to stock exchange regulations in force as of 1 October 2018. In addition, the NUES publishes recommendations and guidelines that in part provide more detailed information and are more extensive that the above acts. This chapter has the same structure as the NUES code, and all items in the Code are included. Any differences are explained.

1. Reporting on corporate governance

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

The company's basic corporate values Lerøy Seafood Group's basic corporate values are to be honest, open, responsible and creative and are based on the Group's vision to create the world's leading and most profitable global supplier of sustainable quality seafood.

The Group's core activities comprise a vertically integrated value chain for the production of salmon and trout, catches of whitefish, processing of seafood, purchasing, sales and marketing of seafood, distribution of seafood, product development and development of strategic markets. The Group emphasises quality in all parts of the value chain, in order to ensure that we are successful in achieving our goals.

2. Activities

According to Lerøy Seafood Group's Articles of Association, the company's purpose is as follows: "The Company's objectives are fisheries, fish farming, processing, sale and distribution within the seafood industry and related industries and operations. Such activities may be performed either directly or via participation in other companies with similar or equivalent objectives, and all activities related thereto."

The parent company's Articles of Association reflect the totality of the Group's value chain and core business. The Group's goals and main strategies are provided in total in the Group's annual report (go to www.lersoyseafood.com/investor), and can be summarised as follows: "The Group's core business is the production of salmon and trout, catches of whitefish, processing, product development, marketing, sale and distribution of seafood."

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

Ethical code of conduct and guidelines for corporate social responsibility at Lerøy Seafood Group ASA. The Group takes a very conscious approach to its responsibility regarding ethical conduct, society at large and the environment. In addition to the Group's common values, Lerøy Seafood Group has prepared a set of ethical guidelines for Group employees, aiming to establish common principles and regulations which govern all employees within Lerøy Seafood Group ASA and subsidiaries. The Group's ethical code of conduct reflects the values represented by the Group and guides the employees as to the use of the correct principles for business conduct, impartiality, conflicts of interest, political activity, entertaining, processing information and duty of confidentiality, relationships with colleagues, business partners, corruption, whistle-blowing, bribes etc. Each employee is individually responsible for practising the ethical code of conduct. The Group has prepared an Ethics Test for employees which will help them make the right decisions whenever needed.

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

The company maintains a focus on employee rights in relation to both conditions and environment at the workplace. All employees shall have orderly working conditions, comprising a specific employment contract, correct salary, sufficient training, follow-up throughout employment and the right to organise. The company focuses on equal rights for women and men and has in recent years witnessed an increase in the number of female employees in the Group.

The Group's goal is to contribute positively and constructively to improving human rights, prevention of child labour, labour rights and environmental protection, both within the Group, in relation to suppliers and subcontractors and in relation to trading partners. The company's code of conduct is incorporated into agreements with the Group's suppliers and subcontractors.

The Group has established a system for anonymous whistleblowing via a third-party company, for employees who wish to report censurable conditions. In the event of nonconformances, measures shall be implemented to improve the situation. A whistleblowing committee has been established and covers the entire Group. The committee processes cases and implements measures in the event of nonconformances.

Every year, the Group publishes a Sustainability Report setting out the status of, and providing an overview of, various aspects relating to the environment and ESG. The Group has stipulated target areas, key performance indicators and goals. To read the entire Sustainability Report, go to www.leroyseafood.com.

3. Equity and dividends

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

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

Dividend for financial year 2019. The Board of Directors has recommended a dividend of NOK 1.50 per share for financial year 2019. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year. The dividend payment for financial year 2018 was NOK 2.00 per share. This proposal is in line with the company's dividend policy. Payment of the dividend is submitted for adoption at the company's annual general meeting.

Equity and financial goals. The Group is financially sound with book equity of NOK 17,763,305 million as of 31 December 2019. This corresponds to an equity ratio of 58.8 %. The number of shares outstanding in the company at 31 December 2019 is 595,773,680. All shares carry the same rights in the company. As of 31 December 2019, the company owned 297,760 treasury shares.

«Lerøy Seafood Group's basic corporate values are to be honest, open, responsible and creative and are based on the Group's vision to create the world's leading and most profitable global supplier of sustainable quality seafood.»

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

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

Mandate for the Board to purchase treasury shares. The Board was authorised for the first time to purchase treasury shares by the annual general meeting on 12 May 2000. The mandate was recently renewed at the annual general meeting on 23 May 2019 and authorises the acquisition of up to 50,000,000 shares over a period of 18 months from the date on which the resolution was reached.

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

A proposal will therefore be submitted to renew the mandate at the annual general meeting on 27 May 2020.

Mandate to increase share capital by issuing shares for private placings for external investors, employees and individual shareholders in Lerøy Seafood Group ASA. The Board has a mandate to increase the share capital by up to NOK 5,000,000 by issuing up to 50,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 0.10, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the annual general meeting of 4 May 1999 and subsequently renewed by the annual general meeting on 23 May 2019. The Board of Directors exercised this mandate on 2 June 2016 and carried out a private placement of 5,000,000 new shares at a face value of NOK 1.00 in addition to the sale of 300,000 treasury shares. The Board of Directors feels it is appropriate to retain this mandate, including authorisation for the Board to deviate from the preference rights of the shareholders. The Group expects to see continued structural changes and internationalisation in its industry. As a result, Lerøy Seafood Group ASA will continuously assess organic growth, possible share saving programmes for employees, possible acquisition and business combination alternatives and possible alliances that may lay the foundations for future profitable growth, both to capitalise on the value already created and to achieve a solid position for future value creation.

The mandate will help allow the company to achieve the necessary financial leeway to rapidly obtain the necessary liquidity and/or settlement shares that the Board feels are necessary to ensure future profitable growth. A proposal will therefore be made to establish a new corresponding mandate at the annual general meeting on 27 May2020.

The Board's mandate is valid for a period exceeding one year and is not limited to specifically defined objectives as recommended by the NUES. This is principally for operational reasons, but also in order to clearly show that the company is growth-oriented and that shares are regarded as potential means of payment. This practice is established to ensure an optimum strategic business development for the company. However, the company has established the practice of having the mandates renewed annually at each annual general meeting.

4. Equal treatment of shareholders and transactions with related parties

The company has only one class of shares and each share carries one vote at the 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.

Lerøy's Poké bowl with salmon is part of the ready meal product range and is perfect for people who need a quick meal. The Poké bowl comes from Hawaii, and was developed by local fishermen and served as street food, gradually becoming extremely popular with surfers, hence the nickname surfer's sashimi.

5. Shares and negotiability

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

6. Shareholders' meeting

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

Notice of and holding annual general meetings Lerøy Seafood Group ASA held its annual general meeting in the company's head office at Lanternen, Thormøhlensgate 51 B in Bergen on 23 May 2019. The notice of the meeting with a proposed agenda, meeting 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 precise to allow the shareholders to form a view on all matters to be considered at the meeting. The deadline for registration of participation was set for the day prior to the general meeting. Prior to distribution of the notice of the general meeting, the Board of Directors and meeting chairperson had performed a quality control of the procedures for registration and voting, and the proxy form for participation and voting on behalf of other shareholders.

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

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

Participation by proxy. The Public Companies Act in Norway and the regulation relating to general meetings allows for several methods whereby shareholders can participate in and vote at the general meeting, without actually being present. In the notice of the general meeting, Lerøy Seafood Group has allowed shareholders to vote by proxy at the general meeting. The proxy is 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 2019.

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

7. Nomination committee

Pursuant to Article 5, paragraph 2 of the company's Articles of Association, the company shall have a nomination committee comprising three members elected by the annual general meeting for a period of two years. The company's nomination committee is charged with preparing proposals for the composition of a shareholder-elected board of directors and to submit recommendations to the shareholders' meeting for appointments to the board.

At present, the members of the nomination committee are Helge Møgster (Chairman), Benedicte Schilbred Fasmer and Aksel Linchausen. The company has not established specific guidelines for the nomination committee. However, the composition of the nomination committee is such that the interests of the shareholders in general are taken into account in that the majority within the committee is independent of the Board and other executive personnel, and that the company's Articles of Association also specify the framework for the work of the Committee.

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

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

8. Board of Directors, composition and independence

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

The transformation of the Lerøy Group from a family company to a listed public limited company has been guided by the owners' clear awareness of the type of Board the company needs. Since the early 1990s, the majority of the board members have been independent of the Group's management team In order to ensure the Board of Directors' ability to challenge the corporate management, the majority of the board members are independent of the Group management. In part because of the

Information on the members of the Board of Directors

Members	Elected to the Board	Up for election	No. board meetings 2019
Helge Singelstad (Chairman)	2009	2020	8/8
Britt Kathrine Drivenes	2008	2021	8/8
Arne Møgster	2009	2020	8/8
Didrik Munch*	2012	2021	8/8
Karoline Møgster	2017	2021	8/8
Siri Lill Mannes*	2018	2020	8/8
Hans Petter Vestre* (employee representative)	1995		8/8

** Independent of the company's largest shareholder*

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

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

9. The work of the Board of Directors

The duties of the Board of Directors The Board of Directors has the ultimate responsibility for company management. This involves supervising day-to-day management and activities in general. The board's responsibility for the management of the company includes responsibility for ensuring that the activities are soundly organised, drawing up plans and budgets for the activities of the company, keeping itself informed of the company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control. The main aim is to ensure continuous follow-up and further development of the company. For several years, as well as in its eight meetings in 2019, the Board has maintained a particular focus on the connection between practical operations and strategic business development. The Board works purposefully together with the company management to make the Group the most sustainable, profitable, fully integrated and international seafood company possible. This work has for a considerable time been carried out in accordance with our public announcements. The Board's work reflects this strategy and the results are shown through management implementation. Although the strategic development of the company is a continuous process and part of the work of the Board of Directors, the company also holds strategy meetings. Strategy meetings were held in 2019.

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

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

Board committees

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

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

10. Risk management and internal control

Internal control and risk management. 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

THE FACTORY IN URK processes salmon from Norway. The fish are deboned then cleaned (in the photograph) then sent to the next stage of processing.

to equipment which, in turn, may result in accidental release of fish. The company reported some minor incidents involving accidental release of fish in 2019, cf. the more detailed description in the Group's Sustainability Report at www.leroyseafood.com. Keeping animals in intensive cultures will always entail a certain risk of illness. 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 Sustainability Report.

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

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

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

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

Credit risk. Pursuant to the Group's strategy for managing credit risk, the Group's accounts receivable 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 liabilities are 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.

Gyozas/dumplings are a very popular product in Spain and are sold in all supermarkets, either as a fresh ready meal on a tray together with sushi (from Lerøy) or frozen in bags. The gyoza dumplings contain shrimp or salmon.

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

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

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

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

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

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

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

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

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

Control activities. Reporting entities are responsible for the implementation of sufficient control actions in order to prevent errors in the financial reports.

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

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

The Chief Accountant and the CFO continuously assess the Group's and the 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, with the review including the development in figures for profit/loss and balance sheet.

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

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

Information and communication. The Group strongly emphasises 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 general meeting. The annual general meeting on 23 May 2019 adopted annual remuneration of the Board of Directors as follows:

> Chairman of the Board NOK 400,000
> Other board members NOK 250,000

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 50,000 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 Senior Staff.

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

14. Take-overs

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

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

15. Auditor

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

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

Auditor - other services

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

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

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

Specific guidelines for the management's permission to make use of an auditor for other services than auditing are being prepared. Until these have been completed, the audit committee is continuously informed of the main aspects of the services purchased by the management from the auditor.

Presentation of the Board of Directors

The Chairman of the Board, **Helge Singelstad** (1963), was appointed to the Board by the extraordinary general meeting on 26 November 2009. Helge Singelstad holds a degree in computer engineering, a degree in Business Administration from the Norwegian School of Economics (NHH) and took a foundation course in law at the University of Bergen. Helge Singelstad has previously held positions as CEO, Vice CEO and CFO of Lerøy Seafood Group. Consequently, he has broad knowledge of the Group and the industry. Helge Singelstad is Chairman of the Board of Austevoll Seafood ASA and Vice Chairman of the Board of DOF ASA. He is the Managing Director of Laco AS. Laco AS is a majority shareholder of Austevoll Seafood ASA. Helge Singelstad owns no shares or options in Lerøy Seafood Group ASA as of 31 December 19, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.

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

Board member **Siri Lill Mannes** (1970), was elected to the Board by the annual general meeting on 23 May 2018. She has studied history at second degree level, Russian at intermediate level and Russian-Soviet studies at one-year foundation level. She has also completed the Armed Forces' course in Russian (officer's training school) and studies in political science in Georgia, USA (1-year grant from Rotary). Siri Lill Mannes has an extensive background from journalism, has worked as a TV host and entrepreneur. She started working for TV2 when the TV channel was founded in 1992. Since 2010, she has been the Director of the communications company SpeakLab AS, where she is also a partner and founder. Siri Lill Mannes owns no shares in the company at 31 December 2019.

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

Board member **Didrik Munch** (1956) was appointed to the Board by the annual general meeting on 23 May 2012. Didrik Munch has a degree in law from the University of Bergen and qualified as a police officer at the Norwegian Police University College in Oslo. He has worked in a number of positions within the Norwegian police force (1977-1986). From 1986 to 1997, he worked in finance, primarily in the DNB system. Towards the end of this period, he was part of DNB's corporate management, as Director for the Corporate Customer division. From 1997 to 2008, Didrik Munch was CEO of Bergens Tidende AS (a Norwegian newspaper). From 2008 to 2018 he was CEO of Schibsted Norge AS (former Media Norge AS), and is today self-employed. Didrik Munch has sat on the boards of a number of companies, both as chairman and ordinary member. Didrik Munch is now Chairman of the Board of Storebrand ASA, Solstrand Fjordhotel Holding AS and NWT Media AS. He is also a board member in Grieg Star Group AS. He owns no shares in the company as of 31 December 2019.

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

Board Member **Hans Petter Vestre** (1966) was appointed to the Board as the employees' representative at the annual general meeting on 24 April 1995. Hans Petter Vestre is a graduate of the Norwegian College of Fishery, University of Tromsø. He was employed by Hallvard Lerøy AS sales manager in 1992 and is today team leader in Lerøy Seafood AS. Hans Petter Vestre owned 1,200 shares in the company as of 31 December 2019.

Board of directors' statement

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

The guidelines for financial year 2019 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, 23 April 2020
The Board of Directors of
Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board member

Britt Kathrine Drivenes
Board member

Didrik Munch
Board member

Karoline Møgster
Board member

Siri Lill Mannes
Board member

Hans Petter Vestre
Board member

FINANCIAL INFORMATION

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Aleksandra Nosal works at the factory in Urk. The salmon fillets are quality controlled before direct transport on the production line for slicing and packing into consumer units.

Report of the Board of Directors

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

VISION

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

VALUES

HONEST
OPEN
RESPONSIBLE
Creative

Lerøy Seafood Group ASA is now a fully integrated company in control of the entire value chain, from roe or catches to finished product delivered to the consumer. With time, our vertical integration will become a necessary premise for maintaining and developing a global, competitive value chain and product categories in collaboration with strategic customers worldwide. The Group's values – open, honest, responsible and creative – shall form the foundations for our daily operations, but also for the perpetual, strategic business development required to achieve the Group's vision.

We succeed when our customers succeed

Lerøy has a strong focus on its customers. This implies a focus on e.g. flexible solutions, finance, climate and environmental competitiveness, food safety and product development. Everything we do is ultimately to benefit our customers. If we are to achieve our vision, we must continue to develop to achieve a position as a preferred supplier of seafood on a global scale. Our vision requires a value chain based on competitive processes allowing our customers to succeed.

Customers, knowledge and capital have been and remain decisively important elements in Lerøy's development. Lerøy shall therefore continue to target the development of the organisations in the different parts of the Group's value chain. The knowledge held by the Group's employees and in the business clusters of which the Group is a part along the Norwegian coast make up a valuable knowledge-based network that is highly beneficial for our customers. Within this network, competencies and knowledge sharing have been and remain instrumental if we are to achieve our goals. Lerøy's employees and highly skilled partners represent and ensure access to the competencies and knowledge required for the future of our value chain.It is not the case - as apparently claimed from time to time by somebody in Norway - that value creation in aquaculture is "arbitrary" in that Norway has a long coast. Such attitudes to the aquaculture industry are worrying and could potentially impair the industry's opportunities for development.

Sustainable growth

The seafood business has a long history and has developed into a global industry, but remains very fragmented with complex value chains, which at times are not compatible with the requirements made by the end consumer, such as food safety, quality and efficiency.

Sustainable growth

Economic sustainability	Climate and environmental sustainability	Social sustainability
– The long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18 % before tax. – We shall evaluate the cycles on the Group's markets, be fully aware of and understand the most significant risks for the Group and achieve a capital structure that can withstand threats but also allows us to exploit opportunities.	- The Group has defined focus areas, measurement indicators and goals. See status and detailed overview in the sustainability report on www.leroyseafood.com. – The Group works with renewable resources, and all decisions relating to operations and growth targets shall be based on sustainability, preferably assessed in accordance with the UN's sustainability criteria.	– Lerøy shall be a safe place to work and shall maintain a continuous focus on HSE in every part of the organisation. – Lerøy shall offer orderly working conditions for all our employees, and ensure that partners do the same. – Lerøy shall pay equal salary for equal work and provide proper training in all parts of the value chain. – Lerøy's decentralised Group model implies that the Group has local facilities and premises but with a global perspective, and that the Group's operations shall generate ripple effects for local communities.

Lerøy has therefore focused on achieving growth by means of securing access to raw materials that are fully traceable and governable. Lerøy's value chain comprises a large product range and allows for development of activities and products to increase customer satisfaction and willingness to pay.

Fulfilment of Lerøy's vision requires growth. Lerøy works hard to ensure that growth for the Group has been and shall remain sustainable. Sustainable growth places stringent requirements on the Group within finance, the climate and environment and social issues. Sustainability is essential for gaining access to capital, and is of decisive importance for the Group's survival. Climate-related and environmental sustainability are the foundations of the Group's development, and we are therefore very happy to report that the Group's food production activities are globally competitive when assessed according to the UN's sustainability criteria. Without social sustainability, we will not have the support of society at large and will not have access to the Group's most important resource, people.

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

In relation to acquisitions, we must evaluate developments on the seafood markets, including the customers' requirements and expectations in terms of future developments. The Group shall be able to withstand the cyclical fluctuations caused by numerous factors within all operating segments. The Group strives to achieve the best possible decision-making grounds, based on knowledge of different types of framework conditions. For more information on this, please also refer to the chapter on the various risk factors for the Group. Development of the value chain and business systems requires advanced knowledge of own operations, but also the best possible insight into and understanding of development trends within external factors. The cyclical nature of the industry has been and remains challenging, but has and will continue to provide major opportunities in the years to come. In our opinion, ensuring that the Group's financial strength and financing structure is adapted to Group operations and framework conditions has been and will continue to be of decisive importance.

An efficient and creative value chain

Customer satisfaction determines whether Lerøy can remain a leading supplier and, in turn, whether the Group can move towards fulfilling its vision. During the process of developing our own customised customer relationships, we have come to the understanding that our customers will choose their preferred partner based on the ability to provide the most efficient, innovative and customer-oriented value chain. Lerøy therefore maintains a continuous focus on developing more cost-efficient and flexible solutions. An efficient and creative value chain requires capital, but ultimately is the result of the work performed by the Group's employees together with the Group's partners.

> "Without social sustainability, we will not have the support of society at large and will not have access to the Group's most important resource, people."

Lerøy shall be an attractive workplace that attracts talented employees and provides them with the opportunity to develop. Interaction between Lerøy's employees and partners helps create the most efficient and innovative value chain.

In order to ensure good interaction throughout the value chain, it is important to create and develop an organisation that is willing both to learn and change. Lerøy shall be an organisation comprising independent, responsible, flexible to change and talented employees who locally and throughout the value chain carry out gradual improvements to production, and who also have the skills to solve unforeseen problems and challenges that occur from day to day. Lerøy has a governance model with substantial local decision-making authority. Decentralised governance requires an organisation that constantly seeks new knowledge so as to achieve lasting competitive strengths.

The fundamental principles in the methods used to develop the organisation require an understanding of the overall picture, but also knowledge of and interest in the details of our current status and goals. This in turn requires good access to data via efficient governance systems. The Group's organisation shall, by means of methodical efforts, ensure an operation that realises value and fulfils the Group's various KPIs. Every single process along the interface between customers and suppliers shall be standardised and optimised to ensure flow of goods to the customer and information back to the value chain from the customer.

Access to various input factors is of decisive importance for Lerøy. Lerøy shall secure access to the best raw materials by means of development, acquisitions, good customer/supplier relationships and alliances. Lerøy shall have in-depth insight into technological developments, in addition to knowledge of and the ability to exploit the technological potential available. Lerøy shall develop methods and governance tools to ensure competitive processes and thereby results that comply with the Group's targets.

Our success will be made evident by an efficient value chain that engenders innovation:

An efficient value chain that engenders innovation will be visible in the form of:

An efficient value chain

- Stable operations and access to raw materials
- Financial, climate-related and environmental sustainability
- The right quality
- The right level of service/ flexible solutions
- Traceability
- Food safety

Innovation

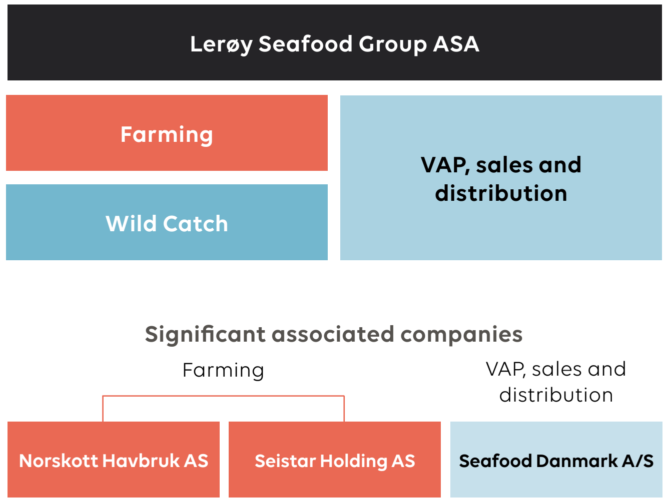
- Develop sustainable solutions that generate added value for the customer
- Maintain the pioneering spirit when developing the value chain and markets

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

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

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

Acquisition opportunities are evaluated consecutively, and the acquisition of Villa Organic in 2013 was the most recent major acquisition within redfish. In 2016, Lerøy executed the largest acquisition in terms of value in the Group's history – Havfisk and Lerøy Norway Seafood. This allowed Lerøy to claim the position as the largest player within catches and processing of whitefish. Lerøy's investments in whitefish have also gained the Group a position as a significant global actor within whitefish. The



increase in resource base lays the foundations for the Group's unique product range, and makes Lerøy an attractive seafood supplier. The Board of Directors and management are confident that there is considerable potential for creating a more efficient and innovative value chain for whitefish.

In combination with increased access to raw materials, the Group has focused on developing strategic customer relationships by means of an increasingly advanced and efficient value chain, including "fish-cuts" close to the end customer on several key seafood markets. In recent years, Lerøy has developed inhouse expertise to enable the construction and development of processing plants on the markets close to the consumer, a cost-efficient and flexible value chain that boosts the level of innovation together with customers.

Information on business development in 2019

Lerøy works continuously on the development of its own value chain, from raw material to end product. Lerøy reports within three segments.

Segment Whitefish – focus on improving value chain efficiency

The Group's whitefish operations comprise fisheries and onshore facilities that work closely together. For a more detailed description, please refer to the business overview at www.leroyseafood.com.

The Group's fisheries are currently very efficient. Historically, the Group's fleet has suffered at times from low profitability, but the Group has been able to invest in renewing and developing its fleet in recent years. The new vessels, such as Nordtind, delivered in 2018, are effective within traditional fisheries and have increased efficiency for shrimp catches with the use of triple trawls.

In 2018, Lerøy Havfisk signed a contract for a new vessel for delivery in 2020. The vessel, Kongsfjord, was delivered in February 2020 and is based on the design of the combination trawler, Nordtind. Developments have been made in several areas for Kongsfjord, and the vessel has uniquely modern equipment installed for handling catches that will provide optimal quality and utilisation of the whole fish. The new vessel will provide further improvements to the quality of catches, and includes innovations that take Lerøy one step further in improving customer satisfaction. Investments in new vessels provide improvements to operating systems, which in turn produce reductions in CO2 and NOx emissions.

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

A. What to produce where?

How can we pave the way for new activity, preferably all year round, or initially target reduced seasonal fluctuations in relation to our historic operating model? Several factors may be instrumental here, but increased specialisation will allow for investments and higher profitability. Examples of completed investments are a new production line for boiling and packing king crab in Kjøllefjord and the start-up of salted fish production in Rypefjord. In 2019, the new processed fish and fillet factory was completed and had start-up in Stamsund. Substantial improvements have been made to the facility in Melbu prior to season start in 2020. The investments made in these two facilities provide an overall boost to industry in the region. A new building for landing fish and a quay have been erected in Berlevåg, with several minor investments made in other facilities.
In summary, the overall objective for the onshore industry for whitefish is to ensure that production is less reliant on seasons, to introduce more standardised fillet production based on fresh, seasonal raw materials and to freeze raw materials outside of the catch seasons. A more stable supply of raw materials to the industrial facilities will help boost productivity and provide an improved flow of goods to the factories close to the markets.

B. Stabilisation, continuous and gradual improvements

The second line of action is the systematic work to improve operations via continuous and gradual adjustments at each facility, in addition to improved flow of goods between different facilities in the value chain. To move this process and other similar work in other parts of the value chain forward, the Group has developed a new production system, the Lerøy Way. This is an important part of the Group's toolbox to ensure that we develop production methods that afford the best possible interaction between production employees, increased exploitation of machinery and better raw material utilisation. In 2018, a major project was introduced for the development of the facilities in Melbu and Stamsund. This project is expected to contribute towards improved profitability. The method is also applied to the Group's red fish and downstream operations.

C. A more efficient value chain for whitefish

The Group works continuously on forming closer links between the different whitefish businesses, together with Lerøy's growing downstream operations. Investments are also being made in replacing machinery and auxiliary systems with new, more modern production technology along with gradual upgrades to buildings to make the Group an even more competitive purchaser of whitefish from the coastal fleet. Last, but not least, investments are being made in improving expertise and product development.

Segment Farming – focus on growth and cost reductions per produced kilogram of salmon and trout

The Group's harvested volume of salmon and trout has remained relatively stable since 2012, due to a lack of new licence capacity and challenges for Lerøy and the industry in adapting to new political regulations on lice, introduced in 2013. The Group has a major potential in increasing exploitation of its own licences. The Board of Directors acknowledges that the lack of growth/unsatisfactory utilisation of licences and related increase in costs are the main challenges for the Group's farming operations. On this basis, major investments have been made and are partly continuing in recent years in order to provide a significant increase in the Group's post-smolt capacity. Investments in new smolt facilities, based on RAS technology (recirculating aquaculture systems), where the smolt are kept longer in the facility than with traditional smolt plants, have resulted in the supply of larger smolt that are more robust before they are released to the sea. The Board of Directors and management believe that these investments will generate growth and provide reductions for the Group's production on the cost side.

Thanks to expert employees and new technology, the Group has implemented a forward-looking smolt strategy that will with time provide significantly better exploitation of the Group's production rights.

The lead time for these investments is long, but the new facilities will steadily increase the average size of smolt for the Group. At Lerøy Aurora and Lerøy Sjøtroll, the average size of released salmon smolt will be approx. 300 grams in 2020.

The Group's farming operations are as such making the move from a substantial investment phase to a phase were we aim for optimal exploitation of the investments made. With time, the Group has developed a substantial knowledge base within RAS technology based on experience, but acknowledges that this technology is still somewhat new, requires new operating methods and implies risk. Nonetheless, both the corporate management and the Board of Directors expect the implemented and completed investments in the smolt plants to provide considerable growth in production in the sea in 2020 and the next four to five years.
The corporate management and Board of Directors expect that the Group's ambitions to achieve a considerable increase in volume will make Lerøy

Investments in RAS facilities

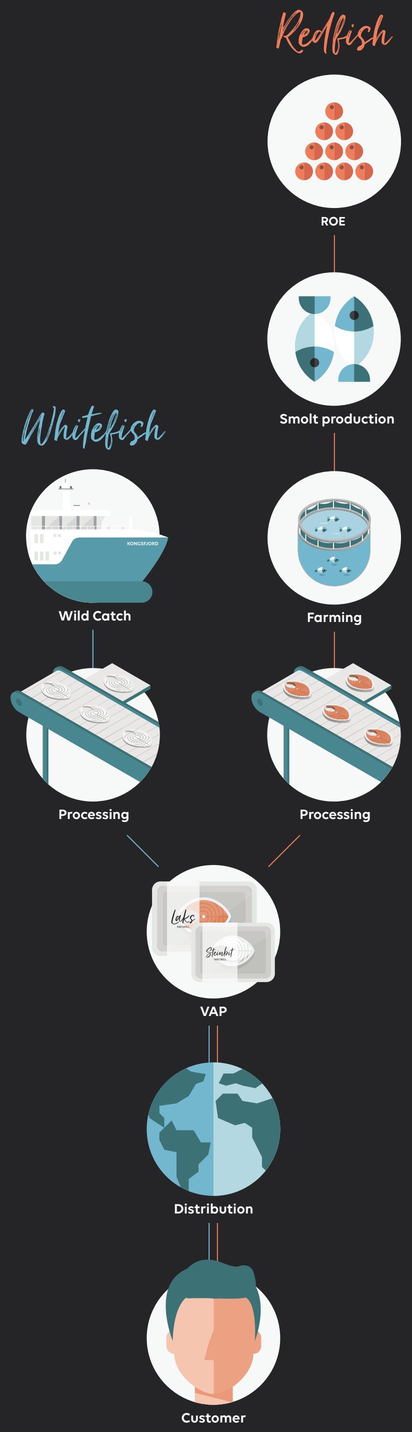
Year completed	Facility	Capacity (annual capacity in tonnes)
Investments made in RAS for smolt		
2012	Belsvik	1 200
2014	Aurora phase 1	1 200
2019	Kjærelva	4 200
2019	Aurora phase 2	2 000
Total investments made in RAS for smolt		**8 600**
Ongoing investments in RAS for smolt		
2020	Belsvik phase 2	4 800
2020	Aurora phase 3	1 700
Total ongoing investments in RAS for smolt		**6 500**

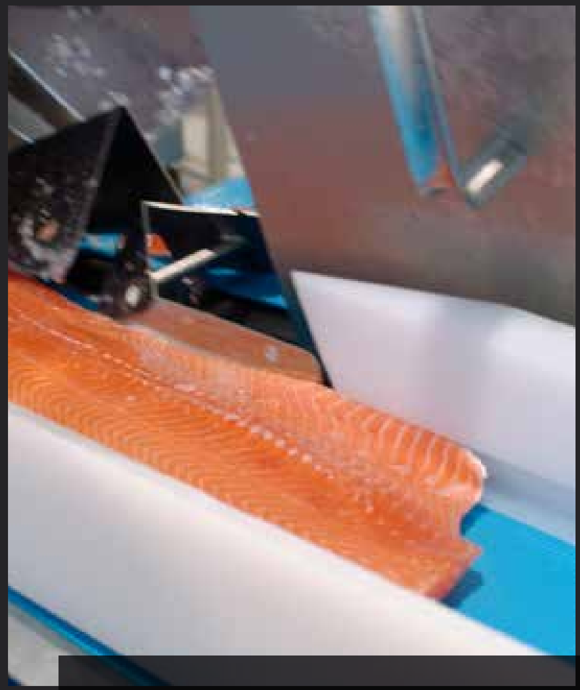
Inger Elise Karlsen checks the quality of the fish cakes to make sure the core temperature is correct after frying. The fish cakes have been developed by our product development team and are made from Norwegian fish; cod, haddock and saithe.

Sustainable value chain

The world's most efficient and sustainable value chain for seafood.

INTEGRATED **VALUE CHAIN**





At every part of the value chain, from roe and smolt production via farming to production and distribution of products, we make every effort to ensure our operations are as sustainable as possible. This allows us to guarantee efficiency, quality and food safety at every part of the value chain, so that you can enjoy safe and delicious seafood.

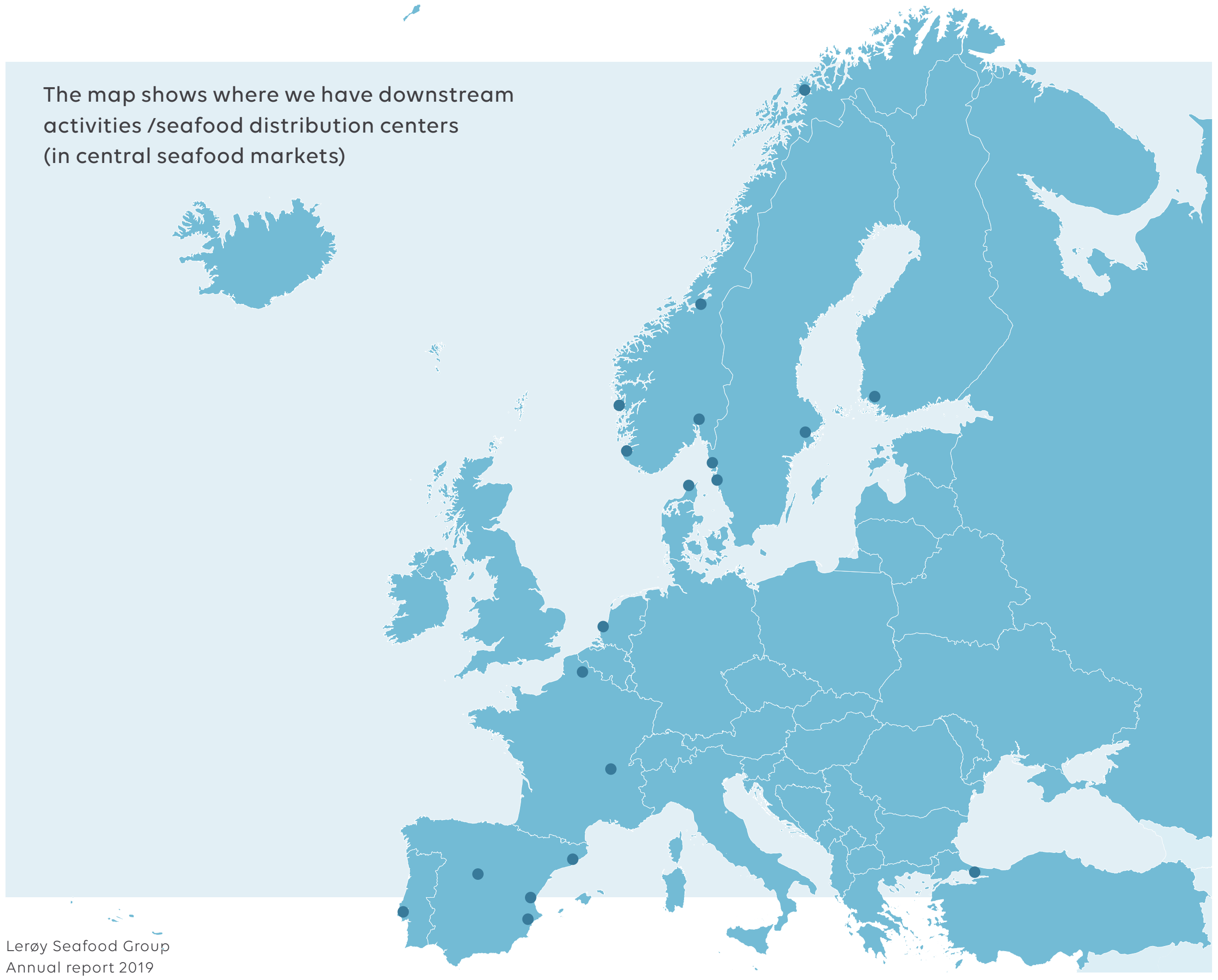
more cost-efficient. Moreover, continuous improvements to operations are necessary to produce lower costs.

Segment VAP, sales and distribution – an efficient value chain as a driving force behind innovation

As described in detail in the chapter entitled "Business overview", ref. www.leroyseafood.com, Lerøy sells most categories of seafood to an increasing number of global markets. Over the past decade, there has been a particular focus on developing a more efficient value chain for distribution of seafood by building a number of distribution centres in a higher number of central seafood markets. These centres are secured a supply of raw materials via local sourcing and raw materials in the form of fillets produced at the Group's facilities in Norway. Having facilities close to the markets allows the Group to provide a high level of service, extensive interaction and innovation with customers on each specific market. The Group is also gradually building up capacity for sushi and so-called "ready-meals".

One important premise for the further development of profitable, conceptual trading is having stable access to raw materials with the right quality.

The development of this segment in the Group's value chain shall ensure increased competitiveness. Investments in recent years have been substantial, including investments in the world's most modern fillet factory for salmon in Hitra, with the subsidiary Lerøy Midt. The objective with this new factory is to process the salmon without it being touched by human hands and with a flow of goods without any unnecessary buffers. The factory has a unique flow of goods, where efficiency, food safety and quality are the top priorities. Other developments worth mentioning are the new automated plant, Seafood Centre, in Urk and a number of sushi facilities in Spain and France. In 2020, the Group aims to sell its first products from the factory in Italy, based on high-quality fillets from the plant in Hitra.


The map shows where we have downstream activities /seafood distribution centers (in central seafood markets)

At the start of 2020, Lerøy has unique access to raw materials via their Farming operations, catches and purchase from third parties. Access to raw materials, in combination with the Group's processing plants in Norway and factories worldwide in close proximity to the markets, represent in our opinion a strong platform for continued commercial development with strategic customers. The Group's investments in this part of the value chain are expected to produce an increase in activities, a more robust business model and improved earnings. Lerøy has carried out major investments over several years, and these will also have an impact on the current operating year. The investments are made in line with the Group's long-term strategy for continued financially and environmentally sustainable growth. The investments have been instrumental in producing increased earnings in 2019, and the Board of Directors and management are confident that the growth in earnings will continue within the different segments in the years to come. These projects are challenging, but they substantiate the Group's vision to be the leading and most profitable global supplier of sustainable quality seafood.

Financial matters

Lerøy Seafood Group currently has a full, vertically integrated value chain within both red fish and whitefish, and is the leading Norwegian seafood company, and thereby one of the world's leading seafood corporations. The Group has a clear ambition to further develop this position in the years to come.

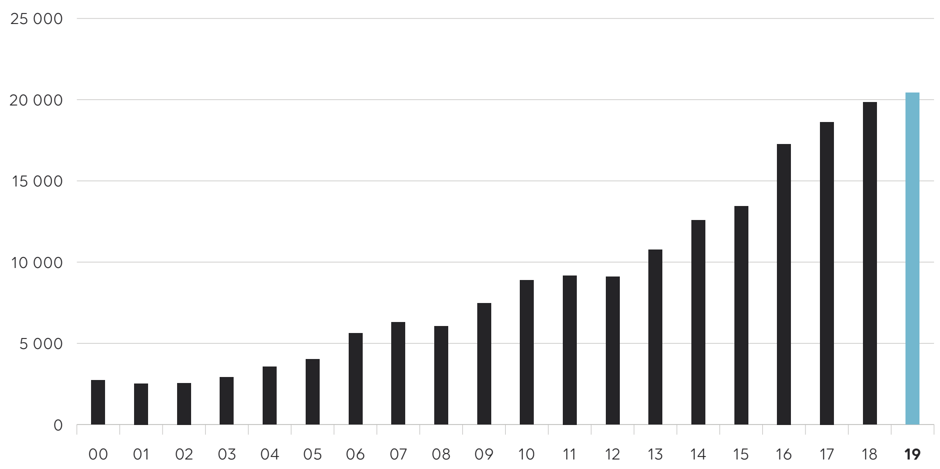
The Group's earnings in 2019 were slightly lower than in 2018. This is principally due to poorer earnings in the Farming segment and, in part, the Wild Catch and Whitefish segment, while developments for the VAP, Sales & Distribution segment have been positive. The Board of Directors is of the opinion that the Group's earnings potential with the current business model is higher than the figures achieved in 2019.

Lerøy Seafood Group reported revenue in 2019 of NOK 20,427 million, up from NOK 19,838 million in 2018. This is the first time in the history of the Group that revenue has exceeded NOK 20 billion. The Board of Directors is satisfied with the Group's level of activity.

Operating profit before fair value adjustment related to biological assets was NOK 2,734 million in 2019 compared with NOK 3,569 million in 2018. The Group implemented accounting standard IFRS 16 regarding leases with effect from 1 January 2019. Some of the figures on the income statement are therefore not directly comparable with the corresponding figures from former periods. Please refer to note 1 for a more detailed description and note 27 for an overview of the most important impact on the accounts.

Associates represent significant value for the Group, demonstrated by the profit figure from associates, before fair value adjustment related to biological assets, of NOK 198 million in 2019.

Turnover development Lerøy Seafood Group
(MNOK)



The corresponding figure in 2018 was NOK 290 million. The Group's net financial items for 2019 were negative at NOK 215 million compared with a negative figure of NOK 161 million in 2018.

Profit before tax and fair value adjustment related to biological assets was NOK 2,718 million in 2019 compared with NOK 3,697 million in 2018. Earnings per share before fair value adjustment related to biological assets and minority shareholdings totalled NOK 3.48 per share in 2019, compared with NOK 4.90 per share in 2018.

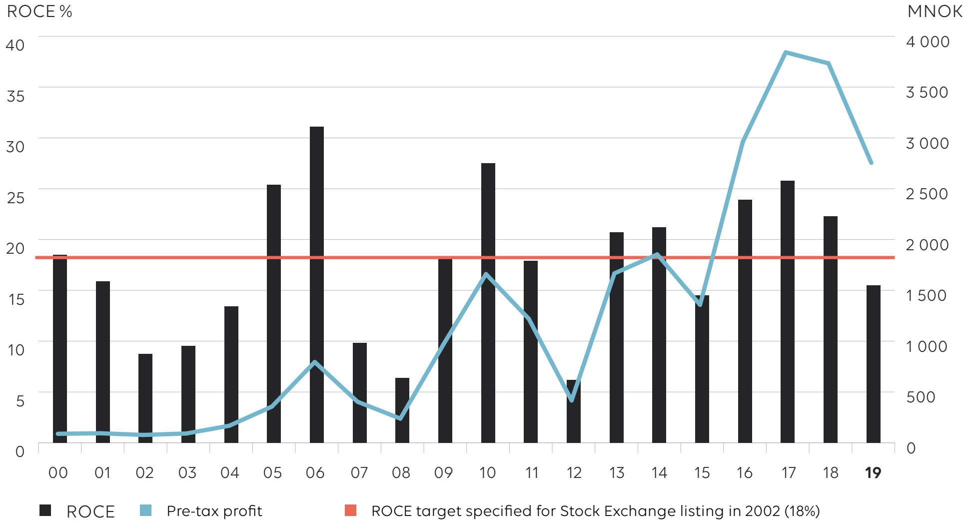
The spread of the COVID-19 virus has caused increased uncertainty and reduced predictability in the global economy. On this basis, the Board of Directors has adjusted its reported proposal for allocation of the annual profit figure for 2019. The Board of Directors now proposes that the Annual General Meeting adopts a dividend payment of NOK 1.50 per share. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year. The dividend payment for financial year 2018 was NOK 2.00 per share.

The shareholders shall feel confident that the Board of Directors' management of profit allocation is appropriate at all times and during this current and other periods of uncertainty. After careful consideration, the Board of Directors has weighed up the shareholders' need for predictability, reallocation of capital and the need to take into account the increased level of risk currently dominating the global economy. The Board of Directors' proposal is a reflection of the Group's dividend policy, financial strength, strong financial position and projected profit performance in the years to come.
The return on the Group's capital employed before fair value adjustment related to biological assets in 2019 was 15.5 % compared with 22.3 % in 2018.

The Group is financially sound with book equity of NOK 17,763 million, equivalent to an equity ratio of 58.8 %. Group cash flows in 2019 were strong. As previously described, the cash flows were impacted by the significant investments in core operations in 2019. Total gross investments in own assets and leased fixed assets totalled NOK 1,460 million in 2019 compared with NOK 2,066 million in 2018. The Group paid NOK 1,272 million in dividends, of which NOK 1,192 million to the shareholders of Lerøy Seafood Group ASA. Corresponding figures for 2018 were NOK 950 million and NOK 894 million respectively.

Net interest-bearing debt was NOK 2,641 million at 31 December 2019, in line with the figures at 31 December 2018. Net cash flow from operating activities in 2019 was NOK 2,859 million after tax payments of NOK 691 million.

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



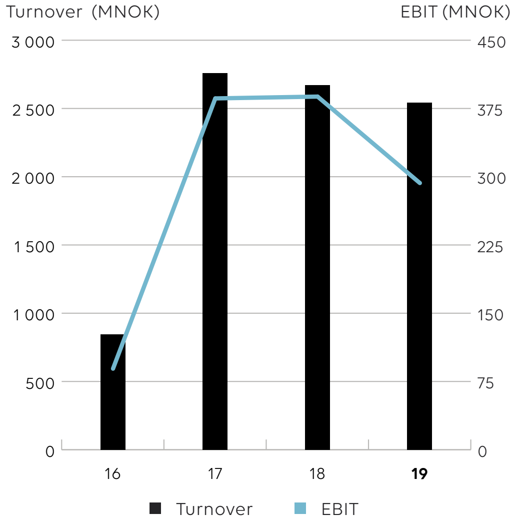
The Group's statement of financial position totals NOK 30,189 million as of 31 December 2019 compared with NOK 28,373 million as of 31 December 2018. Over the past 20 years, the Group has based its growth on financial flexibility. The Board of Directors is of the opinion that such financial flexibility is an important factor for the ability to generate further profitable, organic growth, carrying out strategic acquisitions, establishing alliances and continuing the company's dividend policy. The Group's satisfactory financial position supports the Group's objective to retain its position as the leading Norwegian seafood corporation, thus remaining one of the leading seafood companies worldwide in the future.

The Group compiles its financial reports in accordance with the international accounting standards, IFRS.

The Wild Catch and Whitefish segment

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) and Havfisk ASA to Lerøy Havfisk AS.

Development in turnover and EBIT for Wild Catch



Lerøy Havfisk segment's primary business is wild catches of whitefish. Lerøy 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. Lerøy Havfisk also owns several processing plants, which are mainly leased out to their associate Lerøy Norway Seafoods (LNWS) on long-term contracts. Lerøy Havfisk's trawler licences stipulate an operational obligation for these processing plants.

Lerøy Havfisk currently has a total of 10 trawlers in operation. The most recent trawler, Kongsfjord, was delivered and started operations at the at the beginning of 2020. This is a trawler designed with several innovations to optimise the quality of catches. The benefits with this new vessel were immediately evident on the very first sailing, with excellent results.

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

LNWS's primary business is processing whitefish. plants in Norway, five of which are leased from Havfisk. LNWS is Norway's largest purchaser of whitefish from third parties, including from the coastal fleet. Symbiosis, or mutual dependence, is of decisive importance. The processing of whitefish in Norway has been extremely challenging for several decades. As a result of high demand for seafood and lower quotas, the raw material prices increased throughout 2018 and early 2019. In the short term, this always represents a challenge for processing operations. However, good prices have resulted in satisfactory earnings for the catch segment. The onshore industry for whitefish in Norway, however, bears the brunt of the evident catch trends resulting in significant excess capacity for large parts of the year. As a result of seasonal fluctuations in catch figures, combined with lower quotas for key species and new businesses increasing capacity in the onshore industry, 2019 was a very difficult year.

For 2019 in total, the segment contributed an EBIT of NOK 293 million, compared with NOK 388 million in 2018. Earnings in 2018 were affected positively by the sale of a vessel, generating an accounting gain of NOK 35 million. At the same time, investments have been made in both onshore and offshore operations for the whitefish segment, resulting in an increase in depreciation of approx. NOK 29 million in 2019 compared with 2018.

As described earlier in the report of the Board of Directors, the Group has initiated numerous measures within both production and marketing to improve earnings from our onshore operations. The Board of Directors expects these measures to produce positive results as early as 2020.

The Farming segment

The Farming segment has locations in the three farming regions in Norway: Lerøy Aurora located in Troms and Finnmark, Lerøy Midt located in Nordmøre and Trøndelag, and Lerøy Sjøtroll located in Vestland. These companies harvested a total of 158,000 tonnes salmon and trout in 2019, down from 162,000 tonnes in 2018. This decline is attributed to unforeseen incidents in some of the farming regions. The Farming segment generated an operating profit before fair value adjustment related to biological assets of NOK 2,065 million in 2019, compared with NOK 2,928 million in 2018. This corresponds to earnings per kilo harvested volume for the segment of NOK 13.1, compared with NOK 18.1 in the same period of 2018. The Board of Directors and corporate management are not satisfied with the development in earnings in 2019. The prices for Atlantic salmon and trout remained strong in 2019, but with a high level of volatility in price developments throughout the year. The Farming segment's realised prices for trout saw a slightly larger fall than realised prices for salmon. In total, however, the reduction from prices realised in 2018 for salmon and trout was approx. NOK 2 per kilo. Prices realised for trout were NOK 8 per kg lower than for salmon. The Group's contract share for salmon in 2019 was 37%.

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

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

Development harvesting volume per region

Region	2015 GWT	2016 GWT	2017 GWT	2018 GWT	2019 GWT	2020E GWT
Lerøy Aurora AS	29 200	30 000	39 200	36 800	32 800	39 000
Lerøy Midt AS	71 400	52 200	64 500	66 500	64 800	67 000
Lerøy Sjøtroll	57 100	68 000	54 000	58 800	60 600	66 000
Total Norway	157 700	150 200	157 700	162 100	158 200	172 000
Norskott Havbruk (UK)*	13 500	14 000	15 500	13 700	12 900	13 000
Total	**171 200**	**164 200**	**173 200**	**175 800**	**171 100**	**185 000**

* LSG's share, not consolidated

Release from stock costs for **Lerøy Midt** in Q4 2019 were higher than in Q3 2019. Growth at the start of 2020 has been good, and release from stock costs are expected to be lower for Q1 2020 and for the year as a whole.

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

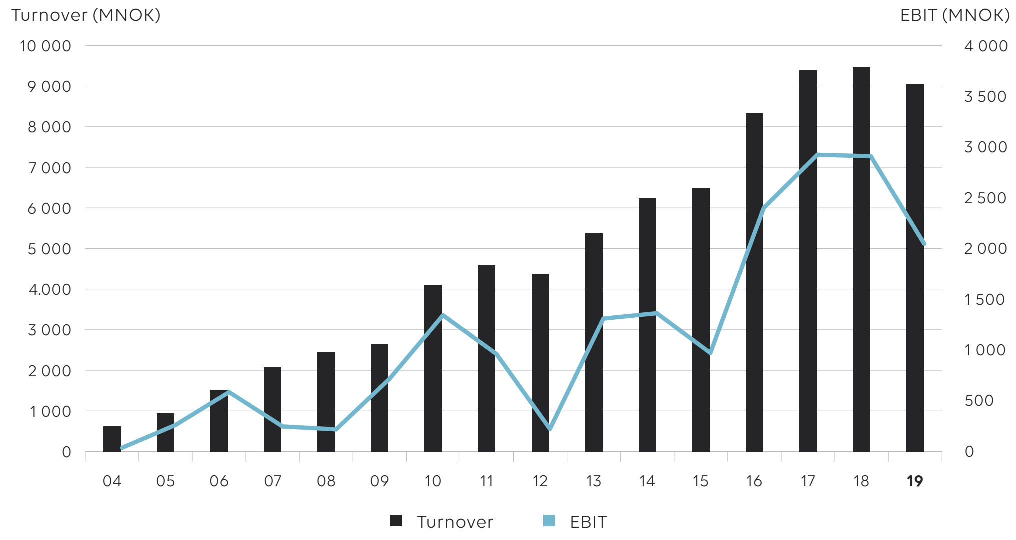
In total, the negative difference from estimated production volume for the year as a whole was approx. 15,000 tonnes LWT. Implemented measures are described earlier in the report of the Board of Directors, illustrating the Group's ambition to increase harvest volume and reduce release from stock costs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

VAP, Sales & Distribution segment

With its fully integrated, competitive value chain and unique product range, Lerøy Seafood Group shall be able to supply products that are best suited to the consumers' needs and wishes. Knowledge of the customer's needs and preferences is of decisive importance if the Group is to develop demand for the Group's main product, seafood. Lerøy distributes products based on more than 70 different fish species from Norway to more than 80 different markets in the course of a calendar year. In addition, the Group processes and distributes a number of market-specific seafood products to their respective local markets where Lerøy has operations. Examples of these are seabass and sea bream in Portugal and Spain, capelin roe in Sweden, and plaice and other flatfish in the Netherlands. Lerøy Seafood Group's advanced value chain shall be developed further in order to satisfy and increase the consumers' total demand for seafood.

The Group has extensive processing operations and a wide product range within seafood. In line with Lerøy's goal to create the most efficient and sustainable value chain for seafood, the Group

Development in turnover and EBIT for Farming



has invested in a value chain where whole fish are filleted in Norway. Transporting these fillets to their markets is 40% more efficient than distributing unprocessed fish, This produces high quality, lower costs and minimised environmental footprint. Seafood centres close to the markets process, package and label products according to local requirements and by means of extensive development of categories and products, in cooperation with the customer. This results in a cost-efficient and flexible value chain, with a high level of service and continuity of supply. This value chain already allows for production of, e.g., "gyozas" using salmon and shrimp in Valencia, sold nationwide in Spain, consumer packs of "balik ekmek" (mackerel sandwiches) produced in Istanbul for grocery stores in Turkey, day-fresh sushi produced in Lyon for home delivery via Amazon in France, consumer packs of seafood salads produced in Urk for grocery stores in the Netherlands, as well as breaded Norwegian cod and saithe produced in Bulandet in Vestland for Norwegian and Nordic grocery stores.

In the Annual Report for 2018, the Board of Directors forecasted increased activities and earnings for this segment. Despite a reduction in harvest volume for red fish and reduced catch volumes, revenue for this segment was up in 2019. Revenue totalled NOK 19.4 billion, up from NOK 19.0 billion in 2018. Increased exploitation of capacity and higher focus on costs provided an increase in operating profit before biomass adjustments from NOK 334 million in 2018 to NOK 480 million in 2019. The Board of Directors is satisfied with developments, but underlines that there is still room for substantial improvement in most areas and markets. The Group therefore has ambitions and expectations that the segment will continue to report such a positive development.

Associates

Associates represent substantial values for the Group. The most important associates are Norskott Havbruk AS (50.0%), Seistar Holding AS (50.0%) and Seafood Danmark (33.3%).

Norskott Havbruk AS owns Scottish Seafarms Ltd, one of the largest fish farming businesses in the UK. In 2019, Scottish Seafarms harvested 26,000 tonnes of salmon, down from 27,000 tonnes in 2018. Operating profit before fair value adjustment related to biological assets fell from NOK 661 million in 2018 to NOK 293 million in 2019, due to challenges relating to biological production. These problems were particularly evident in the second half of 2019. The problems will have an impact on both earnings and harvest volume in 2020. The company's new RAS facility for smolt production was completed in the autumn of 2019. Smolt were released from the facility in the last months of 2019. These smolt are expected to make a significant contribution to positive developments in the years to come. The company aims to achieve an annual harvest volume from 2021, via organic growth, that will vary between 35,000 and 40,000 tonnes gutted weight.

Well boat shipping company **Seistar Holding AS** is an important supplier of services to both Lerøy and other aquaculture businesses, primarily in the Vestland region. The Group reported operating profit of NOK 116 million in 2019, up from NOK 42 million in 2018. However, the operating profit figure in 2019 was impacted by the gain on the sale of an older vessel, part of Seistar's fleet renewal programme. In 2019, Seistar took delivery of and started operations with a boat with slaughtering facilities, Seihaust.

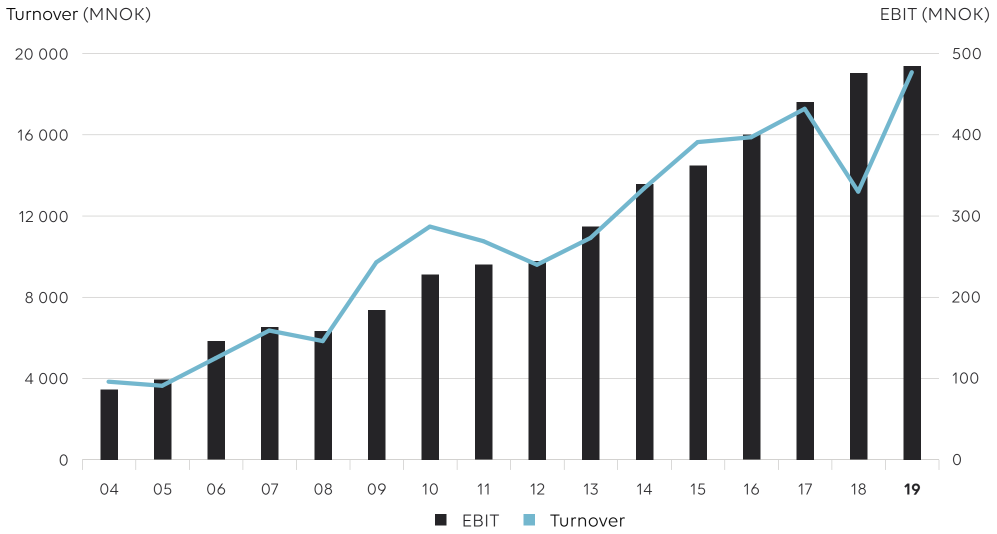
Seafood Danmark is a Danish company, where the Group currently owns one third of the shares, but where agreements have been signed entitling and obliging Lerøy to purchase the remaining outstanding shares. Developments in 2019 have been positive, and there is good reason to project a sustained positive development in the near future.

Key risk factors

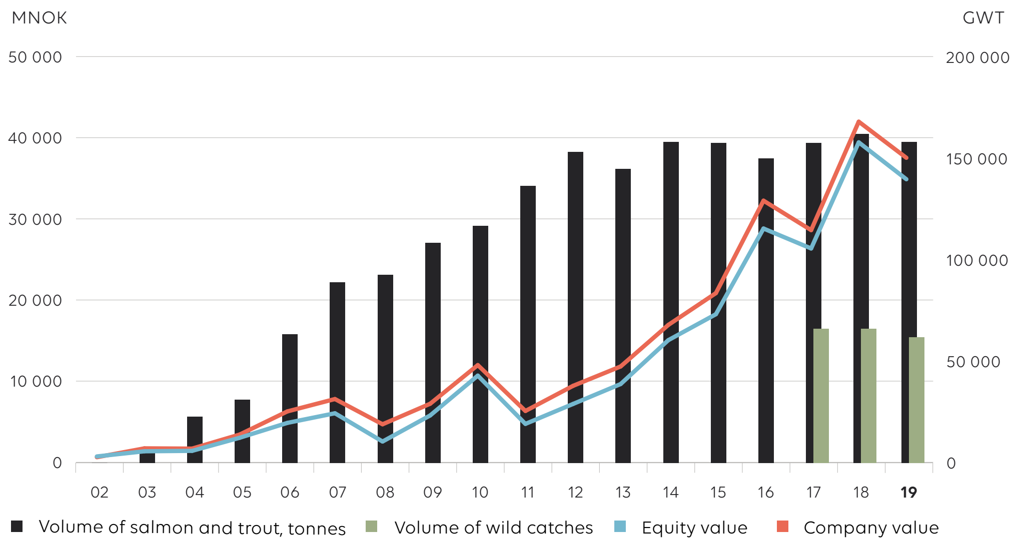
The Group is a significant owner of farming licences in Norway and the UK, and of wild catch quotas in Norway. The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation. Political risk, including a lack of predictability, will in the long term impair the industry's competitiveness and capacity for development and value creation. Industrial developments and employment in capital-intensive activities exposed to global competition such as fish farming, fisheries and processing represent challenges and require a long-term perspective by businesses and politicians at a national level. Short-term perspectives, including non-profit-related taxes specific to Norway, are incompatible with the requirements for successful industrial development, employment and value creation in Norway. Neither are they compatible with the level of competitiveness required for a global industry experiencing significant development. The majority of members in the group that presented an Official Norwegian Report (NOU) – "2019:18 – Taxation of aquaculture" on 4 November 2019 are proposing the introduction of an extra tax on the aquaculture industry. Based on our knowledge of the industry, we are of the opinion that the grounds and premises on which this majority proposal is based are incorrect, and that their conclusion is therefore erroneous We therefore trust that the cross-political majority in the Storting make a sound judgement and understand that the social consequences of the proposal are extremely negative. The Group's strategy centres on a long-term perspective, irrespective of framework conditions, to ensure a globally competitive organisation, which will be able to continue to ensure sustainable industrial development in the numerous local communities where the Group has operations.

The Group's results are closely linked to developments in the markets for seafood – particularly the price for Atlantic salmon and trout – but also to an

Development in turnover and EBIT for VAP, sales and distribution



Development since listing on Stock Exchange listing*



* Listed on the Oslo Stock Exchange 3 June 2002

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

At the end of Q4 2019, the Group had live fish on its statement of financial position worth approximately NOK 5.5 billion. Biological risk has been and will remain a substantial risk factor for Group operations. Assessing and managing biological risk must therefore be an integral part of the Group's expertise.

The seafood industry is international, and Norway is an important seafood-exporting nation. Trade barriers have and will continue to represent a considerable risk factor for the industry. The political trade barriers imposed on Norwegian salmon and trout regarding exports to Russia provide an illustration of political risk in practice. At the start of 2020, we have also observed how pandemics and the fear of pandemics can negatively affect demand and value chains. However, the market for high-quality seafood is global and is experiencing strong growth. Over time, this growth has largely compensated for both political trade barriers and other temporary challenges, providing grounds for an optimistic outlook and our belief that the Group is well positioned to continue its positive long-term development.

The Group's operations will always be exposed to currency fluctuations.
Examples of other risk areas include credit risk, changes in the prices of input factors and market risk.

Structural conditions

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

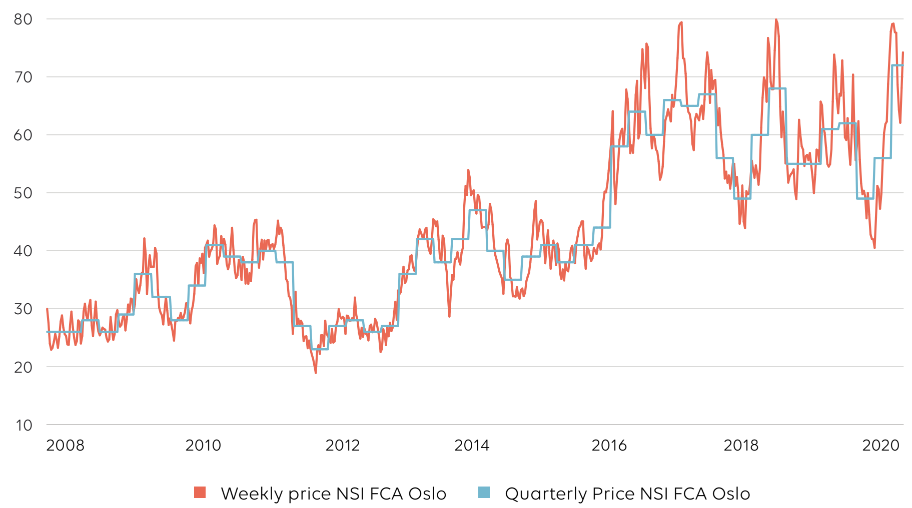
Through organic growth and a series of acquisitions carried out since the Group was listed on the Stock Exchange in the summer of 2002, the Group is now one of the world's largest producers of Atlantic salmon and trout. With the acquisitions of Havfisk ASA and Norway Seafood Group AS, the Group is now the largest supplier of whitefish in Norway, and a major supplier worldwide. In recent years, the Group has also developed and consolidated its position as a central actor in the distribution of seafood in Norway and abroad. 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. The symbiosis between the onshore industry and the coastal fleet is strong and represents a high level of mutual dependency. Appropriate framework conditions, including predictability, are absolutely decisive to allow us to successfully assume our responsibilities as an industrial organisation. The whitefish sector fluctuates according to seasons and requires vast amounts of capital. We firmly believe that we will only be able to build a sustainable industry and create attractive jobs if we have appropriate framework conditions, investment capacity, product development and access to the global market. We hope and believe that it is possible to create an understanding among national political management of what is required to create jobs and value in the decades to come. We are extremely interested in dialogue and assume that any future adjustments to framework conditions will be based on knowledge and insight, preventing impairment of the industrial foundations for operations for our industry. We have previously pointed out that the White Paper entitled "A quota system for increased value creation", submitted by the government in the second quarter of 2019, contains proposals that will be counter-productive and will impair the premises for development of Norwegian industry. The company and its employees are therefore working on the assumption that Norway's political leaders will listen to our arguments and implement the necessary adjustments to the White Paper, prior to reaching a final decision.

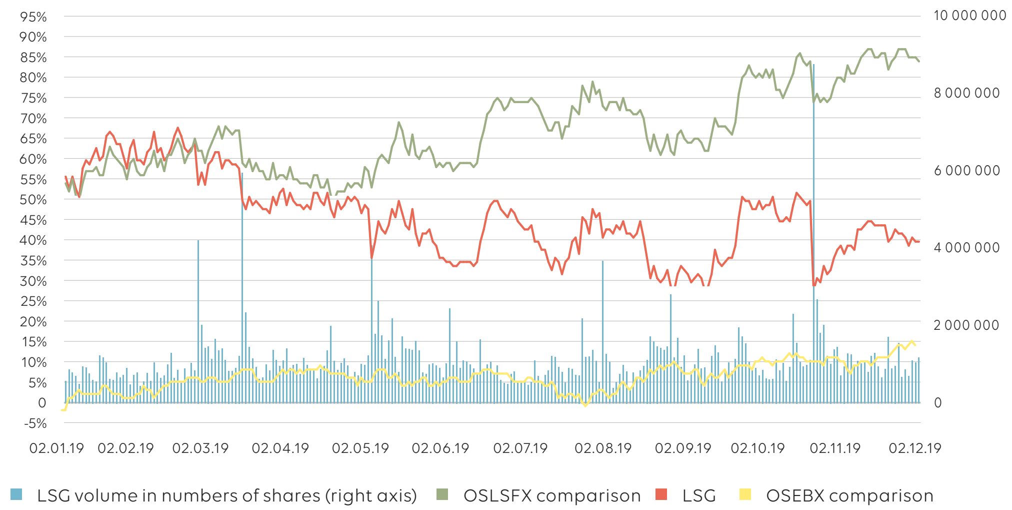
In recent years, the Group has made major investments in facilities for smolt production, in order to ensure the Group's global competitiveness from a long-term perspective. These investments not only provide an illustration of capital requirement, but also the level of knowledge needed for our advanced food production. To succeed, Lerøy and the organisation's employees need knowledge, capital, market-related and globally competitive framework conditions. The proposal for economic rent taxation is based on erroneous grounds and is incomprehensible. Such proposals are an unnecessary disturbance and undermine the industry's potential to sustain, not to mention further develop, the vast ripple effects generated by the industry for local communities. We trust that our national political leaders quickly dismiss this type of scholarly, "wild goose chase".

At the start of February 2020, the Norwegian

Quarterly Price development week 1–2008 till week 9–2020 Fresh Atlantic Salmon FCA Oslo (superior quality)



Lerøy Seafood Group vs. Oslo Seafood Index and OSEBX 2019



government published their report entitled "The government turns on traffic lights for the aquaculture industry". This was the second time colour codes were implemented for the production zones. A 6% increase in MAB is to be introduced for the green zones, of which 5% would be up for auction. There is to be no change in MAB for the yellow zones and a 6% reduction for the red zones. Lerøy Aurora (PO11 and PO13) has production in green zones. Lerøy Midt's production is mainly located in PO6, a green zone, but also has some production in PO5, a red zone. The majority of Lerøy Sjøtroll's production is in PO3, a yellow zone, but Lerøy Sjøtroll also has production in PO4, which is now a red zone. In total, the reductions will result in the loss of around 1,000 tonnes MAB for the Group over the next two years. Please refer to the notes to the financial statements for a list of the Group's total available MAB. The company has not yet reached a conclusion on the issue of how to act in relation to the legal foundations for the "traffic light system". Legal processes are challenging but at times also of absolute necessity, unfortunately.

The ruling of Fosen court on 7 June 2019 was for full acquittal for our subsidiary, Lerøy Midt AS, in relation to the unfair and unreasonable charges of breach of the Animal Welfare Act and the Food Act. The court could find no grounds on which to find Lerøy Midt AS and the company's employees to blame for the situation that occurred in 2016. We are saddened by the unjustified allegations to which the company and its skilled employees were exposed during the pre-trial process, but also thankful that the court's ruling clearly states the injustice suffered by Lerøy Midt AS. Not only was the company cleared of all the false allegations by the Norwegian Food Safety Authority, they were also granted compensation. Unfortunately, this is proof that, at times, the legal system is our only resort. The conduct of the Food Safety Authority was fully documented in the case material and, naturally, in the court's ruling. We all rely on trust – individuals, business parties, public supervisory authorities and political leadership. Some parties chose to betray this trust and misused their power. This cannot be accepted. Changes must be made. The Food Safety Authority plays an extremely important role for Norwegian society, not just in the form of controls, but also for providing guidelines and premises.

The Board of Directors believes that the Group's many years of investing in vertical integration, building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and building its brand will enable it to continue to create value going forward. The Group will continue its work to deliver sustainable value creation by focusing on strategic business development and operational improvements. This work will generate growth and, based on customer requirements, ensure continuity of supply, quality and cost efficiency, paving the way for increased profitability. Improving operational efficiency at all stages is an ongoing process aimed at further strengthening the Group's competitiveness nationally and internationally.

The Group's financial position is very strong, and it is important for the Board that the Group, through its operations, retains the confidence of participants in the various capital markets. The strong statement of financial position and current earnings enable the Group to pursue its clear ambition to remain a leading participant in value-creating structural changes in the seafood industry, both nationally and globally. Lerøy Seafood Group will continue to selectively consider possible opportunities for investments, mergers and 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.

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.

Shareholder information

As of 31 December 2019, the company had 10,520 shareholders against a comparison figure of 7,027 shareholders at the end of December 2018. Austevoll Seafood ASA is the company's main shareholder and owns 313,942,810 shares. This corresponds to a shareholding of 52.7 %. In total, the company's 20 largest shareholders own 73.7 % of the shares in the company at 31/12/2019. LSG owns 297,760 (0.05%) treasury shares.

The share price for Lerøy Seafood Group ASA has fluctuated between NOK 53.82 and NOK 70.24 in 2019. The share price at the start of 2019 was NOK 65.94 and NOK 58.30 by the end of the year.
The company plans to hold its annual general meeting on 27 May 2020. The Board of Directors intends to recommend a dividend payment of NOK 1.50 per share for 2019. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.

Employees

The parent company Lerøy Seafood Group ASA has its head office in Bergen, Norway. In 2019, the Group had 4,371 full-time equivalents, of which 2,827 men and 1,544 women. Of this figure, 1,399 full-time equivalents work outside Norway. In 2019, the ratio of female employees was 35.0%, unchanged from 2018.
Independent of the demand for equal opportunities for men and women, the Group has always placed decisive emphasis on individual skills, performance and responsibility in its recruitment policy and salary systems. Furthermore, the Group seeks at all times to ensures equal employment opportunities and rights for all employees, and works hard to prevent discrimination based on national origin, ethnicity, colour, language, religion or personal philosophy. One of the company's goals is to provide a workplace without discrimination because of disabilities. For employees or work applicants with disabilities, the company will arrange for individually adapted workplaces and work tasks where possible.

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

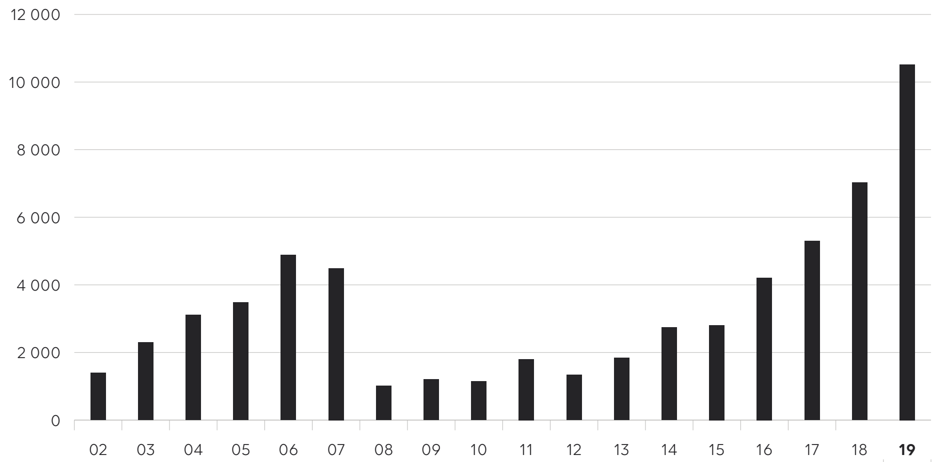
As in previous years, the Board of Directors would like to take this opportunity to praise the employees' efforts, their result-oriented operational focus and willingness to adapt to change throughout the organisation. The rate of change has increased dramatically over the past decade alone, and our willingness and ability to change are therefore of existential importance. The Board of Directors would like to thank all employees for their hard work in 2019.

Health, safety and the environment

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

Number of shareholders

(Figures in 1 000)



The Group maintains a strong focus on procedures and compliance with these, and on measures to protect all employees. This is a perpetual process moving us forwards to our vision of zero injuries. Total sick leave registered in the Group in 2019 was 5.2%. This is up from 4.96% in 2018. Sick leave comprises 2.98 % long-term sick leave and 2.22 % short-term sick leave. The Board is pleased to observe that the Group, together with the employee representatives, works actively and systematically 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 and climate

The process of developing a value chain for seafood that reaches all the way to the end customer has afforded Lerøy close interaction with end customers. This interaction has always been important, but an increased focus on various forms of sustainability has taught us that climate and environmental sustainability are of increasing importance when the consumer is deciding what products to buy. The increased focus by the consumer combined with the Group's perpetuality perspective supports Lerøy's decision to maintain a focus on climate and environmental sustainability. We take great pride in the fact that Lerøy and the aquaculture industry as a whole have developed food production on a global scale that is competitive, according to the UN's sustainability criteria.

For most markets, 2019 represented a clear shift and general requirements on sustainability have become increasingly important for what products the consumer decides to buy. This represents a continuation of a trend recognised by the Group some time ago and in relation to which the Group achieved a strong position early on. Lerøy's vertically integrated value chain affords a unique potential to highlight climate and environmental sustainability as a competitive strength. Ensuring the consumer receives correct information on our products is essential. For Lerøy, the consumer's focus on climate and environmental sustainability represents a significant opportunity for Lerøy, the seafood industry and Norway as a whole. Food production from Norwegian aquaculture plays an important role in finding ways to feed the worldwide population in the future. In this context, both businesses and political authorities bear a huge responsibility to exploit such opportunities. This requires an emphasis on common sense and knowledge moving forwards.

The Group's operations are based on resources produced in freshwater and in the sea. Any considerable impact on the production/catches of fish along the Norwegian coastline and in the North Atlantic caused by climate change, irrespective of origin, could potentially affect the Group's operations and earnings. The Group's marine fish farms are located in areas where temperatures and currents could change. However, as long as the Gulf Stream remains the same, it is most likely that the Norwegian coast will remain highly suitable for seafood production in the next decades. In relation to the Group's whitefish catches, a change in sea temperatures could result in changes in catch volumes for the species on which Lerøy Havfisk has based operations.

It is also probable that we will experience increased taxation of CO2 emissions. Increased CO2 taxation will have an impact on all types of food production in the years to come. The Group has installed battery and hybrid propulsion on the most recent newbuilding, but the technology required for zero fossil fuel propulsion systems for large vessels has not yet reached a sufficient stage of development, and is therefore not an alternative to date. The Group is monitoring developments in this area.

With its production of Atlantic salmon and trout, the Group is, as previously mentioned, a Norwegian, globally competitive food producer measured in terms of both costs, climate and environmental parameters – something very rare. The Group was therefore delighted to note that this is not only measured according to the UN's sustainability criteria but was substantiated last year, once again, in an international survey of sustainability conducted by Coller FAIRR. The Group does not plan to rest on the laurels of the industry's strong position, but aims to take active measures to reduce the "footprint" of the Group's activities. All food production leaves a footprint, but our production is competitive in terms of the environment/climate, and it is important that we keep this in mind in our efforts to improve. The footprint for our localities is closely monitored with continuous evaluations, known as MOM investigations. The Group's operations are closely linked to natural conditions in Norwegian and international fresh and salt waters. The Group's operations rely on access to clean fresh and sea waters. The Board and management are of the opinion that operations in 2019 were climate and environmentally sustainable and were conducted with a competitive footprint. This is supported, not only by the Group's comprehensive "Sustainability Report" – part of the consolidated financial statements, available at www.leroyseafood.com – but also in several national and international reports on fish farming and fisheries. The Group operates from a perspective of perpetuality, invests in minimising its impact on the external environment, and continuously works hard to encourage both management and employees to maintain sound attitudes towards the environment.

Result and allocations, Lerøy Seafood Group ASA

The company and the Group's financial statements are submitted on assumption of going concern. In 2019, Lerøy Seafood Group ASA reported an annual profit after tax of NOK 1,695 million, against a comparative amount of NOK 2,289 million in 2018. The Board aims to propose the following allocation of the 2019 annual profit (NOK 1,000):

- A figure of NOK 1.50 per share has been allocated for dividend payment, totalling NOK 893,660,520.
- Transferred to other equity: 801,748,480
- Total allocations: 1,695,409

The Group's parent company has a strong financial position with a book equity ratio of 86.2 %. The parent company has access to satisfactory financing and liquidity, corresponding with the Group's strategy and operating plans.

Market and outlook

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

The Group's products are healthy and good, and production is financially, climate and environmentally sustainable. The Board of Directors therefore expects to see good underlying growth in demand in the years to come.

Currently, the Group's production of red fish takes place mainly in Norway. Norwegian and global salmon and trout production are experiencing a relatively limited growth. This factor, combined with a weaker Norwegian krone, has resulted in very high prices. This represents incentives to start production of salmon in new areas using new, alternative technologies. These incentives have existed for several years now, but with long lead times in the industry, Norwegian production in marine fish farms has maintained its predominant position. However, it must be noted that the market share for Norwegian Atlantic salmon could be threatened by the introduction of salmon and trout production in new regions. We are confident that the Group's value chain has a relatively strong position competition-wise in the years to come.

Flexibility and change are also important for global salmon production. Lerøy is developing its existing business by investing in knowledge and facilities to ensure competitive strengths. Irrespective of the above, the Group constantly seeks new knowledge and expertise within both onshore and offshore salmon production.
The Board of Directors is not satisfied with the Group's performance within Farming in 2019, but feels increasingly confident that the initiatives taken and the investments made will provide a positive development in the form of increased volume and improved competitiveness in the years to come. Lerøy Sjøtroll's new facility in Fitjar in Vestland, with a capacity of around 4,000 tonnes biomass production, has now been completed and will contribute to the company's production with larger and more robust smolt from and including release in 2020.

The Group is also in the final stage of a three-stage development project for Lerøy Aurora's plant in Laksefjord, Finnmark, increasing capacity at the plant to approx. 4,500 tonnes biomass production. The project is scheduled for completion in December 2020, but those parts of the plant already completed in previous development stages will already be supplying a substantial volume of large smolt earlier in the year. Work has started on development of the last stage, production of post smolt, in Belsvik. On completion, the plant will have capacity for around 5,000 tonnes biomass production. These plants already represent substantial assets for the Group, but the most recent building developments are expected to contribute to higher production and lower release from stock costs in the years to come.

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

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

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

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

The Board of Directors emphasises that uncertainty relating to assessment of future development is much greater than normal, as it is extremely difficult to estimate the extent and scope of the consequences of the ongoing corona pandemic. Based on the new risk incurred due to the pandemic, the Board of Directors' expectation for the Group's earnings in the current year differ from what was communicated in conjunction with the preliminary financial figures published on 25 February 2020. The Board of Directors retains its guiding for projected earnings for Q1 2020. However, due to the increase in uncertainty, the Board currently expects Group earnings for 2020 in total may be lower than those achieved in 2019.

Investigation by the competition authorities in the EU and USA

On 20 February 2019, the EU's competition authorities ("the Commission") initiated investigations relating to the suspicion of restrictive practices involving collaboration on the salmon market. This involved an investigation of the premises owned by Scottish Sea Farms Ltd., a company in which LSG owns 50% of the shares.

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

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

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

Events after the date on the statement of financial position

A respiratory disease of unknown origin was reported by China to the WHO (World Health Organization) on 31 December 2019. On 30 January 2020, the WHO declared that this virus outbreak was a public health emergency of international concern (PHEIC). On 11 February 2020, the WHO named the virus COVID-19. The virus has spread worldwide, and the WHO classified the outbreak as a global pandemic on 11 March 2020. COVID-19 is having an impact on global value chains in that the necessary measures taken by the public authorities, illness and fear worldwide have a significant effect on how we live our lives. Lerøy is a part of the seafood industry and is also noting a substantial impact. This is in the form of changes in demand, access to workforce both in the company and outside, other input factors and credit risk.

It is extremely difficult, not to say impossible, to assess all possible consequences of COVID-19 or how long it will last. However, the world population still needs to eat, and the Group is very much aware of its social mission not only as a significant food supplier and employer, but also in terms of the major ripple effect of Group operations. The Group therefore maintains a high focus on keeping the value chain operational in this difficult time. Demand for the Group's products remains good, although with some negative impact from COVID-19, which in turn has a negative effect on prices realised for important products. In the Board of Directors' assessment, risk involving currency, credit and flow of goods is also higher, despite good management of such risk by the Group to date. The situation is challenging, but the Board of Directors has always focused on building a strong Group. Lerøy has a solid financial position, fully incorporated and tested routines for risk reduction and an organisation with plenty of practice in solving flow of goods challenges. The Board of Directors is confident that Lerøy will survive this global crisis, despite the fact that the crisis will result in lower than normal earnings for the Group.

Bergen, 23. April 2020
The Board of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board member

Britt Kathrine Drivenes
Board member

Didrik Munch
Board member

Karoline Møgster
Board member

Siri Lill Mannes
Board member

Hans Petter Vestre
Employees' representative

Consolidated financial statements

Consolidated financial statements consist of

Overview of notes to the consolidated financial statements

Key Figures for Lerøy Seafood Group Consolidated

All figures in NOK 1,000

	2019	2018
LSG stock price last annual trading day	**58.30**	**65.94**
Dividend paid per share (distribution year)	**2.00**	**1.50**
Dividend per share for payment following year	1.50*	2.00
Cash flow from operating activities per share	4.80	4.67
Operating revenue	20,426,902	19,837,637
Net interest-bearing debt	2,641,431	2,546,412
Equity ratio	58,8 %	60,4 %
Harvest volume (GWT)	158,178	162,039
Key figures before fair value adjustments related to biological assets		
EBITDA before fair value adjustments	3,746,276	4,228,205
Operating profit (EBIT) before fair value adjustments	2,734,235	3,568,536
Pre-tax profit before fair value adjustments	2,717,911	3,696,982
Operating margin before fair value adjustments	13.4 %	18.0 %
Profit margin before fair value adjustments (pre-tax)	13.3 %	18.6 %
ROCE before fair value adjustments (annualised)	15.5 %	22.3 %
Earnings per share before fair value adjustments	3.48	4.90
EBIT/kg before fair value adjustments	17.3	22.0
EBIT/kg exclusive Wild Catch, before fair value adjustments	15.5	19.6
Fair value adjustments related to biological assets		
Fair value adjustments related to consolidated companies' inventory (before tax)	-333,703	754,938
Fair value adjustments related to associates' inventory (after tax)	-18,726	-2,959
Key figures after fair value adjustments related to biological assets		
EBITDA	3,412,573	4,983,143
Operating profit (EBIT)	2,400,532	4,323,474
Pre-tax profit	2,365,482	4,448,961
Operating margin	11.8 %	21.8 %
Profit margin (pre-tax)	11.6 %	22.4 %
ROCE	12.9 %	25.3 %
Earnings per share	3.12	5.77

** The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.*

Income statement

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

Lerøy Seafood Group Consolidated	Notes	2019	2018
Operating revenue and expenses			
Operating revenue	5/25	20,426,902	19,837,637
Other gains and losses	5	27,245	42,341
Cost of materials	25	11,284,327	11,008,753
Change in inventories	23	-101,135	-630,477
Salaries and other personnel costs	16/22	2,933,409	2,668,829
Other operating expenses	22	2,591,271	2,604,668
EBITDA before fair value adjustments related to biological assets		**3,746,276**	**4,228,205**
Depreciation	23/7/8/9	1,012,041	659,669
Operating profit before fair value adjustments related to biological assets		**2,734,235**	**3,568,536**
Fair value adjustments related to biological assets	11	-333,703	754,938
Operating profit (EBIT)		**2,400,532**	**4,323,474**
Associates and net financial items			
Income from associates	5/10	179,749	286,573
Net financial items	23	-214,799	-161,087
Profit before tax		**2,365,482**	**4,448,961**
Taxation	17	-495,743	-851,002
Annual profit		**1,869,739**	**3,597,959**
Of which controlling interests		1,857,172	3,437,042
Of which non-controlling interests		12,567	160,917
Earnings per share	**19**	**3.12**	**5.77**
Diluted earnings per share	19	3.12	5.77

Notes 1-28 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	2019	2018
Profit for the year		**1,869,739**	**3,597,959**
Estimate differences pension plans (including associates)	10/16	-793	-884
Conversion differences that are reclassified to profit and loss in the period	24	15	0
Items that will not be reclassified to the income statement		**-778**	**-884**
Translation differences related to subsidiaries	24	-12,819	-11,993
Translation differences from associates	10/24	24,559	-1,640
Change in value of financial instruments (cash flow hedges)	14	25,711	21,553
Change in value from associates	10	-3,530	-5,570
Items that may subsequently be reclassified to the income statement		**33,921**	**2,350**
Other comprehensive income for the year		**33,143**	**1,466**
Comprehensive income for the year		**1,902,882**	**3,599,425**
Of which controlling interests		1,890,315	3,438,508
Of which non-controlling interests		12,567	160,917

The items included in comprehensive income are after tax

Notes 1-28 are an integral part of the consolidated financial statements

Statement of financial position

All figures in NOK 1,000

Lerøy Seafood Group Consolidated	Notes	2019	2018
Non-current assets			
Deferred tax asset	17	2,932	14,311
Intangibles	7	8,150,610	8,166,075
Right-of-use assets	9/15/27	2,378,102	
Fixed assets	8/15/27	6,230,105	6,606,948
Shares in associates	5/10/15	950,017	1,015,556
Other investments	10/14	13,825	7,247
Long-term receivables	13	71,233	67,777
Total non-current assets		**17,796,824**	**15,877,914**
Current assets			
Biological assets	11/15	5,574,921	5,564,447
Other inventories	12/15/23	1,031,155	1,315,292
Trade receivables	13/14/15	2,244,348	2,152,414
Other receivables	13/14/15	511,131	426,511
Cash and cash equivalents	14/15	3,031,052	3,036,154
Total current assets		**12,392,607**	**12,494,819**
Total assets		**30,189,431**	**28,372,733**

Notes 1-28 are an integral part of the consolidated financial statements

Lerøy Seafood Group Consolidated	Notes	2019	2018
Equity			
Share capital	21	59,577	59,577
Treasury shares	21	-30	-30
Share premium reserve		4,778,346	4,778,346
Total paid-in capital		**4,837,893**	**4,837,893**
Retained earnings		**12,012,739**	**11,314,996**
Non-controlling interests		912,674	981,401
Total equity		**17,763,305**	**17,134,291**
Long-term liabilities			
Pension liabilities	16	2,689	3,566
Deferred tax	17	2,474,530	2,443,957
Lease liabilities to credit institutions	9/15/27	838,270	754,970
Lease liabilities to others	9/15/27	1,041,322	0
Loans from credit institutions	15	3,628,044	3,793,985
Other long-term loans	15	1,452	1,744
Other long-term liabilities	14/15	30,854	62,843
Total long-term liabilities		**8,017,161**	**7,061,064**
Short-term liabilities			
Short-term part of loans from credit institutions	15	816,679	590,700
Overdrafts and other short term loans	15	585,128	441,168
Trade payables	14	1,554,071	1,486,119
Public duties payable		279,333	226,513
Tax payable	17	448,813	678,075
Other short-term liabilities	14/15/18	724,941	754,803
Total short-term liabilities		**4,408,965**	**4,177,378**
Total liabilities		**12,426,126**	**11,238,442**
SUM EQUITY AND LIABILITIES		**30,189,431**	**28,372,733**

Notes 1-28 are an integral part of the consolidated financial statements

Bergen, 23. April 2020
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Karoline Møgster
Board member

Arne Møgster
Board member

Didrik Munch
Board member

Britt Kathrine Drivenes
Board member

Siri Lill Mannes
Board member

Hans Petter Vestre
Employees' representative

Henning Beltestad
CEO
Lerøy Seafood Group ASA

Statement of changes in equity

All figures in NOK 1,000

Lerøy Seafood Group Consolidated	Share capital	Treasury shares	Share premium reserve	Currency translation differences	Cash flow hedges	Other retained earnings	Non-controlling interests *	Total equity
Equity 01.01.2018	**59,577**	**-30**	**4,778,346**	**97,404**	**-65,722**	**8,737,719**	**874,828**	**14,482,122**
Annual profit 2018					-574	3,437,616	160,917	3,597,959
Comprehensive income for the year				-13,633	21,554	-6,455	0	1,466
Total profit/loss 2018	**0**	**0**	**0**	**-13,633**	**20,980**	**3,431,161**	**160,917**	**3,599,425**
Transactions with shareholders								
Dividend payments						-893,661	-56,302	-949,963
Dividend paid on treasury shares						447		447
New equity from capital increase							2,207	2,207
Redemption of non-controlling interests						301	-249	53
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-892,913**	**-54,344**	**-947,257**
Equity 31.12.18	**59,577**	**-30**	**4,778,346**	**83,771**	**-44,742**	**11,275,967**	**981,401**	**17,134,291**
Annual profit 2019					0	1,857,172	12,567	1,869,739
Comprehensive income for the year				11,755	25,711	-4,323	0	33,143
Total profit/loss 2019	**0**	**0**	**0**	**11,755**	**25,711**	**1,852,849**	**12,567**	**1,902,882**
Transactions with shareholders								
Dividend payments						-1,191,547	-81,295	-1,272,842
Dividend paid on treasury shares						596		596
Redemption of non-controlling interests						-1,620		-1,620
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-1,192,572**	**-81,295**	**-1,273,867**
Equity 31.12.19	**59,577**	**-30**	**4,778,346**	**95,526**	**-19,031**	**11,936,244**	**912,673**	**17,763,305**

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

Treasury shares

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

Statement of cash flows

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

Lerøy Seafood Group Consolidated	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		2,365,482	4,448,961
Taxes paid during the period		-690,520	-851,020
Other gains and losses		-27,245	-42,341
Depreciation	24	1,012,041	659,670
Profit impact associates	10	-179,749	-286,573
Change in fair value adjustments related to biological assets	11	332,946	-754,937
Change in inventories/biological assets	11/23	-101,136	-606,948
Change in trade receivables	13	-91,933	-142,135
Change in trade payables		67,952	142,958
Change in net pension liabilities	16	-877	-452
Net financial items classified as financing activities	23	214,799	161,087
Change in other accruals		-43,080	54,298
Net cash flow from operating activities		**2,858,680**	**2,782,566**
Cash flows from investing activities			
Proceeds from sale of fixed assets	8	250,305	136,126
Payments for acquisitions of fixed assets	8	-1,430,998	-1,793,193
Proceeds from sale of intangible assets	7	13,495	
Payments for acquisitions of intangible assets	7	-15,799	-91,632
Proceeds from sale of shares in associates and other businesses	10	2,763	0
Payments for acquisitions of shares in associates and other businesses	10	-439	-8,814
Dividend payments received from associates	10	266,452	245,200
Proceeds from sale of subsidiaries	6	0	52
Payments for acquisition of Group companies and redemption of minorities	6	0	-135,708
Cash and cash equivalents from business combinations	6	0	19,875
Interest payments received	23	37,550	26,229
Proceeds/payments on other loans (short and long-term)		642	-13,481
Net cash flow from investing activities		**-876,029**	**-1,615,346**
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in short-term interest-bearing debt	15	143,958	238,925
Proceeds from establishing new long-term debt	15	120,674	764,227
Downpayments of long-term debt	9/15	-725,812	-1,515,036
Interest paid and other financial expenses	23	-254,328	-185,969
Equity contributions		0	2,207
Dividends paid	20	-1,272,246	-949,516
Net cash flow from financing activities		**-1,987,753**	**-1,645,162**
Net cash flow in the accounting period		**-5,102**	**-477,942**
Cash and cash equivalents at start of period		3,036,154	3,514,096
Cash and cash equivalents at end of period		**3,031,052**	**3,036,154**
This consists of:			
Bank deposits, etc.		3,031,052	3,036,154
Of which restricted funds		132,277	116,543
Unutilised overdraft/drawdown facilities		3,610,461	3,391,390

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 2019 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 23 April 2020.

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

The consolidated financial statements are submitted in accordance with international standards for financial reporting (IFRS) and interpretations established by the International Accounting Standards Board (IASB) and adopted by the EU. The financial statements are based on all compulsory accounting standards (IFRS).

(B) Basis for preparing the financial statements

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

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

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

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

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

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

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

(C) Principles of consolidation

Subsidiaries

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

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

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

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

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

Non-controlling interests

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

(D) Operating revenue

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

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

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

(E) Reporting by segment

Operating segments are reported at a more aggregated level than for internal reporting to the corporate management due to similar economic characteristics such as organisational structure and commercial risk. The Group's operating segments comprise the following: (1) Wild Catch, (2) Farming .

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 is reported as one operating segment. The unit comprises the two sub-groups Havfisk AS and Lerøy Norway Seafoods AS. The Havfisk Group, owner of the licences, is subject to a so-called "industrial obligation" in Stamsund, Melbu, Hammerfest, Båtsfjord, Honningsvåg and Kjøllefjord. This implies that the licence is linked to operation of the facilities in the respective locations. Havfisk has leased out the facilities in these locations to Lerøy Norway Seafoods AS. The lessor is responsible for sustaining operations. However, if the lessor terminates operations, the licence terms oblige Havfisk to sustain operations in the specified locations.

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

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

NOTE 1
Accounting policies cont.

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

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

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

Licences/rights
The Group's licences can be split into two main groups: (1) Licences related to farming and (2) licences related to wild catches (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) later in 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 they are tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with pre-specified time limits after expiry of the allocation period will be redistributed among the “cod trawler” group of vessels, thereby becoming part of the vessels' basic quota. This implies that if a vessel has structures that are in accordance with the average for the group of vessels, a vessel will be able to maintain practically the same catch volume once the period for the structural quotas has expired. More detailed information on licences/fishing rights is provided in note on intangible assets.

The major share of other intangible assets comprise 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 and right-of-use assets
until 01.01.2019 fixed assets has included both own fixed assets and financial leases. The new standard on leases, IFRS 16, which was implemented 01.01.2019, the distinction between operational and financial leases has ceased to exist for the lessee. According to the new standard all leases shall be recognised in the balance sheet. Leased assets are named right-of-use assets in the new standard. The group has choosen to present fixed assets and right-of-use assets as two individual elements in the statement of financial positions.

In this context, all leases previously recongnised in the statement of financial positions (financial leases) were regrouped from fixed asset to right-of-use assets. In addition the operational leases, previously only specified in the notes, were recognised in the statement of financial positiions. Section Z in this note describe the standard and implementation method further, and note 27 gives an overview of the accounting effects.

Fixed assets are recorded in the financial statements at acquisition costs less accumulated depreciation and any accumulated impairment loss. The same is the case for right-of-use assets. Accumulated depreciations on leased assets as of 01.01.2019 (depreciations according to IAS 17) are not transferred to the new group with right-of-use assets. Accumulated depreciations in this group consists therefore only of depreciations according to IFRS 16.

The depreciation on fixed assets is allocated linearly over estimated useful life (depreciation period). Significant parts of fixed assets that have different depreciation periods are decomposed and depreciated separately. Depreciations on right-of-use assets is allocated linearly over estimated rental period. The period lenght includes options for extention, if it is likely that the option will be called upon.

The estimated average useful life of fixed assets, when decomposed, is estimated as:

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

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

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

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

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

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

The cash flow-based present value model does not rely on historical and company-specific factors. On a hypothetical market with perfect competition, a hypothetical buyer of live fish would be willing to pay as a maximum the present value of the estimated future profit from the sale of the fish when it is ready for harvest. The estimated future profit, taking into account all price adjustments and payable fees for completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready

NOTE 1
Accounting policies cont.

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

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

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

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

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

Fish Pool contracts are not utilised to any significant extent by the Group as a price-hedging instrument, as the sale of such contracts with Fish Pool remains limited and volumes are low. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.

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

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

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

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

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

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

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

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

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

NOTE 1
Accounting policies cont.

(O) Tax
Tax cost in the income statement includes both the tax payable for the period and changes in deferred tax. Deferred tax is calculated at a rate of 22% (or local rates in other countries) on the basis of the temporary differences that exist between accounting and taxable values, as well as the tax loss 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.

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

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

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

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

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

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

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

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

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

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

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

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

The table in note on debt, mortgages and guarantee liability specifies the Group's financial covenants that are not derivatives, and derivative covenants with net settlement, classified in relation to the 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 occurs in transactions involving derivatives, deposits with banks and financial institutions in addition to transactions with wholesalers and customers, including outstanding receivables and fixed agreements. As virtually all the Group's sales to end customers are credit sales, procedures have been established to ensure that the Group companies only sell products to customers with satisfactory credit rating. A credit assessment is performed based on the customer's financial position, history and any other factors of relevance. Individual limits are set for risk exposure, based on internal and external assessments of creditworthiness and guidelines from the Board of Directors. The Group's compliance on these procedures is regularly monitored. Furthermore, almost all of the Group's trade receivables are covered by credit insurance securing about 90 % of nominal amounts. The counterparties to derivative contracts and financial placements may only be financial institutions with a high credit rating and other parties who can provide reliable security. See note on receivables for further information on credit risk.

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

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

Fair value of derivatives is shown in the note on financial instruments. Fair values of derivatives are classified as fixed assets or long-term debt if the hedging object matures in more than 12 months, and as current assets or short-term debt if the hedging object matures in less than 12 months.

NOTE 1
Accounting policies cont.

The Group documents the relationship between the hedging instrument and the hedged items, including expected hedging efficiency, when entering into hedging derivatives. The Group further documents its risk management strategies related to transactions that are risk hedges.

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

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

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

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

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

(X) Indefinite useful life (no amortisation) of licences
Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised, but tested for impairment once a year as a minimum. Please refer to the note on intangible assets for information on the impairment test.

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

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

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

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

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

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

Green farming licences are licences that were awarded in 2015 via a dedicated licensing round. Special conditions were attached to these licences, mainly concerning environmental improvement measures. The licences were awarded via open auctions or competitively, based on environmentally focused technology and operating concepts.

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

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

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

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

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

Juvenile fish licences are licences to produce juvenile salmon and trout in fresh water that in total authorise the licence holder to produce a specific number of juvenile salmon and trout. There are certain limitations on the size of juvenile fish that may be produced according to the individual licence. 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.

NOTE 1
Accounting policies cont.

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

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

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

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

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

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

Regulations relating to right of use: transfer, lease, moving etc.

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

Costs related to licences

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

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

Assessment of economic life

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

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

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

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

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

Parent fish licences

As mentioned above, these licences are granted for 15 years at a time, and applications can be submitted for renewal. In 2007, the duration of parent fish licences was amended from 10 years to 15 years (amendment to regulation dated 14 August 2007 no. 986). In the consultation document dated 7 June 2007, the Ministry stated the following regarding time limitation for parent fish licences in item 3.3: "The recommendation implies that the licences shall be time-limited for a period (...) with clearly defined predictability for extension of new periods. Time-limited licences may however result in less predictability for the entities than licences without time limitations. Predictability is key as breeding and parent fish production is a time-consuming and resource-intensive activity, but this is provided for by (...) a fixed-term period with clearly defined predictability for extension."

IAS 38.94 states that if the contractual or legal rights are assigned for a limited period of time that can be renewed, the useful life of the intangible asset should include the renewal period(s) only if there is documented evidence to support that the cost of the renewal for the entity is not significant. IAS 38.96 provides guidelines describing factors that can be included in this assessment. The following factors have been central to LSG's assessment of indefinite useful life for the parent fish licences:

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

Demonstration licences

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

Teaching licences

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

(Y) New and amended standards implemented by the group

(a) New standards implemented in 2019

The Group has implemented the following new IFRS standards with effect from 1 January 2019:
– IFRS 16 Leases

A description of the new standard as well as the Group's evaluation of its effect on the financial statements can be found in section Z below, and in the note on new IFRS standards (note 27).

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31.12.2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the future reporting periods and on foreseeable future transactions.

(Z) Leases

The Group has adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach. As a result, the 2018 figures were not restated.

For leases which had previously been classified as operating leases under the principles of IAS 17, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. Extension periods are included in the leasing calculation when they are reasonably certain to be exercised. The associated right-of use assets were

NOTE 1
Accounting policies cont.

measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset is depreciated linearly from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group has applied the lease recognition exemptions for short term lease contracts and low-value assets. Short terms leases represent lease agreements shorter than 12 months from the date of the contract. Low value assets represent lease agreements that are lower than NOK 50 000 each.

For contracts containing both lease and non-lease components, the Group allocates the consideration in the contract to the lease and the non-lease components based on their relative stand-alone prices. This mainly applies to the Group's time charter rental agreements of wellboats, where the service element of the contracts is a significant non-lease component. The non-lease component is excluded from the lease accounting and expensed directly in the income statement.

For leases that were previously classified as financial leasing under IAS 17, the book value of the right-of-use asset and lease liability is brought forward at the date of implementation of IFRS 16 (1 January 2019).

NOTE 2
Alternative performance measures

(All figures in NOK 1,000)

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

EBIT before fair value adjustments

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

	2019	2018
Operating profit (EBIT)	2,400,532	4,323,474
- Fair value adjustments	333,703	-754,938
= EBIT before fair value adjustments	**2,734,235**	**3,568,536**

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

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

The 2019 amounts are not directly compareable with 2018 amounts due to the IFRS 16 implementation 01.01.2019. See note 27 for information about the change. Note 9 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

EBITDA before fair value adjustments

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

	2019	2018
EBIT	2,400,532	4,323,474
- Depreciations	1,012,041	659,669
= EBITDA	3,412,573	4,983,143
- Fair value adjustments	333,703	-754,938
= EBITDA before fair value adjustments	**3,746,276**	**4,228,205**

The 2019 amounts are not directly compareable with 2018 amounts due to the IFRS 16 implementation 01.01.2019. See note 27 for information about the change. Note 9 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

NOTE 2
Alternative performance measures cont.

(All figures in NOK 1,000)

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

	2019	2018
Profit before tax	2,365,482	4,448,961
- Fair value adjustments	333,703	-754,938
- Fair value adj. incl. in income from AC*	18,726	2,958
= Profit before tax and fair value adjustments	**2,717,911**	**3,696,981**

** See note on biological assets for details*

The 2019 amounts are not directly compareable with 2018 amounts due to the IFRS 16 implementation 1 January 2019. See note 27 for information about the change. Note 9 on leases specify the impact from the change on the key figure above, by comparing it with how it would have looked like if the old standard on leases, IAS 17, had still been applied.

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

	31.12.19	31.12.18
Loans from credit institutions*	4,027,759	4,197,457
+ Lease liabilities to credit institutions*	1,056,654	940,718
+ Other long term loans*	2,943	3,223
+ Overdrafts and other short term credits	585,128	441,168
- Cash and cash equivalents	-3,031,052	-3,036,154
= Net interest bearing debt (NIBD)**	**2,641,432**	**2,546,412**

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

NOTE 3
Significant accounting estimates and assessments

(All figures in NOK 1,000)

Estimates and assessments are reviewed continuously and are based on historical experience and other factors, including expectations of future events that seem probable in view of present circumstances.

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

(A) Value adjustment of biological assets
Biological assets comprise the stock of roe, fry, juvenile fish, cleaner fish and fish in sea. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets.

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

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

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

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

(3) Volume
Projected harvest volume is calculated on the basis of the estimated number of fish (individuals) on the balance sheet date minus estimated future mortality, multiplied by the estimated harvest weight (4.8 kg live weight). There is some uncertainty involving both the number of fish in the sea on the balance sheet date, remaining mortality and estimated harvest weight. The actual harvest volume may therefore differ from the estimated harvest volume either as a result of changes in biological developments or due to special events, such as abnormal mortality. The estimate for number of fish on the balance sheet date is based on the number of smolt released to sea. The number of smolt is adjusted to take into account uncertainties during counting and actual registered mortality related to release. The normal estimated harvest weight (optimal harvest weight) is assessed to be the live weight of fish that results in a gutted weight of 4 kg, unless specific conditions exist on the balance sheet date to indicate that the fish have to be harvsted before they reach this weight. If this is the case, the estimated harvest weight is adjusted. Projected mortality

NOTE 3
Significant accounting estimates and assessments cont.

during the period from the balance sheet date to the date when the fish reach harvest weight is estimated to be 0.5% to 1.25% of the number of incoming fish per month, depending on region.

(4) Discounting

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

4.1. Risk adjustment

The risk adjustment shall reflect the price discount a hypothetical buyer would demand as compensation for the risk assumed by investing in live fish rather than a different investment. The longer it takes to reach harvest date, the 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.

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

Sensitivity analysis on fair value of fish in sea

The Group considers that four components are key for valuation. These are:

(1) weighted average price,
(2) projected optimal harvest weight,
(3) monthly discount rate and
(4) estimated number of fish.

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

Sensitivity analysis for weighted average price and expected optimal harvest weight

		Projected optimal harvest weight per fish in kg gwe				
		3.50	3.75	4.00	4.25	4.50
		Change in projected weight per kg gwe				
Average price per kg (NOK)	Change in price per kg (NOK)	-0.50	-0.25	-	0.25	0.50
48.3	**-5.00**	3,930,039	4,240,298	4,552,666	4,875,161	5,220,062
51.3	**-2.00**	4,298,803	4,628,336	4,960,107	5,302,560	5,668,647
52.3	**-1.00**	4,421,724	4,757,682	5,095,920	5,445,027	5,818,175
53.3	**-**	4,544,645	4,887,029	**5,231,734**	5,587,493	5,967,704
54.3	**1.00**	4,667,566	5,016,375	5,367,547	5,729,960	6,117,232
55.3	**2.00**	4,790,487	5,145,721	5,503,361	5,872,427	6,266,760
58.3	**5.00**	5,159,250	5,533,760	5,910,802	6,299,826	6,715,346

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

Sensitivity analysis for weighted average price and monthly discount rate applied

		Monthly discount rate (%)				
		3.0 %	4.0 %	5.0 %	6.0 %	7.0 %
		Change in monthly discount rate (%)				
Average price per kg (NOK)	Change in price per kg (NOK)	-2.0 %	-1.0 %	0.0 %	1.0 %	2.0 %
48.3	**-5.00**	5,126,939	4,825,112	4,552,666	4,305,975	4,081,927
51.3	**-2.00**	5,602,338	5,264,554	4,960,107	4,684,850	4,435,230
52.3	**-1.00**	5,760,804	5,411,035	5,095,920	4,811,142	4,552,998
53.3	**-**	5,919,270	5,557,516	**5,231,734**	4,937,434	4,670,765
54.3	**1.00**	6,077,737	5,703,997	5,367,547	5,063,725	4,788,533
55.3	**2.00**	6,236,203	5,850,478	5,503,361	5,190,017	4,906,301
58.3	**5.00**	6,711,601	6,289,920	5,910,802	5,568,892	5,259,604

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

NOTE 3
Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

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

Average price per kg (NOK)	Change in price per kg (NOK)	Number of fish in stock (million fish)				
		52.3	54.0	55.1	56.2	57.8
		Change in number of fish in stock				
		-5 %	-2 %	0 %	2 %	5 %
48.3	-5.00	4,220,615	4,419,846	4,552,666	4,685,487	4,884,717
51.3	-2.00	4,607,684	4,819,138	4,960,107	5,101,076	5,312,530
52.3	-1.00	4,736,707	4,952,235	5,095,920	5,239,606	5,455,134
53.3	-	4,865,729	5,085,332	**5,231,734**	5,378,136	5,597,738
54.3	1.00	4,994,752	5,218,429	5,367,547	5,516,666	5,740,343
55.3	2.00	5,123,775	5,351,527	5,503,361	5,655,195	5,882,947
58.3	5.00	5,510,844	5,750,819	5,910,802	6,070,785	6,310,760

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

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

Number of fish in stock (in millions)	Change in number of fish	Monthly discount rate (%)				
		3.0 %	4.0 %	5.0 %	6.0 %	7.0 %
		Change in monthly discount rate (%)				
		-2.0 %	-1.0 %	0.0 %	1.0 %	2.0 %
48.3	-5 %	5,494,323	5,163,747	4,865,729	4,596,229	4,351,779
51.3	-2 %	5,749,291	5,400,008	5,085,332	4,800,952	4,543,171
52.3	-1 %	5,834,281	5,478,762	5,158,533	4,869,193	4,606,968
53.3	-	5,919,270	5,557,516	**5,231,734**	4,937,434	4,670,765
54.3	1 %	6,004,260	5,636,270	5,304,935	5,005,675	4,734,563
55.3	2 %	6,089,249	5,715,024	5,378,136	5,073,915	4,798,360
58.3	5 %	6,344,218	5,951,286	5,597,738	5,278,638	4,989,752

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

(B) Estimated impairment of goodwill and other intangible assets

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

NOTE 4
Consolidated companies and allocation to operating segment

(All figures in NOK 1,000)

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

Company	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12	
Wild Catch							
Aker Seafoods AS	Lerøy Havfisk AS	Norway	Ålesund	2016	100 %	0 %	4)
Havfisk Stamsund AS	Lerøy Havfisk AS	Norway	Vestvågøy	2016	100 %	100 %	
Havfisk Melbu AS	Lerøy Havfisk AS	Norway	Hadsel	2016	100 %	100 %	
Nordland Havfiske AS	Havfisk Stamsund AS	Norway	Vestvågøy	2016	53 %	53 %	
Nordland Havfiske AS	Havfisk Melbu AS	Norway	Vestvågøy	2016	47 %	47 %	
Havfisk Finnmark AS	Lerøy Havfisk AS	Norway	Hammerfest	2016	100 %	100 %	
Havfisk Båtsfjord AS	Havfisk Finnmark AS	Norway	Båtsfjord	2016	100 %	100 %	
Havfisk Nordkyn AS	Havfisk Finnmark AS	Norway	Lebesby	2016	100 %	100 %	
Finnmark Havfiske AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	78 %	78 %	
Finnmark Havfiske AS	Havfisk Båtsfjord AS	Norway	Hammerfest	2016	13 %	13 %	
Finnmark Havfiske AS	Havfisk Nordkyn AS	Norway	Hammerfest	2016	6 %	6 %	
Hammerfest Industrifiske AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	60 %	60 %	
Havfisk Management AS	Havfisk Finnmark AS	Norway	Hammerfest	2016	100 %	100 %	
Lerøy Havfisk AS***	Lerøy Seafood Group ASA	Norway	Ålesund	2016	100 %	100 %	
Melbu Fryselager AS	Lerøy Norway Seafoods AS	Norway	Hadsel	2016	67 %	100 %	2)
Lerøy Norway Seafoods AS	Lerøy Seafood Group ASA	Norway	Båtsfjord	2016	100 %	100 %	
Sørvær Kystfiskeinvest AS	Lerøy Norway Seafoods AS	Norway	Hasvik	2016	51 %	51 %	
Lerøy Sommarøy AS	Lerøy Norway Seafoods AS	Norway	Tromsø	2018	100 %	0 %	5)
SAS Norway Seafoods	Lerøy Norway Seafoods AS	France		2016	100 %	100 %	
Farming							
Lerøy Aurora AS	Lerøy Seafood Group ASA	Norway	Tromsø	2005	100 %	100 %	
Lerøy Laksefjord AS	Lerøy Aurora AS	Norway	Lebesby	2005	100 %	100 %	
Senja Akvakultursenter AS	Lerøy Aurora AS	Norway	Tromsø	2015	100 %	100 %	
Lerøy Midt AS	Lerøy Seafood Group ASA	Norway	Hitra	2003	100 %	100 %	
Lerøy Vest AS	Lerøy Seafood Group ASA	Norway	Austevoll	2007	100 %	100 %	
Sjøtroll Havbruk AS	Lerøy Seafood Group ASA	Norway	Austevoll	2010	51 %	51 %	
Lerøy Sjøtroll Kjærelva AS	Lerøy Vest AS	Norway	Austevoll	2017	50 %	50 %	
Lerøy Sjøtroll Kjærelva AS	Sjøtroll Havbruk AS	Norway	Austevoll	2017	50 %	50 %	
Norsk Oppdrettsservice AS	Lerøy Seafood Group ASA	Norway	Flekkefjord	2015	51 %	51 %	
Lerøy Ocean Harvest AS	Lerøy Seafood Group ASA	Norway	Bergen	2018	100 %	100 %	

NOTE 4
Consolidated companies and allocation to operating segment cont.

(All figures in NOK 1,000)

Company	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12	
Value-added processing (VAP), sales and distribution							
Bulandet Fiskeindustri AS	Lerøy Seafood AS	Norway	Askvoll	2005	79 %	79 %	
Laks- & Viltdcentralen AS	Lerøy Seafood Group ASA	Norway	Oslo	2018	100 %	100 %	
Leroy Seafood USA Inc	Lerøy Seafood AS	USA	North Carolina	2016	100 %	100 %	
Leroy Culinair B.V.	Rode Retail B.V.	Netherlands	Urk	2012	100 %	100 %	
Leroy Seafood Italy SRL	Lerøy Seafood Group ASA	Italy	Porto Viro	2019	0 %	100 %	3)
Leroy Germany GmbH	Rode Beheer B.V.	Germany	Witten	2015	50 %	50 %	
Leroy Germany GmbH	Lerøy Seafood AS	Germany	Witten	2016	50 %	50 %	
Lerøy & Strudshavn AS	Lerøy Seafood Group ASA	Norway	Bergen	1927*	100 %	100 %	
Lerøy Alfheim AS	Lerøy Seafood Group ASA	Norway	Bergen	2005	100 %	100 %	
Lerøy Seafood AB **	Lerøy Sverige AB	Sweden	Gothenburg	2001	100 %	100 %	
Lerøy Delico AS	Lerøy Seafood Group ASA	Norway	Stavanger	2006	100 %	100 %	
Lerøy Finland OY	Lerøy Seafood Group ASA	Finland	Turku	2011	100 %	100 %	
Lerøy Fossen AS	Lerøy Seafood Group ASA	Norway	Bergen	2006	100 %	100 %	
Lerøy Nord AS	Lerøy Seafood Group ASA	Norway	Tromsø	2015	51 %	51 %	
Lerøy Nordhav AB	Lerøy Sverige AB	Sweden	Lomma	2001	100 %	100 %	
Lerøy Portugal Lda	Lerøy Seafood Group ASA	Portugal	Lisboa	2005	100 %	100 %	
Lerøy Processing Spain SL	Lerøy Seafood Group ASA	Spain	Madrid	2012	100 %	100 %	
Lerøy Quality Group AS	Lerøy Seafood AS	Norway	Bergen	2006	100 %	100 %	
Lerøy Seafood AS	Lerøy Seafood Group ASA	Norway	Bergen	1939*	100 %	100 %	
Lerøy Sjømatgruppen AS	Laks- & Viltdcentralen AS	Norge	Bergen	2006	25 %	25 %	
Lerøy Sjømatgruppen AS	Lerøy Delico AS	Norway	Bergen	2006	18 %	18 %	
Lerøy Sjømatgruppen AS	Lerøy Alfheim AS	Norway	Bergen	2006	24 %	24 %	
Lerøy Sjømatgruppen AS	Lerøy Trondheim AS	Norway	Bergen	2006	8 %	8 %	
Lerøy Sjømatgruppen AS	Lerøy Nord AS	Norway	Bergen	2015	3 %	3 %	
Lerøy Smøgen Seafood AB	Lerøy Sverige AB	Sweden	Smøgen	2002	100 %	100 %	
Goda Salladsprodukter i Väst AB	Lerøy Smøgen Seafood AB	Sweden	Gothenburg	2019	0 %	0 %	1), 5)
Lerøy Stockholm AB	Lerøy Sverige AB	Sweden	Stockholm	2001	100 %	100 %	
Lerøy Sverige AB	Lerøy Seafood Group ASA	Sweden	Gothenburg	2001	100 %	100 %	
Lerøy Trondheim AS	Lerøy Seafood Group ASA	Norway	Trondheim	2006	100 %	100 %	
Lerøy Turkey	Lerøy Seafood Group ASA	Turkey	Istanbul	2015	100 %	100 %	
Rode Beheer B.V.	Lerøy Seafood Group ASA	Netherlands	Urk	2012	100 %	100 %	
Rode Retail B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
Rode Vaestgoed B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
Rode Vis B.V.	Rode Beheer B.V.	Norway	Urk	2012	100 %	100 %	
Rode Vis International AS	Rode Beheer B.V.	Norway	Bergen	2012	100 %	100 %	
Royal Frozen Seafood B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
SAS Eurosalmon	SAS Lerøy Seafood France	France	St. Jean d'Ardières	2008	100 %	100 %	
SAS Fishcut	SAS Lerøy Seafood France	France	St. Laurent Blangy	2008	100 %	100 %	
SAS Lerøy Seafood France	Lerøy Seafood AS	France	Boulogne	2008	100 %	100 %	
Sirevaag AS	Lerøy Delico AS	Norway	Hå	2006	100 %	100 %	
Sjømathuset AS	Lerøy Seafood Group ASA	Norway	Oslo	2006	100 %	100 %	
Not allocated							
Lerøy Seafood Group ASA	*See note on shareholder information*		Bergen	1995			
Preline Fishfarming Sys. AS	Lerøy Seafood Group ASA	Norway	Skien	2015	96 %	96 %	

Comments on changes:
1) Business combination
2) Transactions with non-controlling interests
3) Foundation of new company
4) Liquidation of group company
5) Parent–subsidiary business combination

** Foundation date. The companies were part of "the old Lerøy group" before Lerøy Seafood Group ASA was founded in 1995.*
*** The name has been changed from Lerøy Alt i Fisk AB to Lerøy Seafood AB in 2019.*
**** The name has been changed from Havfisk AS to Lerøy Havfisk AS in 2019.*

NOTE 5
Operating revenues/segment information

(All figures in NOK 1,000)

Operating revenue	2019	2018
Sale of goods and services	20,386,404	19,813,282
Damages received	99	1,096
Other operating revenue	40,399	23,259
Total operating revenue	**20,426,902**	**19,837,637**

Other gains and losses	2019	2018
Gain from disposal of fixed assets	14,245	42,341
Gain from disposal of intangibles	13,000	
Total other gains	**27,245**	**42,341**

Gain from disposal of intangibles comes from a sale of one licence for greater silver, not in use. The sale price was NOK 13 million.

Operating segments

The Group has the following segments:
(1) Wild Catch
(2) Farming
(3) Value-added processing, sales and distribution (VAPSD)

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

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

2018	Wild Catch	Farming	VAPSD	Elimination / unallocated	Sum
External operating revenue	592,384	323,343	18,921,895	15	19,837,638
Internal operating revenue	2,078,089	9,137,855	111,227	-11,327,170	0
Total operating revenue	**2,670,473**	**9,461,198**	**19,033,122**	**-11,327,155**	**19,837,638**
Other gains and losses	35,826	5,529	986	0	42,340
Operating expenses	2,317,854	6,538,613	18,701,236	-11,246,261	16,311,442
Operating profit (EBIT) before fair value adjustments	**388,444**	**2,928,114**	**332,872**	**-80,894**	**3,568,536**
Change in fair value adjustment of fish in sea		799,983			799,983
Change in fair value of loss-making contracts		-46,519			-46,519
Change in fair value of Fish Pool contracts			1,474		1,474
Total fair value adjustments related to biological assets	0	753,464	1,474	0	754,937
Operating profit	**388,444**	**3,681,578**	**334,346**	**-80,894**	**4,323,474**
Profit from associates	-11,972	280,534	18,011	0	286,573
Net financial items	-44,933	-73,547	-18,964	-23,643	-161,087
Profit before tax	**331,539**	**3,888,565**	**333,393**	**-104,537**	**4,448,960**
Tax cost					-851,002
The year's result					**3,597,958**
Operating margin before fair value adjustments	14,5 %	30,9 %	1,7 %	0,7 %	18,0 %
Assets (excluding associates)	6,117,726	16,109,063	5,098,868	31,521	27,357,178
Associates	18,596	877,174	119,786	0	1,015,556
Total assets	**6,136,322**	**16,986,237**	**5,218,654**	**31,521**	**28,372,734**
Total liabilities	**2,742,082**	**8,306,328**	**3,530,267**	**-3,340,234**	**11,238,443**
NIBD	**951,757**	**2,777,531**	**63,655**	**-1,246,531**	**2,546,412**
Net investments in intangibles and fixed assets*	496,104	1,343,619	203,971	22,480	2,066,174
Depreciation	133,648	433,626	92,356	38	659,669

** Net investments consist of net addition for (1) fixed assets and (2) intangibles*
Net investment is total purchase price paid for new assets minus sale price for disposed asset.

NOTE 5
Operating revenues/segment information cont.

(All figures in NOK 1,000)

2019	Wild Catch	Farming	VAPSD	Elimination / unallocated	Group
External operating revenue	875,033	363,832	19,188,037	0	20,426,902
Internal operating revenue	1,669,068	8,695,988	200,083	-10,565,139	0
Total operating revenue	**2,544,101**	**9,059,820**	**19,388,120**	**-10,565,139**	**20,426,902**
Other gains and losses	13,000	12,037	2,591	-382	27,245
Operating expenses	2,263,804	7,006,877	18,910,844	-10,461,613	17,719,912
Operating profit (EBIT) before fair value adjustments	**293,297**	**2,064,980**	**479,867**	**-103,908**	**2,734,235**
Change in fair value adjustment of fish in sea		-374,799			-374,799
Change in fair value of loss-making contracts		25,457			25,457
Change in fair value of Fish Pool contracts			15,639		15,639
Total fair value adjustments related to biological assets	0	-349,342	15,639	0	-333,703
Operating profit	**293,297**	**1,715,638**	**495,506**	**-103,908**	**2,400,532**
Profit from associates	3,022	159,850	16,877	0	179,749
Net financial items	-46,254	-137,015	-37,141	5,611	-214,799
Profit before tax	**250,065**	**1,738,473**	**475,242**	**-98,297**	**2,365,482**
Tax cost					-495,743
The year's result					**1,869,739**
Operating margin before fair value adjustments	11.5 %	22.8 %	2.5 %	1.0 %	13.4 %
Assets (excluding associates)	6,249,283	16,848,625	4,968,992	1,172,514	29,239,414
Associates	21,339	800,138	128,540	0	950,017
Total assets	**6,270,622**	**17,648,763**	**5,097,532**	**1,172,514**	**30,189,431**
Total liabilities	**2,856,865**	**9,049,175**	**3,264,645**	**-2,744,557**	**12,426,128**
NIBD	**848,545**	**3,687,884**	**-55,421**	**-1,839,577**	**2,641,431**
Net investments in intangibles and fixed assets **	304,631	1,019,155	106,811	28,911	1,459,508
Depreciation	162,710	707,550	132,446	9,334	1,012,041

*** Net investments consist of net addition for (1) fixed assets, (2) intangibles and (3) right-of-use assets from credit institutions. Net investment is total purchase price paid for new assets minus sale price for disposed assets. New right-of-use assets derived from leases with other than credit institutions are not included. Thus the amount is comparable with 2018. Also see note on leases.*

Specification per operating segment within Farming

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

2019	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region (Lerøy Sjøtroll)	Elimination (group purchases /sales)	Total Farming
External operating revenue	282,180	44,009	37,642		363,832
Internal operating revenue	1,851,613	3,752,494	3,195,671	-103,789	8,695,988
Total operating revenue	**2,133,793**	**3,796,503**	**3,233,313**	**-103,789**	**9,059,820**
Other gains and losses	172	9,951	1,914	0	12,037
Operating expenses	1,431,571	2,872,643	2,810,425	-107,763	7,006,876
Operating profit (EBIT) before fair value adjustments	**702,394**	**933,811**	**424,802**	**3,973**	**2,064,980**
Volume salmon (GWT)*	32,758	64,786	31,156		128,699
Volume trout (GWT)			29,479		29,479
Total volume	32,758	64,786	60,635		158,178
EBIT/kg **	**21.4**	**14.4**	**7.0**	**0.0**	**13.1**

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

Information on product area

Operating revenue in NOK by product area

Operating revenue	2019	%	2018	%
Whole salmon	7,809,266	38,2	8,585,877	43.3
Processed salmon	4,698,506	23,0	4,256,942	21.5
Whitefish	3,521,372	17,2	3,484,079	17.6
Trout	1,820,936	8,9	1,607,217	8.1
Shellfish	1,124,252	5,5	730,650	3.7
Pelagic	96,054	0,5	81,615	0.4
Other	1,356,518	6,6	1,091,258	5.5
Total operating revenue	**20,426,902**	**100,0**	**19,837,637**	**100.0**

Information on currency

Operating revenue in NOK by currency

Driftsinntekter	2019	%	2018	%
NOK	6,887,150	33,7	6,351,053	32.0
SEK	1,287,310	6,3	1,454,304	7.3
GBP	491,796	2,4	714,388	3.6
EUR	7,491,644	36,7	7,506,744	37.8
USD	3,087,950	15,1	2,737,216	13.8
JPY	877,109	4,3	786,839	4.0
Annen valuta	303,944	1,5	287,093	1.4
Total operating revenue	**20,426,902**	**100,0**	**19,837,637**	**100.0**

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

NOTE 5
Operating revenues/segment information cont.

(All figures in NOK 1,000)

Information on geographic areas

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

Operating revenue	2019	%	2018	%
EU	11,243,349	55.0	11,625,544	58.6
Norway	3,845,273	18.8	3,717,574	18.7
Asia	3,291,352	16.1	2,778,101	14.0
USA & Canada	1,007,012	4.9	880,814	4.4
Rest of Europe	849,347	4.2	645,707	3.3
Other	190,570	0.9	189,897	1.0
Total operating revenue	**20,426,902**	**100.0**	**19,837,637**	**100.0**

Assets	2019	%	2018	%
Norway *	28,263,382	93.6	26,527,226	93.5
EU	1,774,742	5.9	1,698,079	6.0
Other countries	151,307	0.5	147,428	0.5
Total assets	**30,189,431**	**100.0**	**28,372,733**	**100.0**

** Most of the trade receivables in the subsidiary Lerøy Seafood AS are from customers abroad. At year-end, this amounted to NOK 1,110,634 out of NOK 1,134.254 (NOK 1,110,125 out of NOK 1,318,771 previous year). Most of the trade receivables are covered by credit insurance.*

Net investments	2019	%	2018	%
Norway	1,373,480	94.1	1,970,154	92.1
EU	85,952	5.9	167,380	7.8
Other countries	76	0.0	1,247	0.1
Total net investments	**1,459,508**	**100.0**	**2,138,781**	**100.0**

Net investment expenses are defined as the cost price for new operating fixed assets (including intangible assets) minus the proceeds received from the sale of operating accessories. In addition new right-of-use assets from credit institutions are included.

NOTE 6
Business combinations and redemption of non-controlling interests

(All figures in NOK 1,000)

Business combinations in 2019

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

Transactions with non-controlling interests in 2019

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

Aggregated consideration	2019	2018
Total consideration paid*	3,301	144,404
Accrued dividend (proposed), not yet approved, in acquired entity	0	-12,000
Total consideration, net	**3,301**	**132,404**

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

Aggregated priliminary acquisition analysis, and calculation of goodwill	2019	2018
Recognised equity	50	19,829
Net identified added value	0	221
Elimination of goodwill against other gains from remeasurement *	0	22,354
Goodwill in consolidated accounts	3,251	90,000
Total	**3,301**	**132,404**

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

Transactions with non-controlling interests	2019	2018
Consideration received from sale of 0.1% of the shares in Preline Fishfarming System AS to non-controlling interests	0	52
Consideration paid to non-controlling interests for the remaining 33% of the shares in Melbu Fryselager AS	1,620	0
Equity impact	**-1,620**	**52**

NOTE 7
Intangible assets

(All figures in NOK 1,000)

Reconciliation carrying value, gross value and life

2018	Goodwill	Licences	Other rights	Total
As of 1 January 2018				
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 01.01.18	**2,131,819**	**5,855,851**	**31,957**	**8,019,627**
Financial year 2018				
Carrying value as of 01.01.2018	2,131,819	5,855,851	31,957	8,019,627
Translation differences	-3,389	0	11	-3,378
Additions from business combinations	90,000	0	0	90,000
Acquisition of intangible assets		90,921	711	91,632
Amortisation for the year		-28,400	-3,405	-31,805
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**
As of 31 December 2018				
Acquisition cost	2,218,430	5,984,638	73,113	8,276,181
Accumulated amortisation		-66,266	-43,840	-110,106
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**
Assets with unlimited useful life	2,218,430	5,570,573	2,200	7,791,203
Assets with limited useful life		347,799	27,073	374,872
Carrying value as of 31.12.2018	**2,218,430**	**5,918,372**	**29,273**	**8,166,075**

2019	Goodwill	Licences	Other rights	Total
Financial year 2019				
Carrying value as of 01.01.2019	2,218,430	5,918,372	29,273	8,166,075
Translation differences	-2,160	0	-58	-2,218
Additions from business combinations	3,251	0	0	3,251
Acquisition of intangible assets		15,753	45	15,798
Reclassification (to right-of-use assets)			-495	-495
Amortisation for the year		-28,400	-3,402	-31,802
Carrying value as of 31.12.2019	**2,219,521**	**5,905,725**	**25,363**	**8,150,609**
As of 31 December 2019				
Acquisition cost	2,219,521	6,000,391	72,600	8,292,512
Accumulated amortisation		-94,666	-47,237	-141,903
Carrying value as of 31.12.2019	**2,219,521**	**5,905,725**	**25,363**	**8,150,609**
Assets with unlimited useful life	2,219,521	5,586,326	2,200	7,808,047
Assets with limited useful life		319,399	23,163	342,562
Carrying value as of 31.12.2019	**2,219,521**	**5,905,725**	**25,363**	**8,150,609**

Specification of intangible assets per acquisition, per segment

31.12.2018	Region	Acquisition year	Goowill	Licences	Other rights	Total
Wild Catch						
Lerøy Havfisk AS		2016		3,629,200 5)		3,629,200
Lerøy Norway Seafoods AS		2017	2,646		100	2,746
Total			**2,646**	**3,629,200**	**100**	**3,631,945**
Farming						
Lerøy Midt AS group	Central	2003, 2006 1)	956,509	644,100		1,600,609
Lerøy Vest AS	West	2007	535,001	507,718	15,582 3)	1,058,301
Sjøtroll Havbruk AS	West	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North	2005, 2014 2)	134,567	398,891	2,000	535,458
Norsk Oppdrettsservice AS	West	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,264,222**	**17,582**	**4,127,129**
VAP, sales and distribution		4)	**370,459**	**0**	**11,591** 3)	**382,051**
Lerøy Seafood Group ASA		**2017, 2018**		**24,951** 6)		**24,951**
Total			**2,218,430**	**5,918,372**	**29,273**	**8,166,075**

31.12.2019	Region	Oppkjøpsår/ ervervsår	Goowill	Konsesjoner	Andre rettigheter	Sum
Wild Catch						
Lerøy Havfisk AS		2016		3,600,800 5)		3,600,800
Lerøy Norway Seafoods AS		2016, 2017	2,646		100	2,746
Total			**2,646**	**3,600,800**	**100**	**3,603,545**
Farming						
Lerøy Midt AS	Central	2003, 2006 1)	956,509	644,100		1,600,609
Lerøy Vest AS	West	2007	535,001	507,718	14,562 3)	1,057,281
Sjøtroll Havbruk AS	West	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North	2005, 2014 2)	134,567	398,891	2,000	535,458
Norsk Oppdrettsservice AS	West	2015	13,295	40,000		53,295
Total			**1,845,326**	**2,264,222**	**16,562**	**4,126,109**
VAP, sales and distribution		4)	**371,550**	**0**	**8,702** 3)	**380,251**
Lerøy Seafood Group ASA		**2017, 2018**		**40,704** 6)		**40,704**
Total			**2,219,521**	**5,905,726**	**25,364**	**8,150,610**

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

NOTE 7
Intangible assets cont.

(All figures in NOK 1,000)

Licences

Licences in the Farming segment

The net book value of licences in the Farming segment is NOK 2 304 926 including the capitalized costs related to the renewal of the R&D licence in Lerøy Seafood Group ASA. Below is a list of the licences owned by LSG at the end of the financial year according to type, number and volume. The list is based on data registered in the Aquaculture Register.

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

1) The R&D licences are time-limited with a duration of three years. The licences have zero purchase price, and therefore no depreciation.
2) The teaching licences are considered time-limited with a duration of 10 years. The licences have zero purchase price, and therefore no depreciation.
3) The parent fish licence shown for Lerøy Aurora is owned by Lerøy Midt AS but operated by Lerøy Aurora AS.

Other farming licences	Norsk Oppdretts-service Number	Norsk Oppdretts-service Volume (GWT)	Lerøy Vest and Sjøtroll Havbruk Number	Lerøy Vest and Sjøtroll Havbruk Volume (GWT)	Lerøy Midt Number	Lerøy Midt Volume (GWT)	Lerøy Aurora Number	Lerøy Aurora Volume (GWT)	Total Group Number	Total Group Volume (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**

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

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

Licences in the Wild Catch segment

Licences (quotas) for Wild Catch	NBV in acquired company on date of acquisition	Excess value identified in PPA, and allocated	Excess value identified in PPA, and allocated	NBV as of 31.12.2017
Basic quotas for cod, shrimp and greater silver	339,807	2,941,594		3,281,401
Structural quotas, cod trawling	414,064		-94,665	319,399
Total	**753,871**	**2,941,594**	**-94,665**	**3,600,800**

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

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

At the end of the financial year, Lerøy Havfisk group owned 29.6 cod and haddock trawling licences, 31.9 saithe trawling licences, 8 shrimp trawling licences and 2 greater silver licences in Norway. These licences are owned via the subsidiaries Nordland Havfiske AS, Finnmark Havfiske AS and Hammerfest Industrifiske AS.

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2019 (2018), each vessel was permitted up to four (four) quota units, including the quota connected to the vessel. 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”. As of end of year 2019 (2018), one cod licence entitled the holder to fish for an annual volume of 1,109 (1,206) tonnes of cod, 430 (412) tonnes of haddock and 380 (465) tonnes of saithe in the zone north of 62 degrees latitude.

When compared with the final volumes per quota, after re-allocations, in 2018 (2017), this is a change of -10% (-18%) for cod, +2% (-27%) for haddock and -26% (+20%) for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

In order to 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.

Lerøy 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). Lerøy Havfisk AS has been given an extemption from the requirement stating that the controlling interest must be an active fisherman. The Participant Act and supporting legislation stipulate inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries’ approval of Lerøy Seafood Group ASA’s acquisition of the majority shareholding in Lerøy Havfisk AS was granted on the basis of Lerøy Seafood Group ASA’s ownership on the date of the approval. The approval

NOTE 7
Intangible assets cont.

(All figures in NOK 1,000)

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. Lerøy 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 Lerøy 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	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		14,562		14,562
Contracts wiht customers	10 years			6,500	6,500
Other rights	3 - 5 years			2,202	2,202
Total		**0**	**14,562**	**8,702**	**23,264**
Accumulated purchase price		0	44,973	27,627	72,600
Accumulated amortisation		0	-30,411	-16,826	-47,237
Total other rights		**100**	**16,562**	**8,702**	**25,364**

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 five units – Lerøy Vest AS, Sjøtroll Havbruk AS, Lerøy Sjøtroll Kjærelva AS, Norsk Oppdrettsservice AS and Lerøy Ocean Harvest AS – which have been combined to one CGU. The two units Lerøy Vest AS and Sjøtroll Havbruk AS, which comprise most of the CGU, are managed according to a joint operation agreement from 2014, which means that they have a joint management and operate in practice as one unit. In addition the cleaner fish production company Norsk Oppdrettsservice AS, the smolt production company Lerøy Sjøtroll Kjærelva AS, and the R&D company Lerøy Ocean Harvest AS are included in the same CGU, due to the fact that these are small sized companies, which more or less sell all their products internally within the same CGU, and with basically the same management.

Wild Catch

In the sub-group Lerøy Havfisk AS, each vessel with its quotas is defined as one cash-generating unit. Despite this, Lerøy Seafood Group classifies the two sub-groups, Lerøy 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
Lerøy Havfisk AS and Lerøy Norway Seafoods AS	2,646	3,600,800 2)	100	3,603,545
Farming - region Northern Norway	134,567	398,891	2,000	535,458
Farming - region Central Norway	956,509	644,100	-	1,600,609
Farming - region Western Norway	754,250	1,221,231	14,562 1)	1,990,043
Rode Beheer BV Group	139,720	-	-	139,720
Other VAP, sales and distribution companies	231,829	-	8,702 1)	240,531
Lerøy Seafood Group ASA	-	40,704 3)		40,704
Total	**2,219,521**	**5,905,726**	**25,364**	**8,150,609**
Book value of intangible assets that are amortised				342,562
Book value of intangible assets that are not amortised but tested for impairment:				7,808,047
Total				**8,150,609**

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

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 budget for the next year and the estimated profit/loss over the following 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 2019. 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 9% and 44%.

The cash-generating unit (CGU) Wild Catch, which was acquired in 2016, is naturally pulling down the critical

NOTE 7
Intangible assets cont.

(All figures in NOK 1,000)

value due to the fact that the assumptions that the acquisition were based upon, have not changed much in the period from the purchase date and the date for testing. The most significant premises in the test are estimated future volume of catches per species, estimated future prices per species and required rate of return.

In farming the Group has historically experienced a significant production growth per licence in Norway. But from 2012 and until today, there has been practically no growth in production at all. The model is based on an assumption of zero growth in volume, which is a very conservative projection in a long-term perspective. It is probable that such a low growth rate would result in a margin expansion, a condition which is barely covered by the model. The remaining CGUs in the Farming segment have a critical value between 19% and 36%. The Farming segment requires an EBIT in the terminal element of an amount from NOK - 1.1 to NOK 2.4 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	2019	2018
Discount rate (WACC) before tax	7.6 %	7.6 %
Discount rate (WACC) after tax	6.8 %	6.8 %
Nominal rate of growth	1.0 % - 2.0 %	1.0% - 2.0 %

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

Sensitivity analysis per CGU	Sensitivity analysis per CGU	Critical value in the terminal element (with WACC implemented)		Critical WACC	Implemented WACC
Lerøy Havfisk and Lerøy Norway Seafoods	3,284,147	8.5 %	6)	9.0 %	7.6 %
Farming - region Northern Norway	535,458	-1.1	4)	35.7 %	7.6 %
Farming - region Central Norway	1,600,609	0.6	4)	25.2 %	7.6 %
Farming - region Western Norway	1,975,481	2.4	4)	18.6 %	7.6 %
Total	4,111,547	0.9	4)	24.2 %	7.6 %
Lerøy Seafood Group ASA	40,704	2.4	4) 5)	18.6 %	7.6 %
Rode Beheer BV Group	139,720	2.9 %	6)	8.9 %	7.6 %
Other VAPSD	231,829	-0.2 %	6)	44.4 %	7.6 %
Total	371,550	0.0 %	6)	30.0 %	7.6 %
Total	**7,807,947**				**7.6 %**

4) The terminal value for farming is a NOK amount estimated on the basis of EBIT/kg after an explicit period (the terminal component) that gives a total value in use simular to net book value.
5) Development licences in process of beeing granted will be operated by Lerøy Vest. Thus the same parameters as for region Western Norway have been applied.
6) The terminal values for Wild Catch and VAPSD is a percentage calculated on the basis of the profit margin, after an explicit period (the terminal component) that gives a total value in use simular to net book value.

NOTE 8
Fixed assets and right-of-use assets

(All figures in NOK 1,000)

Fixed assets

2018	Prepay-ments to suppliers	Projects in progress	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
1 January 2018							
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 01.01.18	**0**	**0**	**193,808**	**1,760,426**	**987,591**	**2,206,445**	**5,148,271**
Financial year 2018							
Carrying value 01.01.18			193,808	1,760,426	987,591	2,206,445	5,148,271
Foreign currency translation differences			30	-2,525	0	-2,152	-4,647
Operating assets acquired	111,743	541,821	24,803	108,772	422,388	973,748	2,183,275
Operating assets acquired via business combinations			0	630	0	1,068	1,698
Disposal			0	-29,078	-55,036	-9,669	-93,784
Depreciation for the year			0	-79,660	-84,553	-463,651	-627,864
Carrying value 31.12.18	**111,743**	**541,821**	**218,641**	**1,758,565**	**1,270,389**	**2,705,789**	**6,606,948**
31 December 2018							
Acquisition cost	111,743	541,821	218,641	2,207,916	1,398,027	5,889,939	10,368,087
Accumulated depreciation			0	-433,560	-127,638	-3,163,489	-3,724,687
Accumulated impairment loss			0	-15,791	0	-20,661	-36,452
Carrying value 31.12.18	**111,743**	**541,821**	**218,641**	**1,758,565**	**1,270,389**	**2,705,789**	**6,606,948**
Interests capitalised	0	8,900	0	0	0	4,818	13,718

2019	Prepay-ments to suppliers	Projects in progress	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
Accounting year 2019							
Carrying value 01.01.19	111,743	541,821	218,641	1,758,565	1,270,389	2,705,789	6,606,948
Reclassification to right-of-use assets (IFRS 16)				-15,257		-1,007,822	-1,023,079
Reclassification between categories				350,000		-350,000	0
Allocation of completed projects in progress		-541,821	25,000	400,000		116,821	0
Foreign currency translation differences	-7	-244	-420	-4,172		-2,818	-7,660
Operating assets acquired	22,676	206,076	18,381	895,934	63,036	224,895	1,430,998
Disposal	-227		-2,720	-15,658	0	-204,912	-223,517
Depreciation for the year			0	-357,305	-89,723	-106,557	-553,585
Carrying value 31.12.19	**134,185**	**205,832**	**258,882**	**3,012,107**	**1,243,702**	**1,375,396**	**6,230,105**
31 December 2019							
Acquisition cost	134,185	205,832	258,882	3,793,075	1,461,064	3,446,759	9,299,797
Accumulated depreciation			0	-765,182	-217,362	-2,050,701	-3,033,245
Accumulated impairment loss			0	-15,786	0	-20,661	-36,447
Carrying value 31.12.19	**134,185**	**205,832**	**258,882**	**3,012,107**	**1,243,702**	**1,375,397**	**6,230,105**
Interests capitalised	0	0	0	0	0	0	0

For prepayments to suppliers, the right of property is transferred to the Group on time of completion
For projects in progress, the right of property is transferred to the Group based on progress

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

Leased assets are from 01.01.2019 included in the new group "right-of-use assets". See note on leases.

NOTE 9
Leases

(All figures in NOK 1,000)

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

The Group has applied the modified, retrospective method for implementation on 1 January 2019. This implies no changes to historic comparative figures and that the value of the lease liability and the right of use are the same at the time of implementation. The new right-of-use assets and lease liabilities are valued at the current value of the future lease payments. The lease payments are discounted by the Group's estimated marginal average interest rate on loans (4%). This is deemed as representative of all leases in the Group, as the majority are in NOK, and the Group principally makes use of the same credit institutions, which provide relatively similar terms. For leases previously classified as financial leasing according to IAS 17, the carried book value of the right-of-use assets and lease liabilities are retained on the implementation date for IFRS 16 (1 January 2019).

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

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

In the statement of financial position, the Group has chosen to present the right-of-use assets on a separate line. The lease liabilities are classified as long-term and short-term. In addition, the lease liabilities are divided into (1) lease liabilities to credit institutions and (2) lease liabilities to others. Only the lease liabilities to credit institutions are included in the calculation of the alternative performance measurements for net interest-bearing debt (NIBD). A more detailed explanation of this classification is provided in the note relating to alternative performance measurements. The long-term share of the lease liabilities is shown on separate lines in the statement of financial position. The short-term share of the lease liabilities is included in the first-year instalment on long-term liabilities and shown on a separate line in the statement of financial position. The short-term share of long-term liabilities is specified in more detail in the note on long-term liabilities. The interest expense related to the liability is presented under net financial expense. This is specified in more detail in the note on combined items in the financial statements.

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

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

Please refer to note 27 for more detailed information and figures for accounting effect.

Right-of-use assets

Right-of-use assets by groups in the notes and agreement partners

	Real estate	Buildings	Vessels	Machines, fixtures, equip., etc.	Total right-of-use assets	Of which from Credit institution	Of which from Others
At 01.01.2019							
Implementation effect of IFRS 16 (operating leases according to IAS 17)	49,807	529,034	705,290	125,944	1,410,075	87,463	1,322,612
Reclassified from fixed assets (financial leases according to IAS 17)	0	15,257	0	1,007,822	1,023,079	1,009,255	13,824
Carried value 01.01.2019	**49,807**	**544,291**	**705,290**	**1,133,766**	**2,433,154**	**1,096,718**	**1,336,436**
Financial year 2019							
Carried value 01.01.2019	49,807	544,291	705,290	1,133,766	2,433,154	1,096,718	1,336,436
Translation differences	0	-739	0	-357	-1,096	-365	-731
Addition of new right-of-use assets		651	107,826	276,510	384,987	276,510	108,477
Disposals				-12,290	-12,290	-12,291	1
Depreciation for the year	-3,899	-56,698	-141,046	-225,011	-426,654	-225,011	-201,643
Carried value 31.12.2019	**45,908**	**487,505**	**672,071**	**1,172,618**	**2,378,102**	**1,135,561**	**1,242,541**
As of 31 December 2019							
Acquisition cost *	49,807	544,271	813,117	1,397,584	2,804,779	1,360,526	1,444,253
Accumulated depreciation *	-3,899	-56,767	-141,046	-224,966	-426,678	-224,965	-201,713
Carried value 31.12.2019	**45,908**	**487,505**	**672,071**	**1,172,618**	**2,378,102**	**1,135,561**	**1,242,541**
** Including translation differences*							
Mortgaged assets							
Book value of mortgaged assets						1,135,561	0

Lease liabilities

Lease liabilities divided into long-term and short-term, and by lessor category

	31.12.2018	IFRS 16 implement.	01.01.2019	New agreements	Redeemed	Translation differences	31.12.2019
Lease liabilities to credit institutions	**926,893**	**87,464**	**1,014,357**	**276,510**	**-233,849**	**-364**	**1,056,654**
Lease liabilities to credit institutions – short-term	185,048						218,384
Lease liabilities to credit institutions – long-term	741,845						838,270
Lease liabilities to others	**13,825**	**1,322,611**	**1,336,436**	**108,477**	**-205,843**	**-660**	**1,238,410**
Lease liabilities to others – short-term	700						197,088
Lease liabilities to others – long-term	13,125						1,041,322
Total lease liabilities	**940,718**	**1,410,075**	**2,350,793**	**384,987**	**-439,692**	**-1,024**	**2,295,064**
Total lease liabilities – short-term	185,748						415,472
Total lease liabilities – long-term	754,970						1,879,592

The short-term share of lease liabilities is presented on same line in statement of financial position, and specified in the note on long-term liabilities

NOTE 9
Leases cont.

(All figures in NOK 1,000)

Lease payments

	Accounting	Lease costs paid	Of which to credit institutions	Of which to others
Lease costs paid on non-carried agreements	Operating cost	250	0	250
Instalments paid	Reduction in debt	439,692	233,849	205,843
Interest costs paid	Financial costs	80,925	31,540	49,385
Outgoing cash flows related to leases		**520,867**	**265,389**	**255,478**

Lease costs paid on non-carried agreements comprise:	
Lease on agreements that are exempt in accordance with the initial recognition exemption for short-term agreements	50
Lease on agreements that are exempt in accordance with the initial recognition exemption for low value assets	200
Expenses related to variable lease, not included in the carried amount	0
Income from sub-lease	0
Gain/loss from sale and leaseback agreements	0
Total	**250**

Effects of IFRS 16 on income statement

Differences in cost components	IFRS 16	Difference	IAS 17*
Expensed lease on leases	0	255,478	255,478
Depreciation of right-of-use assets	426,654	-201,643	225,011
Interest expenses related to leases	80,925	-49,385	31,540
Total expensed amount related to leases	**507,579**	**4,450**	**512,029**

Differences in key figures	IFRS 16	Difference	IAS 17*
Before fair value adjustments			
Operating profit/loss before depreciation and fair value adjustments	3,746,276	255,478	3,490,798
Operating profit/loss before fair value adjustments	2,734,235	53,835	2,680,400
Profit/loss before tax and fair value adjustments	2,717,911	4,450	2,713,461
After fair value adjustments			
Operating profit/loss before depreciation	3,412,573	255,478	3,157,095
Operating profit/loss	2,400,532	53,835	2,346,697
Pre-tax profit/loss	2,365,482	4,450	2,361,032

** In a scenario where IAS 17 could have been applied in 2019*

NOTE 10
Shares in associates and other investments

(All figures in NOK 1,000)

Shares in associates

Classification of associates

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

Associates	Owner (in LSG group)	Operating segment	Country	Place of business	Ownership/voting share 01.01	Ownership/voting share 31.12	Net book value 31.12
Associates considered as material							
Norskott Havbruk AS - group	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	636,809
Seistar Holding AS - group	Lerøy Seafood Group ASA	Farming	Norway	Austevoll	50 %	50 %	156,809
Seafood Danmark A/S - group	Lerøy Seafood Group ASA	VAPSD*	Denmark	Hirtshals	33 %	33 %	123,838
Total material associates							**917,456**
Other associates							
Nesset Kystfiske AS	Sørvær Kystfiskeinvest AS	Wild Catch	Norway	Hasvik	34 %	34 %	859
Holmen Fiske AS	Sørvær Kystfiskeinvest AS	Wild Catch	Norway	Hasvik	34 %	34 %	9,449
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS	Wild Catch	Norway	Hasvik	39 %	39 %	214
Båtsfjord Bedriftshelsetjeneste AS	Lerøy Norway Seafoods AS	Wild Catch	Norway	Båtsfjord	28 %	28 %	109
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS	Wild Catch	Norway	Båtsfjord	34 %	34 %	244
Fryserienes Fôromsetning SA	Lerøy Norway Seafoods AS	Wild Catch	Norway	Tromsø	23 %	0 %	0
Itub AS	Lerøy Norway Seafoods AS	Wild Catch	Norway	Ålesund	22 %	22 %	5,525
Finnmark Kystfiske AS	Lerøy Havfisk AS	Wild Catch	Norway	Hammerfest	48 %	48 %	2,144
Vestvågøy Kystrederi AS	Lerøy Havfisk AS	Wild Catch	Norway	Vestvågøy	50 %	50 %	2,796
Ocean Forest	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	133
Kirkenes Processing AS	Lerøy Aurora AS	Farming	Norway	Kirkenes	50 %	50 %	259
Romsdal Processing AS	Lerøy Aurora AS	Farming	Norway	Midsund	50 %	50 %	5,667
Norway Salmon AS	Lerøy Midt AS	Farming	Norway	Rørvik	50 %	50 %	326
Sporbarhet AS	Lerøy Seafood Group ASA	Farming	Norway	Trondheim	0 %	22 %	135
Dragøy Grossist AS	Lerøy Nord AS	VAPSD*	Norway	Tromsø	34 %	34 %	2,192
Silvervåg AS	Sirevaag AS	VAPSD*	Norway	Karmøy	49 %	49 %	980
Vågen Fiskeriselskap AS	Sirevaag AS	VAPSD*	Norway	Hå	50 %	50 %	1,120
The Seafood Innovation Cl. AS	Lerøy Seafood Group ASA	VAPSD*	Norway	Bergen	20 %	20 %	410
Total other associates							**32,561**
Grand total							**950,017**

*VAPSD is short for Value Added Processing (VAP), Sales & Distribution.

NOTE 10
Shares in associates and other investments cont.

(All figures in NOK 1,000)

Carrying value on associates and income from associates

2019	Seafood Danmark A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
Acquisition year	2017	2015	2001		
Reconciliation of changes in book value					
Opening balance 01.01	**112,395**	**108,309**	**761,339**	**33,514**	**1,015,556**
Companies acquired				135	135
Companies sold				-1	-1
Share of this year's profit	18,716	54,500	106,492	41	179,749
Dividend distributed	-6,423	-6,000	-252,900	-1,129	-266,452
Currency translation differences *	-849		25,408		24,559
Other changes over equity			-3,530		-3,530
Closing balance as of 31.12	**123,838**	**156,809**	**636,809**	**32,560**	**950,016**
Acquisition cost	77,170	61,500	163,273		
Income from associates including and before fair value adjustments related to biological assets					
Share of this year's profit	18,716	54,500	106,492	41	179,749
Gain from disposal of associate	0	0	0	0	0
Income from associates, including fair value adjustments	**18,716**	**54,500**	**106,492**	**41**	**179,749**
Fair value adjustments (after tax) from associates			-18,726		-18,726
Income from associates, before fair value adjustments	**18,716**	**54,500**	**125,218**	**41**	**198,475**

** Currency translation differences relate to translation for the sub-group Scottish Seafarms, owned by Norskott Havbruk AS, where functional and reporting currency is GBP, and currency translation differences related to the sub-group Seafood Danmark A/S, where functional and reporting currency is DKK.*

Other information on associates considered material to the Group

Information on subsidiaries of associates

Company	Owner (associate)	Operating segment	Country	Ownership/ voting share 01.01	Ownership/ voting share 31.12
Scottish Seafarms Ltd	Norskott Havbruk AS	Farming	Scotland	100 %	100 %
Ettrick Trout Ltd	Scottish Seafarms Ltd	Farming	Scotland	100 %	100 %
Orkney Sea Farms Ltd	Ettrick Trout Ltd	Farming	Scotland	100 %	100 %
Brødrene Schlie`s Fiskeeksport A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Scanfish A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Thorfisk A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Lerøy Schlie A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Tip Top Fiskeindustri A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Nigra Fiskeoppdrett A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
P. Tabbel & Co A/S	Seafood Danmark A/S	VAPSD	Denmark	100 %	100 %
Wannebo International A/S	Seafood Danmark A/S	VAPSD	Denmark	50,2 %	50,2 %
Mowi Star AS	Seistar Holding AS	Farming	Norway	100 %	100 %
Seivåg Shipping AS	Seistar Holding AS	Farming	Norway	100 %	100 %
Seigrunn AS	Seistar Holding AS	Farming	Norway	100 %	100 %

Financial information (100%)

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

Companies	Seafood Danmark A/S Group		Seistar Holding AS Group		Norskott Havbruk AS Group	
Consolidated figures	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	1,732,991	1,738,814	158,874	169,858	1,834,449	2,065,150
Operating profit (EBIT) before fair value adjustments	87,202	66,842	116,474	41,547	292,942	660,805
Operating profit (EBIT)	87,202	66,842	116,474	41,547	243,927	650,820
Pre-tax profit	81,590	63,902	109,895	33,419	228,776	639,938
Annual profit	**63,591**	**48,664**	**109,000**	**32,877**	**212,984**	**522,614**
Other comprehensive income	0	0	0	0	-7,060	-11,050
Fixed assets	375,884	379,392	516,296	385,520	1,598,027	1,330,163
Current assets	350,353	379,687	170,988	91,644	1,048,123	1,303,476
Total assets	**726,237**	**759,079**	**687,284**	**477,164**	**2,646,150**	**2,633,639**
Long-term debt	99,650	85,367	379,952	271,576	1,011,663	774,567
Short-term debt	240,656	336,493	33,638	34,894	360,869	336,395
Total debt	**340,306**	**421,860**	**413,590**	**306,469**	**1,372,532**	**1,110,962**
Net interest-bearing debt	150,957	203,943	230,372	195,946	1,021,283	508,378
Equity	**385,931**	**337,219**	**273,694**	**170,695**	**1,273,618**	**1,522,677**

Information on biological assets in associates

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

Information on fish in sea and harvested volume in the period, in tonnes	**2019**		**2018**	
Ownership	100 %	50 %	100 %	50 %
Total fish in sea (LWT)	13,087	6,544	15,373	7,687
Total harvest volume in the period (GWT)	25,866	12,933	27,464	13,732

Fair value adjustment related to biological assets in the statement of financial position	**2019**		**2018**	
Ownership	100 %	50 %	100 %	50 %
Fair value adjustment as of 01.01	177,241	88,621	187,226	93,613
Fair value adjustment through the income statement	-48,015	-24,008	-9,985	-4,993
Fair value adjustment as of 31.12	129,226	64,613	177,241	88,621
Cost price of fish in sea 31.12	602,718	301,359	700,200	350,100
Cost price of roe, fry and smolt 31.12	79,999	39,999	57,649	28,825
Carrying value of biological assets 31.12	**811,942**	**405,971**	**935,090**	**467,545**

Fair value adjustment related to biological assets in the income statement	**2019**		**2018**	
Ownership	100 %	50 %	100 %	50 %
Profit and loss impact before tax	-48,015	-24,008	-9,985	-4,993
Tax cost before effect of change in tax rate	10,563	5,282	2,297	1,148
Effect of change in tax rate (change in deferred tax in the balance sheet)	0	0	1,772	886
Net fair value adjustment, after tax *	**-37,452**	**-18,726**	**-5,916**	**-2,958**

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

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

NOTE 10
Shares in associates and other investments cont.

(All figures in NOK 1,000)

Other investments

Other shares as of 31.12.2019	Ownership/ voting share	Cost price	Fair value	Carrying value
Various minor shareholdings	Insignificant	13,825	13,825	13,825
Total		**13,825**	**13,825**	**13,825**

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

NOTE 11
Biological assets

(All figures in NOK 1,000)

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

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

Fair value adjustment recognised in the period related to biological assets comprises: (1) Change in fair value adjustment of biological assets, (2) change in fair value of onerous contracts (loss-making contracts) and (3) change in unrealised gain/loss of financial sale and purchase contracts (derivatives) for fish in Fishpool. The last mentioned adjustment does only include Fish Pool contrants included in the balance sheet at the beginning of the year. For new contracts entered into in 2019 the change in fair value are recognized as other comprehensive income (OCI) due to cash flow hedging.

The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to 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 liabilities. The Group also enters into Fish Pool contracts to hedge prices. The number of such contracts is limited. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term liabilities.

Recognised fair value adjustment related to biological assets consist of	2019	2018
Change in fair value adjustment of biological assets (fish in sea)	-374,799	799,983
Change in fair value of onerous contracts	25,457	-46,519
Change in fair value of Fish Pool contracts	15,638	1,474
Fair value adjustments related to biological assets	**-333,703**	**754,938**

The balance sheet item and accounting line impacted from the different adjustments mentioned above, is specified below:

Reconciliation of carrying amount of fair value related to biological assets	2019	2018
Fair value adjustment of biological assets 01.01	1,547,580	747,598
Change in fair value adjustment on fish in sea	-374,799	799,983
Fair value adjustment of biological assets 31.12	**1,172,782**	**1,547,580**

The balance sheet item is included in biological assets. The accounting line is further specified below:

Reconciliation of carrying amount of onerous contracts	2019	2018
Carrying amount of onerous contracts 01.01	-51,974	-5,455
Change in fair value of onerous contracts	25,457	-46,519
Carrying amount of onerous contracts 31.12	**-26,517**	**-51,974**

The balance sheet item is included in other short-term liabilities

Reconciliation of carrying amount of Fish Pool contracts	2019	2018
Fish Pool contracts 01.01	-15,633	-16,988
Change in fair value of Fish Pool contracts included profit and loss	15,638	1,474
Translation differences - recognised in OCI	1,509	-119
Change in fair value of Fish Pool contracts - recognised in OCI - cash flow hedge	-757	0
Fish Pool contracts 31.12	**757**	**-15,633**

The balance sheet item is included in other receivables if positive or other short-term liabilities if negative.

NOTE 11
Biological assets cont.

(All figures in NOK 1,000)

Carrying amount of biological assets consist of	2019	2018
Fish in sea at historical cost *	4.058.953	3.746.634
Roe, fry, smolt and cleaner fish at cost *	343.187	270.233
Total biological assets before fair value adjustment	4.402.140	4.016.867
Fair value adjustment of biological assets	1.172.782	1.547.580
Total biological assets 31.12	**5.574.922**	**5.564.448**
Fish in sea at fair value	5.231.735	5.294.214
Roe, fry, smolt and cleaner fish at fair value	343.187	270.233
Total biological assets 31.12	**5.574.922**	**5.564.448**

** Historical cost minus expensed mortality*

Reconciliation of carrying amount of biological assets	Roe, fry, smolt and cleaner fish*	Fish in sea (salmon and trout)*	Fair value adjustment	Total biological assets
Biological assets 01.01.2018	**244,226**	**3,466,270**	**747,598**	**4,458,095**
Changes in 2018				
Increase from biological transformation (released and net growth)	516,265	5,851,263		6,367,528
Reduction due to sale and internal use (smolt and cleaner fish)	-490,257			-490,257
Reduction due to harvest (salmon and trout)		-5,433,680		-5,433,680
Reduction due to incident-based mortality	0	-137,211		-137,211
Reduction due to accidental release	0	-10		-10
Net change in fair value (fish in sea)	0	0	799,983	799,983
Biological assets 31.12.2018	**270,234**	**3,746,633**	**1,547,580**	**5,564,447**
Changes in 2019				
Increase from biological transformation (released and net growth)	674,160	6,226,933		6,901,093
Reduction due to sale and internal use (smolt and cleaner fish)	-603,861			-603,861
Reduction due to harvest (salmon and trout)		-5,726,934		-5,726,934
Reduction due to incident-based mortality		-187,674		-187,674
Reduction due to accidental release		-3		-3
Net change in fair value (fish in sea)			-374,798	-374,798
Biological assets 31.12.2019	**340,533**	**4,058,954**	**1,172,782**	**5,572,270**

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

Reconciliation of volume (LWT) for stock of fish in sea	2019	2018
	LWT	**LWT**
Live weight of fish in sea at 01.01 (tonnes)	**110,105**	**112,489**
Changes through the year		
Increase from biological transformation (released and net growth)	207,971	195,163
Reduction due to harvesting	-190,495	-193,188
Reduction due to incident-based mortality	-16,319	-4,359
Reduction due to accidental release	0	0
Live weight of fish in sea at 31.12 (tonnes)	**111,263**	**110,105**

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)	2019	2018
Distribution by live weight	**LWT**	**LWT**
Fish in sea, 0-1 kg	11,664	14,164
Fish in sea, 1-2 kg	9,969	13,538
Fish in sea, 2-3 kg	17,499	36,970
Fish in sea, 3-4 kg	37,749	23,133
Fish in sea, 4-4.8 kg	18,064	15,728
Fish in sea, more than 4.8 kg	16,318	6,572
Fish in sea, total salmon and trout	**111,263**	**110,105**
Distribution according to type of fish	**LWT**	**LWT**
Fish ready for harvest (fish with live weight > 4.8 kg)	16,318	6,572
- Salmon	16,318	5,147
- Trout	0	1,425
Fish not ready for harvest (fish with live weight < 4.8 kg)	94,945	103,533
- Salmon	78,175	87,646
- Trout	16,770	15,887
Total volume:	111,263	110,105
- Salmon	94,493	92,793
- Trout	16,770	17,312
Number of individuals		
Number of individuals, all groups (in 1,000)	55,055	56,941

Parameters applied for calculation of fair value

Price parameters

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

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

2019 - Estimated future price during expected harvesting period	Forward price *	Exporter fee	Clearing cost	Net forward price
Q1 2020	66.10	-0.75	-0.185	65.17
Q2 2020	66.90	-0.75	-0.185	65.97
Q3 2020	55.00	-0.75	-0.185	54.07
Q4 2020	56.40	-0.75	-0.185	55.47
Q1 2021	59.35	-0.75	-0.185	58.42
Q2 2021	59.65	-0.75	-0.185	58.72

** Quarterly forward price based on monthly forward prices sourced from Fish Pool 30 December 2019.*

NOTE 11
Biological assets cont.

(All figures in NOK 1,000)

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

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

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

	2019	2018
Estimated average net price, all sizes (kr/kg), after primary processing and freight costs	53.3	56.1
Other parameters		
Projected mortality in relation to number of individuals per month in North Norway	0.50 %	0.50 %
Projected mortality in relation to number of individuals per month in Central Norway	0.67 %	1.00 %
Projected mortality in relation to number of individuals per month in West Norway	1.25 %	1.00 %
Projected slaughter weight (live weight)	4.8 kg	4.8 kg
Discount rate (monthly)	5 %	6 %

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

Accidental release in 2019

For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident. The Group has not experienced any accidental release of economic significance in 2019. In total only 85 individuals have escaped, from a total stock of approximately 55 million individuals. The accidental release consists of seven different small incidents. These incidents are further described in the sustainability report, available at www.leroyseafood.com.

Incident-based mortality

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

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

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

NOTE 12
Other inventories

(All figures in NOK 1,000)

Other inventories consist of	2019	2018
Feed, packaging materials, auxiliary and other raw materials	414,578	372,530
Finished goods / goods for sale	624,996	948,090
Write-down of inventories re obsolescence	-13,824	-5,328
Total other inventories	**1,025,750**	**1,315,292**

NOTE 13
Receivables

(All figures in NOK 1,000)

Non-current receivables	2019	2018
Loan to associates	19,905	17,994
Prepayments	0	4,067
Deposits (mainly Norges Råfisklag)	5,847	6,096
Loans to fishermen	30,477	25,648
Loans to employees	3,309	3,375
Positive value on interest swap	6,602	5,849
Other receivables and periodisations	5,093	4,747
Total	**71,233**	**67,776**

Trade receivables	2019	2018
Nominal value	2,261,329	2,181,376
Provision for bad debts	-16,982	-28,962
Total trade receivables	**2,244,347**	**2,152,414**

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

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

By the end of February 2020, 90.8% of trade receivables (nominal value) had been collected, compared with 96.6% in the previous year. This represents 91.5% of book value, compared with 97.9% in the previous year. By end of February 2020 approximately 36% of the uncollected receivables was not yet due, compared with 0% in the previous year.

Trade receivables 31.12 - aging	2019	2018
Not due	1,975,161	1,719,667
Due, 0 to 3 months	254,488	386,644
Due, 3 to 6 months	11,221	49,791
Due, more than 6 months	20,459	25,274
Total	**2,261,329**	**2,181,376**

Trade receivables 31.12 - provision	2019	2018
Not due	8,715	16,354
Due, 0 to 3 months	2,998	7,591
Due, 3 to 6 months	298	2,490
Due, more than 6 months	4,972	2,527
Total	**16,982**	**28,962**

Trade receivables 31.12 - no provision	2019	2018
Not due	1,966,446	1,703,313
Due, 0 to 3 months	251,490	379,053
Due, 3 to 6 months	10,923	47,302
Due, more than 6 months	15,488	22,746
Total	**2,244,347**	**2,152,414**

Lifetime expected loss allowance for provision	2019	2018
Not due	0.4 %	1.0 %
Due, 0 to 3 months	1.2 %	2.0 %
Due, 3 to 6 months	2.7 %	5.0 %
Due, more than 6 months	24.3 %	10.0 %
Total	**0.8 %**	**1.3 %**

Movements in provision for bad debt are as follows	2019	2018
Provision 01.01	28,962	41,258
Business combinations	0	129
This years change in provisions, before write off	-14,872	-20,047
Receivables written off during the year as uncollectable	3,274	8,046
Currency translation differences	23	246
Receivables written off, recovered	-406	-670
Provision 31.12	**16,981**	**28,962**

Net loss on account receivables included in the income statement	2019	2018
Net change in provision for bad debt	-12,004	-12,671
Receivables written off during the year as uncollectable	3,274	8,046
Receivables written off, recovered	-406	-670
Total cost (+) / cost recuction (-)	**-9,136**	**-5,295**

Trade receivables by currency	2019	2018
NOK	880,847	768,267
SEK	154,757	178,798
GBP	31,527	85,325
EUR	839,917	878,069
USD	262,515	207,947
JPY	32,847	27,565
Other currencies	41,937	6,443
Total trade receivables	**2,244,347**	**2,152,414**

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

Other current receivables	2019	2018
VAT to be refunded	301,595	240,855
Pre-payments	41,470	44,566
Currency forward contracts	103,200	0
Other financial instruments	1,319	0
Hedged foreign exchange gain on firm commitments	0	73,100
Other	63,547	67,990
Total other receivables	**511,131**	**426,511**

NOTE 14
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:

- Agreement from 2011: NOK 500,000, Start date when agreement was signed, Duration 10 years, Terminates 16.11.2021, Interest rate 3.55%, LSG ASA
- Agreement from 2012: NOK 500,000, Start date when agreement was signed, Duration 10 years, Terminates 16.01.2022, Interest rate 3.29%, LSG ASA
- Agreement from 2016: NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.01%, Havfisk AS
- Agreement from 2016: NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.02%, Havfisk AS

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

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

	2019	2018
Nominal value on interest rate swap agreements		
Nominal amount 01.01	1,647,000	2,218,835
Agreements expired during the period	0	-571,835
New agreemets during the period	0	0
Change in nominal value on existing agreements	0	0
Nominal amount 31.12	**1,647,000**	**1,647,000**
Book value 01.01.		
Fair value of interest rate swaps at 01.01	-49,611	-90,411
Deferred tax asset related to interest rate swaps	10,915	20,795
Net value after tax 01.01	**-38,697**	**-69,617**
Tax rate applied	22 %	23 %
Change through other comprehensive income (FVOCI)		
Change in fair value of interest rate swaps	25,622	40,800
Change in related deferred tax	-5,637	-9,384
Net change in fair value through other comprehensive income (cash flow hedgning)	**19,985**	**31,416**
Tax rate applied	22 %	23 %
Changes through profit or loss (FVPL)		
Change in fair value of interest rate swaps from estimation deviation on expired agreement	0	0
Change in related deferred tax	0	0
Change in deferred tax related to 0% / 1% reduction in tax rate (change in estimate)	0	-496
Net change in fair value through profit or loss	**0**	**-496**
Book value 31.12		
Fair value of interest rate swaps at 31.12	-23,989	-49,611
Deferred tax asset related to interest rate swaps	5,278	10,915
Net value after tax 31.12	**-18,712**	**-38,697**
Tax rate applied	22 %	22 %

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

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

At 31.12.2019 Lerøy Seafood Group has currency forward contracts with a net positive fair value of NOK 103.2 million. The currency forward contracts is classified as short-term receivables at 31.12.19. NOK 35.8 million of the net positive value is offset against the off-balance item signed sales contracts, and is classified as a short-term debt. The 31.12.2018 the group had currency forward contracts with a net negative fair value of NOK 79.5 million classified as short-term debt. NOK 73.1 million of the net negative value is offset against the off-balance item signed sales contracts, and is classified as a short-term receivables.

The net currency gain in 2019 is NOK 72.7 million, compared with NOK 65.3 millions in 2018. The amount is recognized in cost of materials in the income statement, as it relates to the inventory cycle.

Financial purchase and sales contracts for salmon (Fish Pool contracts)
at 31.12.2019 Lerøy Seafood Group has open financial purchase contracts for salmon (Fish Pool contracts) with a total positive fair value of NOK 0.76 million. At the end of 2018 the Group had open contracts with a negative fair value of NOK 15.6 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.

The change in value of the purchase contracts is recognised on the accounting line for fair value adjustment related to biological assets. The change in value (increase) recognised in the income statement in 2019 is NOK 15.6 million. The corresponding figure in 2018 was an increase of NOK 1.5 million. The effect is charged to cost of goods when realised. From 2019 hedge accounting is used for the Fish Pool contracts. The change in value on open contracts 31.12, from 2019, are recognized as other comprehensive income, with a negative impact of NOK 0.76 million.

Bunker derivatives
at the end of 2019 Lerøy Seafood Group has open financial purchase contracts for bunkers (bunker derivatives) with a positive fair value of NOK 0.56 million. At the end of 2018 the group had contracts with a total negative fair value of NOK 7.75 million.

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

Financial instruments by category
The following principles have been used for the subsequent measurement of financial instruments in the balance sheet:

NOTE 14
Financial instruments cont.

(All figures in NOK 1,000)

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

As of 31.12.2019	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Assets:				
Other investments		13,825		13,825
Trade receivables and other receivables*	2,299,507	103,200	7,921	2,410,628
Cash and cash equivalents	3,031,052			3,031,052
Total	**5,330,559**	**117,025**	**7,921**	**5,455,505**
Liabilities:				
Long-term liabilities (interest rate swaps)			30,591	30,591
Loans (excl. finance leases)	4,030,703			4,030,703
Lease liabilities to credit institutions	1,056,654			1,056,654
Overdraft facility and factoring	585,126			585,126
Trade payables and other deb**	2,279,015		0	2,279,015
Total	**7,951,498**	**0**	**30,591**	**7,982,089**

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

Change in value of financial instruments trough other comprehensive income

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

Change in fair value through other comprehensive income	2019	2018
Interes swap agreements	19,985	31,416
Bunker derivates	6,483	-9,863
Fish Pool contracts	-757	
Total	**25,711**	**21,553**

Financial instruments at fair value by level

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

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

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

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

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

As of 31.12.2019 – Assets	Level 1	Level 2	Level 3
Financial instruments used for hedging			
– Currency forward contracts (fair value hedging) - fair value through profit or loss		103,200	
– Fish Pool contracts (cash flow hedging) - fair value through other comprehensive income		757	
– Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		562	
– Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		6,602	
Other financial instruments			
– Other shares - fair value through profit or loss			13,825
Total	**0**	**111,121**	**13,825**

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

As of 31.12.2019 – Liabilities	Level 1	Level 2	Level 3
Financial instruments used for hedging			
– Currency forward contracts (fair value hedging) - fair value through profit or loss		0	
– Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		0	
– Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		30,591	
Total	**0**	**30,591**	**0**

NOTE 15
Loans, mortgages and guarantees

(All figures in NOK 1,000)

Long-term debt

Debt is split on short-term and long-term debt. Debt that matures within 12 months from balance sheet date is defined as short-term debt. This implies that the portion of long term debt that matures within the next twelve months are presented as short-term portion of long term debt.

Both short-term and long-term debt consist of interest bearing and non-interest bearing debt. Interest bearing debt is an alternaltive performance measure (APM). The figure consists of debt with the main purpose of providing financing to the group, together with equity. The items included are specified below. It is also further described in the section about net interest bearing debt (NIBD) in the note on alternative performance measures.

Short-term portion of long term debt

Short-term portion of long term debt consists of	2019	2018
Next year's instalments on long-term interest bearing debt		
Leasing liabilities to credit institutions	218,384	185,748
Loans from credit institutions	399,715	403,472
Other interest bearing debt	1,494	1,479
Total	**619,593**	**590,700**
Next year's instalments on long-term non-interest bearing debt		
Leasing liabilities to others	197,087	0
Total short-term portion of long term debt	**816,679**	**590,700**

Interest bearing debt

Interest-bearing debt split on long-term and short-term	2019	2018
Long-term interest-bearing debt		
Long-term portion of leasing liabilities to credit institutions	838,270	754,970
Long-term portion of loans from credit institutions, etc.	3,628,044	3,793,985
Long-term portion of other long-term interest-bearing debt	1,449	1,744
Total long-term interest-bearing debt 31.12	**4,467,763**	**4,550,698**
Short-term interest-bearing debt		
Next year's instalments on leasing liabilities to credit institutions	218,384	185,748
Next year's instalments on loans from credit institutions	399,715	403,472
Next year's instalments on other long-term debt	1,494	1,479
Factoring debt	569,465	441,168
Total short-term interest-bearing debt 31.12	15,661	0
	1,204,719	**1,031,868**
Total net interest bearing debt		
Leasing liabilities to credit institutions		
Loans from credit institutions, etc.	1,056,654	940,718
Other long-term interest-bearing debt	4,027,759	4,197,457
Debt to credit institutions (overdraft and multi-currency credit)	2,943	3,223
Factoring debt	569,465	441,168
Total interest-bearing debt 31.12	15,661	0
Sum rentebærende gjeld 31.12	**5,672,482**	**5,582,566**

Interest-bearing debt specified by currency	2019	2018
NOK	5,343,696	5,103,783
SEK	115,415	156,754
EUR	200,735	296,175
Other currencies	12,637	25,855
Total	**5,672,482**	**5,582,566**

Net interest bearing debt (NIBD)

NIBD consists of	2019	2018
Long-term interest-bearing debt	4,467,763	4,550,698
Short-term interest-bearing debt	1,204,719	1,031,868
Bank deposits	-3,031,052	-3,036,154
NIBD 31.12	**2,641,431**	**2,546,412**

	Assets	Short term debt		Long term debt			
Reconciliation of changes in NIBD	**Bank deposits**	**Overdraft**	**Factoring**	**Loans from credit institutions**	**Leasing liabilities**	**Other debt**	**Total**
NIBD as of 01.01.2018	**-3,514,096**	**202,550**	**0**	**4,767,452**	**804,021**	**2,239**	**2,262,166**
Change in bank deposits	477,942	0					477,942
Cash flows - in		238,925		764,227			1,003,152
Cash flows - out		0		-1,334,414	-180,364	-258	-1,515,036
New leasing liabilities		0			317,475	0	317,475
Currency translation differences		0		-1,155	-415	21	-1,549
Business combinations		-307				1,220	913
Other non-cash movements		0		1,347	1	1	1,349
NIBD as of 31.12.2018	**-3,036,154**	**441,168**	**0**	**4,197,457**	**940,718**	**3,223**	**2,546,412**
Change in bank deposits	5,102						5,102
Cash flows - in		128,297	15,661	120,674			264,632
Cash flows - out				-285,855	-233,849	-267	-519,971
New leasing liabilities					276,510		276,510
Currency translation differences				-2,538	-364	-13	-2,915
Other non-cash movements				-1,979	73,640		71,661
NIBD as of 31.12.2019	**-3,031,052**	**569,465**	**15,661**	**4,027,759**	**1,056,654**	**2,943**	**2,641,431**

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Financial instruments is the main component in other long-term liabilities. The financial instruments consist of interest rate swap agreements. Financial instruments are not included in interest bearing debt, or in the payment profile for financial liabilities.

Other long-term liabilities consists of	2019	2018
Interest rate swaps (see note on financial instruments)	30,591	55,460
Other long-term liabilities	263	7,383
Total	**30,854**	**62,843**

NOTE 15
Loans, mortgages and guarantees cont.

(All figures in NOK 1,000)

Loans secured by mortgages and mortgaged assets

Loans secured by mortgages consists of	2019	2018
Long-term loans from credit institutions, etc.	3,628,044	3,793,985
Leasing liabilities to credit institutions	838,270	754,970
Other long-term interest-bearing debt	1,449	1,744
Short-term debt to credit institutions (multi-currency credit)	569,465	441,168
Factoring	15,661	0
Total liabilities secured by mortgages 31.12	**5,052,889**	**4,991,866**

Mortgaged assets	2018	2018
Trade and other receivables	834,423	624,318
Shares in associates (Norskott Havbruk AS)	636,809	761,339
Biological assets and other goods	6,323,378	6,610,445
Fixed assets	5,552,426	5,810,399
Right-of-use assets from credit institutions	1,135,561	0
Licences*	937,200	644,100
Total	**15,419,797**	**14,450,601**

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

Payment profile financial liabilities and interest risk etc.

Payment profile financial liabilities	2020	2021	2022	2023	2024	Later	Total
Instalment profile long-term debt							
Instalments on loans from credit institutions	399,715	498,531	496,958	428,853	726,648	1,477,053	4,027,759
Instalments on leasing debt to credit institutions	218,384	176,445	151,373	218,545	154,963	136,944	1,056,654
Instalments on other long-term interest-bearing debt	1,494	273	281	290	266	339	2,943
Total instalments on long-term interest-bearing debt	**619,593**	**675,249**	**648,612**	**647,689**	**881,877**	**1,614,336**	**5,087,356**
Instalment profile on other long term liabilities							
Instalments on lease liabilities to others than credit institutions	197,087	183,481	183,857	173,520	70,265	430,201	1,238,411
Interest payment profile long-term debt							
Interest on loans from credit institutions*	120,852	112,661	98,283	81,096	64,576	273,015	750,483
Interest on leasing debt to credit institutions	28,858	22,845	17,853	12,219	6,531	5,031	93,338
Interest on lease liabilities to others than credit institutions	43,725	36,426	29,380	22,526	17,850	82,817	232,723
Interest on other long-term interest-bearing debt	28	-7	-18	-30	-41	-53	-121
Total	**193,463**	**171,925**	**145,498**	**115,812**	**88,916**	**360,810**	**1,076,423**

** The impact from interest swap contracts is included in the amounts.*

	2020	2021	2022	2023	2024	Later	Total
Other short-term financial liabilities							
Overdraft	569,465						569,465
Factoring agreement with DNB	15,661						15,661
Accrued interests	10,432						10,432
Total	**595,558**	**0**	**0**	**0**	**0**	**0**	**595,558**
Grand total	**1,605,701**	**1,030,655**	**977,967**	**937,020**	**1,041,058**	**2,405,347**	**7,997,748**

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	2020	2021	2022	2023	2024	2025	Later
Interest-bearing debt 01.01	5,672,482	4,467,763	3,792,514	3,143,902	2,496,214	1,614,336	1,118,250
Instalments	-1,204,719	-675,249	-648,612	-647,689	-881,877	-496,086	-1,118,250
Interest-bearing debt 31.12	**4,467,763**	**3,792,514**	**3,143,902**	**2,496,214**	**1,614,336**	**1,118,250**	**0**
Interest-bearing debt 31.12 secured with fixed interest							
NOK 500 mill, until 16.01.2022	500,000	500,000	0	0	0	0	0
NOK 500 mill, until 16.11.2021	500,000	0	0	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	0	0	0	0	0	0
NOK 323.5 mill, 05.10.2018 - 06.04.2021	323,500	0	0	0	0	0	0
Secured interest-bearing debt	1,647,000	500,000	0	0	0	0	0
Unsecured interest-bearing debt	2,820,763	3,292,514	3,143,902	2,496,214	1,614,336	1,118,250	0
Total interest-bearing debt (IBD)	**4,467,763**	**3,792,514**	**3,143,902**	**2,496,214**	**1,614,336**	**1,118,250**	**0**
Portion of IBD exposed to interest rate changes	63 %	87 %	100 %	100 %	100 %	100 %	100 %

Fair value, borrowing costs and effect from changes in interest level

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 43.0 million for 2020. Average interest-bearing debt according to the payment profile above has been used as the base for this calculation. NOK 1.65 billion of total interest-bearing debt will not be impacted by a potential change in the interest level due to the interest rate swaps.

Covenants

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

None of the Group companies has entered into a position where they have become in breach of their covenants in 2019.

NOTE 16
Pensions

(All figures in NOK 1,000)

All the norwegian companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP). The schemes are in the main established as defined contribution pension schemes.

Some of the subsidiaries have Contractual Early Retirement schemes (Norwegian: AFP) for their employees. The current AFP scheme which came into effect on 1 January 2011, is to be considered as a defined benefit multi-enterprise scheme but is recognised as a defined contribution scheme until reliable and sufficient information has been provided so that the Group can book its proportionate share of the pension cost, pension liability and pension funds in the scheme.

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

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

Defined benefit scheme	2019	2018
Present value of future pension liabilities	12,433	28,478
Fair value of pension funds	-9,744	-24,922
Net pension liabilities	**2,689**	**3,556**

Change in capitalised liabilities	2019	2018
Carrying value as of 01.01	3,556	3,113
Costs booked during the year	360	410
Estimate differences recognised through comprehensive income (before tax)	1,016	1,148
Pension payments and payments of pension premiums	-2,243	-1,115
Change in liability from business combination	0	0
Carrying value at 31.12. defined benefit scheme	**2,689**	**3,556**

Total pension cost through profit or loss	2019	2018
Net pension cost, defined contribution scheme	127,437	91,291
Net pension cost, defined benefit scheme	360	410
Total	**127,797**	**91,701**

Total pension cost through comprehensive income	2019	2018
Net pension cost (before tax) from benefit plans - comprehensive income	1,016	1,148
Total pension cost through comprehensive income	**1,016**	**1,148**

NOTE 17
Taxation

(All figures in NOK 1,000)

Tax cost	2019	2018
Tax payable	461,042	703,796
Change in deferred tax	34,701	147,206
Total tax cost	**495,743**	**851,002**

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, in addition to some additional tax paidduring the year related to previous years.

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:

	2019	2018
Pre-tax profit/loss	**2,365,482**	**4,448,961**
Tax based on tax rates in the various countries	523,244	1,018,367
Effect on deferred tax of changed tax rate	0	-105,637
22% / 23% of net permanent differences etc.	2,347	2,576
22% / 23% of share of profit/loss from associate	-39,545	-65,912
22% / 23% of other differences	9,697	1,608
Tax cost	**495,743**	**851,002**
Effective tax rate	21.0 %	19.1 %

Change in book value of deferred tax	2019	2018
Balanseført verdi per 01.01	2,429,645	2,285,098
Virksomhetssammenslutning	0	-9,097
Skatteeffekter over totalresultatet (egenkapitalen)	7,252	6,438
Resultatført endring	34,701	147,206
Netto balanseført verdi 31.12	**2,471,598**	**2,429,645**
Balanseført utsatt skattefordel*	**-2,932**	**-14,312**
Balanseført utsatt skatt	**2,474,530**	**2,443,957**

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

Deferred tax liabilities (+)	Licences, rights and goodwill	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2018	1,178,087	82,532	1,018,242	0	35,089	2,313,950
Recognised in the period	-66,727	27,487	197,725	0	-14,575	143,910
Deferred tax on records through other comprehensive income	0	0	0	0	6,438	6,438
31.12.2018	**1,111,360**	**110,019**	**1,215,967**	**0**	**26,952**	**2,464,298**
Recognised in the period	424	22,024	-2,230	0	31,811	52,029
Deferred tax on records through other comprehensive income	0	0	0	0	7,252	7,252
31.12.2019	**1,111,784**	**132,043**	**1,213,737**	**0**	**66,015**	**2,523,579**

NOTE 17
Taxation cont.

(All figures in NOK 1,000)

Deferred tax assets (-)	Loss carry-forward	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2018	-18,527	-1,124	0	-7,809	-1,392	-28,852
Business combination (23%)	-8,077	-1,020	0	0	0	-9,097
Recognised in the period	9,346	-5240	0	2,235	-3,045	3,296
Deferred tax on records through other comprehensive income	0	0	0	0	0	0
31.12.2018	**-17,258**	**-7,384**	**0**	**-5,574**	**-4,437**	**-34,653**
Recognised in the period	-21,452	2,252	0	2,912	-1,040	-17,328
Deferred tax on records through other comprehensive income	0	0	0	0	0	0
31.12.2019	**-38,710**	**-5,132**	**0**	**-2,662**	**-5,477**	**-51,981**

Deferred tax	31.12.2019	31.12.2018
Deferred tax on positive temporary differences 31.12.	2,523,579	2,464,298
Deferred tax on negative temporary differences 31.12.	-51,981	-34,653
Net	**2,471,598**	**2,429,645**
Short-term tax positions		
Long-term tax positions	1,211,075	1,210,393
Total	1,260,523	1,219,252
Sum	**2,471,598**	**2,429,645**

NOTE 18
Other short-term debt

(All figures in NOK 1,000)

Other short-term debt	2019	2018
Accrued wages and holiday pay	333,822	296,118
Accrued interest costs	10,432	14,117
Other accrued expenses	318,373	305,344
Onerous contracts (related to fair value adjustment of biological assets)	26,517	51,974
Currency forward contracts	0	79,500
Other financial instruments	0	7,750
Hedged foreign exchange loss on firm commitments	35,800	0
Total other short-term debt	**724,944**	**754,803**

NOTE 19
Earnings per share

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

Earnings per share	2019	2018
This year's earnings to LSG shareholders (NOK 1,000)	**1,857,172**	**3,437,042**
Number of issued shares as of 31.12 (in 1,000)	595,774	595,774
Number of treasury shares as of 31.12 (in 1,000)	-298	-298
Number of outstanding shares as of 31.12 (in 1,000)	**595,476**	**595,476**
Average number of outstanding shares (in 1,000)	595,476	595,476
Average number of outstanding shares with dilution (in 1,000)	595,476	595,476
Earnings per share	**3.12**	**5.77**
Diluted earnings per share	3.12	5.77

Earnings per share since the date of listing

	After fair value adjustment			Before fair value adjustment*		
Year	Share of profit for the year to LSG shareholders	Earnings per share	Recommended dividend relative to profit	Share of profit for the year to LSG shareholders*	Earnings per share*	Recommended dividend relative to profit*
2019	1,857,172	3.12	48 %	2,073,426	3.48	43 %
2018	3,437,042	5.77	35 %	2,918,324	4.90	41 %
2017	1,749,494	2.94	51 %	2,919,657	4.90	31 %
2016	3,224,143	5.65	24 %	2,192,909	3.84	35 %
2015	1,179,718	2.16	56 %	1,057,767	1.94	62 %
2014	1,055,916	1.93	62 %	1,312,258	2.40	50 %
2013	1,733,352	3.18	31 %	1,152,700	2.11	47 %
2012	480,797	0.88	79 %	278,958	0.51	137 %
2011	382,705	0.70	100 %	825,625	1.51	46 %
2010	1,419,507	2.62	38 %	1,193,765	2.21	46 %
2009	729,488	1.36	51 %	685,940	1.28	55 %
2008	124,730	0.23	120 %	151,416	0.28	99 %
2007	277,014	0.57	35 %	279,611	0.58	34 %
2006	651,516	1.59	33 %	575,141	1.40	37 %
2005	319,312	0.87	22 %	248,443	0.67	29 %
2004	83,402	0.24	36 %	82,216	0.24	37 %
2003	30,518	0.12	68 %	30,518	0.12	68 %
2002	25,650	0.11	69 %	25,650	0.11	69 %
Total	**18,761,475**	**30.92**	**42 %**	**18,004,324**	**29.01**	**44 %**

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

NOTE 20
DIVIDEND PER SHARE

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

Distributed dividend in current financial year
Distributed dividend in 2019, based on 2018 profit, was NOK 2.00 per share. This amounts to NOK 1 191 547.

Recommended dividend
Based on the 2019 profit, a corresponding dividend of NOK 1.50 per share is recommended for distribution in 2020. This amounts to NOK 893 661. A final decision will be made by the general meeting on 27 May 2020.

Dividend per aksje since the date of listing

	Dividend recommended			Dividend distributed		
Year	Number of issued shares 31.12 (in 1,000)	Recommended dividend per share	Recommended dividend	Number of shares as basis for distribution (in 1,000)	Dividend distributed per share	Dividend distributed
2019	**595,774**	**1.50***	**893,661**	**595,774**	**2.00**	**1,191,547**
2018	595,774	2.00	1,191,547	595,774	1.50	893,661
2017	595,774	1.50	893,661	595,774	1.30	774,506
2016	595,774	1.30	774,506	545,774	1.20	654,928
2015	545,774	1.20	654,928	545,774	1.20	654,928
2014	545,774	1.20	654,928	545,774	1.00	545,774
2013	545,774	1.00	545,774	545,774	0.70	382,042
2012	545,774	0.70	382,042	545,774	0.70	382,042
2011	545,774	0.70	382,042	545,774	1.00	545,774
2010	545,774	1.00	545,774	535,774	0.70	375,042
2009	535,774	0.70	375,042	535,774	0.28	150,017
2008	535,774	0.28	150,017	535,774	0.18	96,439
2007	535,774	0.18	96,439	535,774	0.40	214,309
2006	427,774	0.50	214,309	427,770	0.18	76,999
2005	393,774	0.18	70,879	378,848	0.08	30,308
2004	344,408	0.09	30,308	344,408	0.06	20,665
2003	344,408	0.06	20,664	294,408	0.06	17,664
2002	294,408	0.06	17,664	194,408	0.06	11,664
Total		**14.15**	**7,894,184**		**12.60**	**7,018,308**
Accumulated dividend distributed, plus dividend recommended for distribution in 2020					**14.10**	**7,911,968**

** Based on the increasing uncertainty relating to assessment of future global economic development, due to the ongoing corona pandemic, Covid 19, the Board of Directors will propose that the Annual General Meeting adopts a dividend payment of NOK 1.50 per share. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.*

NOTE 21
Share capital and shareholder information

The share capital consists of	Total number of shares	Nominal value per share	Book value
Share capital 01.01.2019	595,773,680	0,10	59,577,368
Share capital 31.12.2019	**595,773,680**	**0,10**	**59,577,368**

Lerøy Seafood Group ASA had 10 520 shareholders at 31.12.19. The corresponding number at year end 2018 was 7,027. All shares confer the same rights in the company. End of 2019 it was 738 foreign shareholders. The correspondig number at year end 2018 was 719. End of 2019 foreign shareholders owned 150,183,499 shares in total, representing 25.21% of the total capital. Corresponding numbers at year end 2018 was 169,047,767 shares, representing 28.37% of the total capital.

	2019		2018	
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	30,450,319	5.11 %	31,628,586	5.31 %
State Street Bank and Trust Comp (OM80)	9,376,141	1.57 %	9,544,858	1.60 %
State Street Bank and Trust Comp (OMNIBUS F, REF:OM06)	6,405,077	1.08 %	5,251,545	0.88 %
Pareto Aksje Norge Verdipapirfond	6,300,609	1.06 %	5,698,909	0.96 %
Arctic Funds PLC	6,069,262	1.02 %		0.00 %
Pictet & Cie (Europe) S.A.	5,846,177	0.98 %	3,023,008	0.51 %
Verdipapirfond Odin Norge	5,418,053	0.91 %		
Verdipapirfondet Dnb Norge	5,267,052	0.88 %		
Danske Invest Norske Instit. Ii.	4,997,559	0.84 %	4,136,795	
State Street Bank and Trust Comp	4,931,028	0.83 %		0.00 %
Clearstream Banking S.a.	4,811,190	0.81 %	5,830,940	0.98 %
Banque Degroof Petercam Lux. SA	4,742,795	0.80 %		
BNP Paribas Securities Services	4,634,202	0.78 %		
Euroclear Bank S.A./N.V.	4,552,067	0.76 %	3,891,964	
State Street Bank and Trust Comp (OM01)	4,444,037	0.75 %	4,652,154	0.78 %
JPMorgan Chase Bank, N.A., London (A/C vanguard bbh lending account)	4,299,712	0.72 %	3,913,727	
FERD AS	4,231,710	0.71 %		0.00 %
Handelsbanken Nordiska Smabolag	4,139,000	0.69 %	5,214,000	0.88 %
Handelsbanken Norden	4,138,000	0.69 %		0.00 %
Invesco Funds			4,388,395	0.74 %
Jpmorgan Chase Bank, N.A., London			7,000,000	1.17 %
Storebrand Norge I Verdipapirfond			3,906,986	0.66 %
State Street Bank and Trust Comp (OMNI E, FUND OM06)			3,806,513	0.64 %
J.P. Morgan Bank Luxenburg S.A.			3,556,288	0.60 %
KLP Aksjenorge			3,441,349	0.58 %
CACEIS Bank			3,299,045	0.55 %
Verdipapirfondet Alfred Berg Gamba			3,148,276	0.53 %
Total 20 largest shareholders	**438,996,800**	**73.69 %**	**429,276,148**	**72.05 %**
Others	156,776,880	26.31 %	166,497,532	27.95 %
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.

CEO Henning Beltestad owns 20,000 shares in Lerøy Seafood Group ASA at year end. The shares was bought in November 2019.

NOTE 22
Payroll costs, number of employees, remuneration, loans to staff, etc.

(All figures in NOK 1,000)

Payroll costs	2019	2018
Salary	2,364,729	2,163,834
Employer's national insurance contribution	218,092	195,885
Hired personnel	130,823	128,318
Pension costs	127,797	91,701
Other remuneration	29,551	17,768
Other personnel expenses	62,417	71,324
Total	**2,933,409**	**2,668,829**

Number of full-time equivalents	2019	2018
Men	2,820	2,964
Women	1,541	1,625
Total	**4,361**	**4,589**
Percentage of women	35.3 %	35.4 %

Remuneration of senior executives in 2018	Lønn	Bonus	Pensjon	Annet	Sum
CEO	3,017	3,000	160	16	6,193
CFO	2,464	1,786	162	12	4,424
EVP Farming	2,410	1,700	158	110	4,378
EVP Wild Catch	2,264	800	97	20	3,181

Remuneration of senior executives in 2019	Lønn	Bonus	Pensjon	Annet	Sum
CEO	3,042	3,000	166	11	6,219
CFO	2,588	1,786	169	10	4,553
EVP Farming	2,523	1,518	164	135	4,340
EVP Wild Catch	2,420	1,500	97	12	4,029
EVP VAPSD*	1,695	404	136	14	2,249
EVP HR*	1,552	682	139	10	2,383

** Two new positions with senior executives were established 01.02.2019, Executive Vice President VAPSD and Executive Vice President HR. The remuneration presented is from the same date. it is one woman in the senior executive group.*

No remuneration with mandatory reporting is paid to the Chairman of the Board. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees from the Group's ultimate parent company, Laco AS, where the Chairman of the Board is an employee. See also note 25. Remuneration of other board members totalled NOK 1 200 in 2019 (equally distributed), the same as in 2018. The number of Board members is also the same as it was previous year.

Remuneration of the nomination committee is unchanged compared to the previous year, and amounts to NOK 105 in 2019. As for the members of the Board, the remuneration is equally distributed.

Remuneration of the audit committee is NOK 100 in 2019. In 2018 the remuneraion was NOK 80. 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 8, 9 and 10 of the Act.

The first time the Board was authorised to acquire the company's own shares was at the ordinary general meeting on 12 May 2000. This mandate has been replaced with a new mandate at the ordinary general meeting on 23 May 2019. The mandate remains valid for 18 months from the date on which the resolution was adopted. The Board has authority to acquire up to 50 million shares, each with a face value of NOK 0.1. The lowest price to be paid is NOK 1 per share, and the highest price per share is NOK 100. The mandate has not been exercised in 2019. Renewal of the mandate will be recommended to the general meeting on 27 May 2020.

NOTE 22
Payroll costs, number of employees, remuneration, loans to staff, etc. cont.

(All figures in NOK 1,000)

The Board has authority to increase the share capital by up to NOK 5,000,000 by issuing up to 50,000,000 shares in Lerøy Seafood Group ASA, each with a nominal value of NOK 0.1, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the ordinary general meeting of 4 May 1999 and subsequently renewed by the ordinary general meeting on 23 May 2019, and is to remain valid for 24 months from the date on which the resolution was adopted. The mandate was not exercised in 2019. It will be recommended that an equivalent mandate be approved by the ordinary general meeting on 27 May 2020.

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

Based on the increasing uncertainty relating to assessment of future global economic development, due to the ongoing corona pandemic, Covid 19, the Board of Directors will propose that the Annual General Meeting adopts a dividend payment of NOK 1.50 per share. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.

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 Pricewaterhouse-Coopers 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 2019, and have been as follows:

Fees to auditor	2019	2018
Auditing fees Group auditor	6,306	7,076
Auditing fees other auditors	1,392	1,437
Other certification services Group auditor	1,233	177
Other certification services other auditors	687	0
Tax filing Group auditor	754	1,926
Tax filing other auditors	37	47
Other services Group auditor	312	2,902
Other services other auditors	131	383
Total	**10,852**	**13,948**

NOTE 23
Items that are combined in the financial statements

(All figures in NOK 1,000)

Change in inventories

Endring i varelager	Biological assets (NBV)	Fair value adjustment on biological assets	Biological assets before fair value adjustment	Other inventory (NBV)	Total (before fair value adjustment)
2018					
Biological assets and other inventory 01.01	4,458,095	-747,598	3,710,497	991,186	4,701,683
Biological assets and other inventory 31.12	5,564,447	-1,547,580	4,016,867	1,315,292	5,332,159
Change	1,106,352	-799,982	306,371	324,106	630,477
Change in inventories	306,371		306,371	324,106	630,477
Change in fair value adjustment of biological assets	799,982	-799,982	0	0	0
Total change, net	**1,106,352**	**-799,982**	**306,371**	**324,106**	**630,477**
2018					
Biological assets and other inventory 01.01	5,564,447	-1,547,580	4,016,867	1,315,292	5,332,159
Biological assets and other inventory 31.12	5,574,921	-1,172,782	4,402,139	1,031,155	5,433,294
Change	10,474	374,798	385,272	-284,137	101,135
Change in inventories	385,272		385,272	-284,137	101,135
Change in fair value adjustment of biological assets	-374,798	374,798	0	0	0
Total change, net	**10,474**	**374,798**	**385,272**	**-284,137**	**101,135**

Depreciation

Depreciation consists of	Note	2019	2018
Depreciation on intangibles	7	31,801	31,805
Depreciation on right-of-use assets (specified below)	9	426,654	0
Depreciation on fixed assets (specified below)	8	553,585	627,863
Total		**1,012,041**	**659,669**

Depreciation on right-of-use assets consists of		2019	2018
Depreciation on right-of-use assets from credit institutions	1)	225,011	
Depreciation on right-of-use assets from others	2)	201,643	
Total		**426,654**	**0**

Depreciation on fixed assets consists of		2019	2018
Depreciation on financial leases (IAS 17)	1)		128,826
Depreciation on own fixed assets		553,585	499,037
Total		**553,585**	**627,863**

1) Reclassified depreciation component in 2019. Previously included in depreciation on fixed assets (financial leases, according to IAS 17)
2) New depreciation component from 2019 due to IFRS 16. Previously included in other operating costs (operational leases, according to IAS 17)

NOTE 23
Items that are combined in the financial statements cont.

(All figures in NOK 1,000)

Net financial items

Financial revenue		2019	2018
Other interest revenue		37,550	26,229
Currency gain	1)	9,566	4,836
Income from other investments		8,231	0
Other financial revenue		6,099	6,148
Total financial revenue		**61,446**	**37,213**

Financial costs		2019	2018
Other interest costs		238,475	203,557
Capitalised interests		0	-13,718
Currency loss	1)	15,311	0
Other financial costs		22,459	8,461
Total financial costs		**276,245**	**198,300**
Net financial items		**-214,799**	**-161,087**

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 2019 is NOK 72.7 million. In 2018, net gain was NOK 65.3 million.

Other interest costs consist of	2019	2018
Interest on long term bank loans	120,672	121,325
Interest on interest swap agreements	16,687	35,810
Interest on lease liabilities to credit institutions	31,540	20,931
Interest on lease liabilities to others	49,385	
Other interest cost	20,191	25,491
Total	**238,475**	**203,557**

NOTE 24
Currency translation differences

(All figures in NOK 1,000)

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

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

	LSG shareholders	Non-controlling interests	Total
Accumulated currency translation differences as of 01.01.18	**97,404**	**0**	**97,404**
Currency translation differences 2018	-13,633	0	-13,633
Redemption of foreign non-controlling interests	0	0	0
Accumulated currency translation differences as of 31.12.18	**83,771**	**0**	**83,771**
Accumulated currency translation differences as of 01.01.19	**83,771**	**0**	**83,771**
Currency translation differences 2019	11,755	0	11,755
Redemption of foreign non-controlling interests	0	0	0
Accumulated currency translation differences as of 31.12.19	**95,526**	**0**	**95,526**

NOTE 25
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:

2018	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties					
Laco AS	"Konsernspiss"	0	5,531	0	0
Fitjar Mekaniske Verksted AS	Laco AS (100 %)	8	20,189	0	552
Pelagia AS	Austevoll Seafood ASA (50%)	0	344	0	0
Austevoll Seafood ASA	Laco AS (55,55 %)	0	0	0	0
Hordafor AS	Pelagia AS (50 %)	61,137	25,315	13,246	2,425
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100 %)	1,768	129,317	138	13,276
Brødrene Birkeland Farming AS	Austevoll Seafood ASA (51,69 %)	0	0	0	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland Farming AS (100 %)	6,011	61,691	0	2,005
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50 %)	171	0	166	0
Scottish Seafarms	Norskott Havbruk AS (100 %)	0	273,534	0	25,003
Seistar Holding AS corporation	Lerøy Seafood Group ASA (50 %)	0	91,263	0	2,562
Seafood Danmark A/S group	Lerøy Seafood Group ASA (33,33 %)	68,543	1,160	3,120	0
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50 %)	0	24,134	0	0
Ocean Forest AS	Lerøy Seafood Group ASA (50 %)	541	4,500	73	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20 %)	0	785	0	0
Norway Salmon AS	Lerøy Midt AS (20 %)	0	0	2,000	0
Romsdal Processing AS	Lerøy Aurora AS (50 %)	0	42,998	1,733	7,580
Kirkenes Processing AS	Lerøy Aurora AS (50 %)	245	20,426	10,266	864
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS (44,7 %)	0	0	1,317	0
Holmen Fiske AS	Sørvær Kystfiskeinvest AS (34 %)	0	0	1,300	0
Vågen Fiskeriselskap AS	Sirevaag AS (49,9 %)	0	0	2,000	0
Itub AS	Lerøy Norway Seafoods AS (22,3 %)	0	10,300	0	183
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS (33,5 %)	0	0	20	0
Dragøy Grossist AS	Lerøy Nord AS (34 %)	0	0	141	8
Finnmark Kystfiske AS	Havfisk AS (48 %)	0	0	8,500	0
NCIs in subsidiaries		0	0	20,485	0
Total transactions and intercompany accounts with all identified related parties		**138,424**	**711,487**	**64,638**	**54,458**

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

2019	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties					
Laco AS	"Ultimate parent"	0	8,710	0	7,360
Fitjar Mekaniske Verksted AS	Laco AS (100 %)	0	26,050	0	4,552
Pelagia AS	Austevoll Seafood ASA (50%)	5,883	261	567	0
Austevoll Seafood ASA	Laco AS (55,55 %)	0	0	0	0
Hordafor AS	Pelagia AS (50 %)	97,582	38,653	18,987	6,885
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100 %)	1,911	158,116	328	22,861
Brødrene Birkeland Farming AS	Austevoll Seafood ASA (51,69 %)	0	0	0	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland Farming AS (100 %)	0	33,863	0	0
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries:					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50 %)	51	0	16	0
Scottish Seafarms	Norskott Havbruk AS (100 %)	1	174,867	0	-59
Seistar Holding AS konsern	Lerøy Seafood Group ASA (50 %)	974	139,251	1,124	8,232
Seafood Danmark AS konsern	Lerøy Seafood Group ASA (33,33 %)	39,544	209	2,536	159
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50 %)	0	6,939	0	0
Ocean Forrest AS	Lerøy Seafood Group ASA (50 %)	3,582	3,000	42	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20 %)	0	718	0	0
Norway Salmon AS	Lerøy Midt AS (20 %)	0	0	2,000	0
Romsdal Processing AS	Lerøy Aurora AS (50 %)	0	64,897	1,759	6,216
Kirkenes Processing AS	Lerøy Aurora AS (50 %)	10	17,297	7,587	3,612
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS (44,7 %)	764	1,473	0	0
Holmen Fiske AS	Sørvær Kystfiskeinvest AS (34 %)	0	0	2,301	0
Vågen Fiskeriselskap AS	Sirevaag AS (49,9 %)	1,500	0	3,500	0
Itub AS	Lerøy Norway Seafoods AS (22,3 %)	0	5,879	0	86
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS (33,5 %)	0	819	0	47
Dragøy Grossist AS	Lerøy Nord AS (34 %)	1,577	1,846	27	84
Finnmark Kystfiske AS	Havfisk AS (48 %)	0	0	8,500	0
IKE i datterselskaper		0	0	2,074	0
Total transactions and intercompany accounts with all identified related parties		**153,379**	**682,847**	**51,348**	**60,034**

NCI means "non controlling interests"
Dividend received from associated companies is specified in the note on associated companies

NOTE 26
Events after balance sheet date

A respiratory disease of unknown origin was reported by China to the WHO (World Health Organization) on 31 December 2019. On 30 January 2020, the WHO declared that this virus outbreak was a public health emergency of international concern (PHEIC). On 11 February 2020, the WHO named the virus COVID-19. The virus has spread worldwide, and the WHO classified the outbreak as a global pandemic on 11 March 2020. COVID-19 is having an impact on global value chains in that the necessary measures taken by the public authorities, illness and fear worldwide have a significant effect on how we live our lives. Lerøy is a part of the seafood industry and is also noting a substantial impact. This is in the form of changes in demand, access to workforce both in the company and outside, other input factors and credit risk.

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

NOTE 27
New ifrs standards

(All figures in NOK 1,000)

IFRS 16 Leases

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

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

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

Implementation effects	**01.01.2019**
Operational lease liabilities 31.12.2018 - not recognised in the balance sheet	
Minimum rent on operational leases, as presented in note 14 in the annual accounts for 2018	1,761,518
Net present value on operational leases, as presented in note 14 in the annual accounts for 2018	1,462,489
Financial leases 31.12.2018 - recognised in the balance sheet	
Financial leases as presented in note 14 in the annual accounts for 2018	940,718
Implementation effect 01.01.2019	
Net present value on operational leases, as presented in note 14 in the annual accounts for 2018	1,462,489
Consolidated effect of new measurement and new criteria for recognition with implementation of IFRS 16	-52,414
Estimated effect on statement of financial position 01.01.2019	**1,410,075**
Estimated effect on statement of financial position 31.12.2018 (shown in note 26 in the consolidated financial statements for 2018)	1,400,000
Difference between estimate stated 31.12.2018 and reported effect 01.01.2019	10,075
Lease liabilities 01.01.2019	
Financial lease liabilities recognised 31.12.2018	940,718
Current value of operating leases shown in consolidated financial statements for 2018 in note 14	1,462,489
Consolidated effect of new measurement and new criteria for recognition with implementation of IFRS 16	-52,414
Total lease liabilities	**2,350,793**
The Group estimates the effect of new measurement and new recognition criteria as follows:	
Effect of discount with the Group's average interest rate on loans 01.01.2019	-11,864
Effect of new measurement minus service element *	-50,000
Extension options that will, with reasonable certainty, be exercised	10,000
Initial recognition exemption for low value assets	-500
Initial recognition exemption for short-term lease agreements	-50
Variable lease payments based on index or interest rate	0
Residual value guarantees	0
Total lease liabilities	**-52,414**

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

NOTE 27
New ifrs standards cont.

(All figures in NOK 1,000)

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

The Group segregates the lease liabilities into two groups: (1) Leases from credit institutions (mostly previous financial leases) and (2) Leases from others (mostly previous operational leases). Both groups are recognised in the balance sheet, but only the first group is included in the key figure net interest bearing debt (NIBD).
The latter component comprises most of the new lease commitments carried in connection with implementation of IFRS 16, and consists mostly of office building leases and leases of vessels (wellboats).

Effects on the statement of financial positions from IFRS 16 implementation

	31.12.2018 (IAS 17)	Reclassification effect IFRS 16 01.01.2019	Implementation effect IFRS 16 01.01.2019	01.01.2019 IFRS 16
Assets				
Fixed assets	6,606,948	-1,023,079		5,583,869
Right-of-use assets	0	1,023,079	1,410,075	2,433,154
Total right-of-use assets and fixed assets	**6,606,948**	**0**	**1,410,075**	**8,017,023**
Liabilities				
Leasing debt (IAS 17) *	940,718	-940,718	0	0
Lease liabilities to credit institutions (IFRS 16) **	0	926,893	87,463	1,014,356
Lease liabilities to others ***	0	13,825	1,322,612	1,336,437
Total lease liabilities	**940,718**	**0**	**1,410,075**	**2,350,793**
Equity, total assets and equity ratio				
Equity, total assets and equity ratio	17,134,290	0	0	17,134,290
Total assets	28,372,733	0	1,410,075	29,782,808
Equity ratio	60.4 %		-2.9 %	57.5 %

** In 2018 leasing debt was presented in the statement of financial positions as long-term interest bearing debt with NOK 754.970 million, and short-term-credits with NOK 185.748 million (next year`s instalments).*

*** The implementation effect of IFRS 16 on this row, NOK 87,5 million, relates to operational leases with credit institutions. These are lease contracts that according to IAS 17 had a short rental period compared with the economic lifetime of the asset.*

**** Reclassification effect of IFRS 16 on this row, NOK 13,8 million, relates to previously recognised leases with other than credit institutions, that was recognised as a financial lease. This is the case for some rented production bulidings.*

Effects on the income statement from IFRS 16 implementation

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

Depreciation 2019 (IFRS 16) versus 2018 (IAS 17)	Note	2019	2018
Depreciation fixed assets	8	553,585	
Depreciation right-of-use assets from credit institutions	9	225,011	
Depreciation fixed assets and right-of-use assets from credit institutions		778,596	627,863
Depreciation right-of-use assets from others	9	201,643	0
Depreciation intangibles	7	31,801	31,805
Total depreciation		**1,012,041**	**659,669**
Additional depreciation related to IFRS 16		201,643	

Interest expense 2019 (IFRS 16) versus 2018 (IAS 17)	Note	2019	2018
Interest expense on lease liabilities to credit institutions (financial leases)	9	31,540	20,931
Interest expense on lease liabilities to others (operational leases)	9	49,385	0
Interest expense on lease liabilities	**9**	**80,925**	**20,931**
Other interest expenses	23	157,550	182,626
Total interest expenses		**238,475**	**203,557**
Additional interest cost related to IFRS 16		49,385	

NOTE 28
Investigation by the competition authorities

Investigation by the competition authorities
On 20 February 2019, the EU's competition authorities ("the Commission") initiated investigations relating to the suspicion of restrictive practices involving collaboration on the salmon market. Lerøy Seafood Group ASA is one of the companies to be investigated. The US Department of Justice (DOJ) initiated investigations of the Norwegian salmon industry in November 2019. In that regard, Lerøy Seafood USA Inc., a tier subsidiary of Lerøy Seafood Group ASA, received a writ of summons from the DOJ, with a request for information. It is unclear precisely what the above-mentioned authorities believe has occurred in the way of any illegal collaboration, when this may have occurred and any negative consequences. Lerøy Seafood Group ASA is assisting the authorities by facilitating an efficient execution of the proceedings. Case proceedings for this type of issue normally take up to several years, and it remains too early to say whether the issues may result in sanctions or other negative consequences for the companies involved.

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

The Group is of the opinion that any claim against Lerøy Seafood Group will be without grounds, and has therefore not made any provisions on the accounts in relation to these proceedings.

Parent company financial statements

Parent company financial statements consist of

Overview of the notes to the parent company financial statements

Income statement

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

Lerøy Seafood Group ASA	Notes	2019	2018
Operating revenue and costs			
Operating revenue	1	79,800	69,120
Wages and other personnel costs	10	63,395	45,998
Loss from disposal of fixed assets	4	133	0
Other operating costs	10	113,983	99,630
Depreciation	4	1,390	38
Total operating costs		**178,901**	**145,666**
Operating profit		**-99,101**	**-76,546**
Financial revenue and costs			
Income from investments in subsidiaries	3	2,003,085	3,094,925
Income from associates	3	265,323	238,896
Change in fair value of financial instruments at fair value	8	24,869	-15,925
Impairment loss on financial assets	4	-151,036	-359,810
Other financial items, net	11	15,449	-29,810
Profit before tax		**2,058,589**	**2,851,729**
Total tax cost (-)	9	-363,180	-562,310
The year's profit		**1,695,409**	**2,289,419**
Information regarding			
Transferred to (+) / from (-) other equity	2	801,748	1,097,872
Allocated to dividend	2	893,661	1,191,547

Balance sheet

All figures in NOK 1,000

Lerøy Seafood Group ASA	Notes	31.12.19	31.12.18
NON-CURRENT ASSETS			
Intangibles			
Licences	4	40,704	24,951
Deferred tax assets	9	0	8,525
Total intangibles		**40,704**	**33,475**
Fixed assets			
Buildings and real estate	4	1,562	1,695
Other fixtures	4	15,557	3,789
Total fixed assets		**17,119**	**5,484**
Financial assets			
Shares in subsidiaries	5	7,641,331	7,623,562
Shares in associates	6	302,125	301,989
Shares in other companies	6	10,037	3,941
Loans to subsidiaries	3	152,020	138,720
Total non-current financial assets		**8,105,513**	**8,068,211**
Total non-current assets		**8,163,336**	**8,107,171**
CURRENT ASSETS			
Receivables			
Receivables from Group companies	3	2,399,198	2,746,905
Other receivables		25,307	11,150
Total receivables		**2,424,505**	**2,758,055**
Cash and cash equivalents	**7**	**2,072,963**	**1,553,251**
Total current assets		**4,497,468**	**4,311,306**
Total assets		**12,660,804**	**12,418,477**

Lerøy Seafood Group ASA	Notes	31.12.19	31.12.18
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	104,572	104,572
Total paid in capital		**4,942,466**	**4,942,466**
Other equity	2	5,969,432	5,167,086
Total retained earnings		**5,969,432**	**5,167,086**
Total equity		**10,911,897**	**10,109,553**
Long-term liabilities			
Deferred tax	9	1,244	0
Other long-term liabilities	8	30,591	55,460
Total long-term liabilities		**31,835**	**55,460**
Long-term debt			
Mortgage debt	7	248,344	320,375
Total long-term debt		**248,344**	**320,375**
Short-term debt			
Trade payables		25,832	16,109
Taxes payable	9	304,962	510,106
Public duties payable		3,061	0
Allocated to dividend	2	893,661	1,191,547
Short-term group debt	3	222,509	201,450
Other short-term debt		18,704	13,876
Total short-term debt		**1,468,728**	**1,933,089**
Total debt		**1,748,907**	**2,308,924**
Total equity and debt		**12,660,804**	**12,418,477**

Bergen, 23 April 2020
The Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Karoline Møgster
Board member

Arne Møgster
Board member

Didrik Munch
Board member

Britt Kathrine Drivenes
Board member

Siri Lill Mannes
Board member

Hans Petter Vestre
Employees' representative

Henning Beltestad
CEO
Lerøy Seafood Group ASA

Statement of cash flows

All figures in NOK 1,000 (periode 01.01–31.12)

Lerøy Seafood Group ASA	2019	2018
Cash flow from operating activities		
Pre-tax result	2,058,589	2,851,729
Taxes paid during the period	-510,970	-630,131
Loss/gain on disposal of shares in subsidiaries and associated companies	0	6,279
Depreciation	1,390	38
Write-down of financial assets	151,036	359,810
Change in trade receivables	-6,093	-544
Change in trade payables	1,537	27,128
Effect from currency rate changes	-1,979	1,347
Items classified as investing activities	-2,276,290	-3,337,363
Change in financial instruments recognised at fair value	-24,869	15,925
Other items classified as financing activities	-5,837	28,463
Change in other accruals	-8,695	-12,695
Net cash flow from operating activities	**-622,049**	**-690,015**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	0	821
Payments for acquisitions of fixed assets and intangibles	-28,911	-23,301
Proceeds from disposal of Group companies and associates	0	8,749
Payments for acquisitions of Group companies and associates	-232	-135,687
Proceeds from sale of shares in other companies	7,882	-1,848
Proceeds from previous year's accrual of group contributions and dividends from subsidiaries	2,827,445	3,424,151
Payment for previous year's accrual of group contribution to subsidiaries	-187,064	-158,253
Proceeds from dividends received during the year from associates	265,323	245,200
Proceeds/payments for short-term intragroup receivables (loans)	-470,548	-75,710
Proceeds/payments for long-term intragroup receivables (loans)	-13,300	-91,910
Proceeds/payments for other long-term receivables (loans)	0	3,167
Net cash flow from investing activities	**2,394,500**	**3,195,379**
CASH FLOW FROM FINANCING ACTIVITIES		
Instalments paid on long-term liabilities	-70,052	-969,499
Net interest paid and financial expenses	8,265	-32,979
Payment of dividends	-1,191,547	-893,661
Proceeds from dividends on treasury shares	596	447
Net cash flow from financing activities	**-1,252,739**	**-1,895,692**
Net cash flow for the accounting period	**519,712**	**609,672**
Cash and cash equivalents at the start of the period	1,553,251	943,580
Cash and cash equivalents at the end of the period	**2,072,963**	**1,553,251**
This consists of		
Bank deposits etc.	2,072,963	1,553,251
Of which restricted funds	1,886	1,204
Unutilised overdraft/drawdown facilities	1,100,000	1,150,000

Additional information	2019	2018
Net cash flow from operating activities can also be summarised as follows		
Operating profit	-99,101	-76,546
Depreciation	1,390	38
Taxes paid during the period	-510,970	-630,131
Change in capital employed	-13,368	16,624
Net cash flow from operating activities	**-622,049**	**-690,015**

NOTE 1
Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2
Equity

(All figures in NOK 1,000)

2018	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2018	59,577	-30	4,778,346	104,572	4,037,317	8,979,782
The year's result to equity					2,289,419	2,289,419
Dividend received on treasury shares					447	447
Reversal of cumulative value change in interest swap when hedging expires					31,452	31,452
Group contribution given to subsidiaries					-144,039	-144,039
Change in value of shares in subsidiaries due to Group contribution					144,039	144,039
Provision for dividend					-1,191,547	-1,191,547
Equity as of 31.12.18	**59,577**	**-30**	**4,778,346**	**104,572**	**5,167,088**	**10,109,553**

2019	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2019	59,577	-30	4,778,346	104,572	5,167,088	10,109,553
The year's result to equity					1,695,409	1,695,409
Dividend received on treasury shares					596	596
Group contribution given to subsidiaries					-168,708	-168,708
Change in value of shares in subsidiaries due to Group contribution					168,708	168,708
Provision for dividend					-893,661	-893,661
Equity as of 31.12.19	**59,577**	**-30**	**4,778,346**	**104,572**	**5,969,432**	**10,911,897**

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

Dividend
Based on the increasing uncertainty relating to assessment of future global economic development, due to the ongoing corona pandemic, Covid 19, the Board of Directors will propose that the Annual General Meeting adopts a dividend payment of NOK 1.50 per share. The Board of Directors will also request authorisation from the Annual General Meeting to pay up to NOK 0.80 per share as dividend before the end of the present year.

Number of shareholders
Lerøy Seafood Group ASA had 10,520 shareholders as per 31 December 2019. All shares confer the same rights in the company. An overview of share capital and the 20 largest shareholders are shown in the note on shareholders for the Group.

Treasury shares
Lerøy Seafood Group ASA owns 297,760 treasury shares of a total number of 595,773,680 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where nominal value of treasury shares is included in "paid in capital" (- NOK 30,000), and the purchase price exceeding nominal value of treasury shares (- NOK 2,389,000) is included in "other equity". The average purchase price of own shares is NOK 8,12 per share.

NOTE 3
Transactions and balances with subsidiaries and associates

(All figures in NOK 1,000)

Income from investments in subsidiaries	2019	2018
Intragroup contributions received from subsidiaries	1.704.505	2.528.865
Dividend received from subsidiaries	298.580	566.034
Gain from disposal of subsidiaries	0	26
Total income from investments in subsidiaries	**2.003.085**	**3.094.925**

Intragroup contributions received from subsidiaries	2019	2018
Lerøy Midt AS	840,387	1,093,923
Lerøy Aurora AS	533,403	899,106
Lerøy Seafood AS	326,798	232,800
Lerøy Delico AS	2,382	0
Lerøy Trondheim AS	1,535	1,140
Lerøy Vest AS	0	286,312
Laks- & Vildtcentralen AS	0	15,584
Total intragroup contributions received from subsidiaries	**1,704,505**	**2,528,865**

Dividend received from subsidiaries	2019	2018
Dividend received from Lerøy Havfisk AS	200,000	500,000
Dividend received from Sjøtroll Havbruk AS	76,368	50,912
Dividend received from Rode Beheer BV	17,280	9,925
Dividend accrued from Norsk Oppdrettsservice AS	4,932	5,197
Total dividend received from subsidiaries	**298,580**	**566,034**

Gain on disposal of subsidiaries	2019	2018
Proceeds from sale of 0.1 % of shares in Preline Fishfarming System AS	0	52
Net book value of disposed shares in subsidiaries (-)	0	-27
Total gain on disposal of subsidiaries	**0**	**26**

Income from investments in associates	2019	2018
Dividend received from Norskott Havbruk AS	252,900	242,200
Dividend received from Seafood Danmark A/S	6,423	0
Dividend received from Seistar Holding AS	6,000	3,000
Loss (-) from disposal of shares in associated company (Lerøy Sommarøy AS)	0	-6,304
Total income from investments in associates	**265,323**	**238,896**

Long-term loans to subsidiaries	2019	2018
Lerøy Processing Spain SL	100,484	100,186
Lerøy Seafood Italy SLR	20,715	0
Lerøy Alfheim AS	19,850	13,148
Sjømathuset AS	9,858	25,386
Lerøy Turkey	1,112	0
Total long-term loans to subsidiaries	**152,020**	**138,720**

Short-term receivables from subsidiaries	2019	2018
Intragroup contributions received from subsidiaries	1,704,505	2,528,865
Other short-term receivables from subsidiaries	694,693	218,040
Total short-term receivables from subsidiaries	**2,399,198**	**2,746,905**

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

NOTE 3
Transactions and balances with subsidiaries and associates cont.

(All figures in NOK 1,000)

Other short-term receivables from subsidiaries	2019	2018
Lerøy Norway Seafoods AS	329,554	85,601
Lerøy Vest AS	187,912	0
Lerøy Aurora AS	99,106	0
Lerøy Sverige AB	42,725	0
Lerøy Fossen AS	25,150	9,663
Lerøy Turkey	5,191	2,056
Lerøy Midt AS	2,675	2,275
Sjøtroll Havbruk AS	1,188	0
Laks- & Vildtcentralen AS	1,125	0
Lerøy Seafood AS	69	101,414
Lerøy Sommarøy AS	0	16,961
Total other short-term receivables from subsidiaries	**694,693**	**218,040**

Short-term debt to Group companies	2019	2018
Intragroup contributions distributed	216,292	187,064
Other short-term debt to Group companies	6,217	14,386
Total short-term debt to Group companies	**222,509**	**201,450**

Intragroup contributions distributed	2019	2018
Lerøy Norway Seafoods AS	192,520	132,728
Lerøy Fossen AS	18,360	19,411
Lerøy Ocean Harvest AS	3,538	2,889
Lerøy Alfheim AS	1,798	2,815
Lerøy & Strudshavn AS	38	31
Lerøy Quality Group AS	38	32
Lerøy Sommarøy AS	0	29,158
Total	**216,292**	**187,064**

Other short-term debt to Group companies	2019	2018
Lerøy Seafood AS	4,577	13,916
Lerøy Midt AS	1,255	0
Lerøy Alfheim AS	137	0
Lerøy Aurora AS (konsern)	124	0
Lerøy Vest AS	89	470
Lerøy Trondheim AS	22	0
Lerøy Delico AS	9	0
Sjømathuset AS	5	0
Total other short-term debt to Group companies	**6,217**	**14,386**

NOTE 4
Intangible assets and fixed assets

(All figures in NOK 1,000)

Intangible assets 2019	Development licences
Capitalised expenses 2017	6,150
Capitalised expenses 2018	18,801
Capitalised expenses 2019	15,753
Carrying value at 31.12.19	**40,704**

The increase in intangible assets consists of capitalized expenses related to development-licences based on the concept "Pipefarm". The Group were initially awarded with a volume of 900 MTB. However, the the Group filed a complaint, arguing for higher volume in order to develop the project in desired direction. The 25.02.2020 the complaint were accepted wiht the authorities, and the volum was increased to 1350 MTB. The company is still in the process of deciding on whether the project should be developed further or not. The development-licences has a definite life time of 5 years, but on expiry date it will be subjected to renewal and tranformation to an ordinary grow-out licence on request, for a fee amounting to NOK 10 million per licence (780 MTB).

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

2019	Real estate	Buildings	Other fixtures	Total fixed assets
Acquisition cost per 01.01.19	0	1,695	3,827	5,522
Addition of fixed assets	0	0	13,158	13,158
Disposal of fixed assets	0	-133	-38	-171
Acquisition cost per 31.12.19	0	1,562	16,947	18,509
Accumulated depreciation per 31.12.19	0	0	-1,390	0
Carrying value at 31.12.19	**0**	**1,562**	**15,557**	**17,119**
The year's depreciation	0	0	1,390	1,390
Accumulated depreciations on disposals (-)			-38	-38

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

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
Leroy Seafood Italy SRL	Italy	Porto Viro	2019	0.0 %	100.0 %		100.0 %
Lerøy Ocean Harvest AS	Norway	Bergen	2018	100.0 %			100.0 %
Laks- & Vildtcentralen AS	Norway	Oslo	2018	100.0 %			100.0 %
Lerøy 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	95.9 %			95.9 %
Lerøy Nord AS	Norway	Tromsø	2015	51.0 %			51.0 %
Norsk Oppdrettsservice AS	Norway	Flekkefjord	2015	51.0 %			51.0 %
Lerøy Processing Spain SL	Spain	Madrid	2012	100.0 %			100.0 %
Rode Beheer B.V.	Netherlands	Urk	2012	100.0 %			100.0 %
Lerøy Finland OY	Finland	Turku	2011	100.0 %			100.0 %
Sjøtroll Havbruk AS	Norway	Austevoll	2010	50.7 %			50.7 %
Lerøy Vest AS	Norway	Bergen	2007	100.0 %			100.0 %
Lerøy Fossen AS	Norway	Bergen	2006	100.0 %			100.0 %
Sjømathuset AS	Norway	Oslo	2006	100.0 %			100.0 %
Lerøy Delico AS	Norway	Stavanger	2006	100.0 %			100.0 %
Lerøy Trondheim AS	Norway	Trondheim	2006	100.0 %			100.0 %
Lerøy Alfheim AS	Norway	Bergen	2005	100.0 %			100.0 %
Lerøy Portugal Lda	Portugal	Lisboa	2005	100.0 %			100.0 %
Lerøy Aurora AS	Norway	Tromsø	2005	100.0 %			100.0 %
Lerøy Midt AS	Norway	Hitra	2003	100.0 %			100.0 %
Lerøy Sverige AB	Sweden	Göteborg	2001	100.0 %			100.0 %
Lerøy Seafood AS	Norway	Bergen	1939*	100.0 %			100.0 %
Lerøy & Strudshavn AS	Norway	Bergen	1927*	100.0 %			100.0 %

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

Change in book value of shares in subsidiaries

Subsidiary	Net book value in LSG ASA 01.01	New companies purchased	Redemption of non-controlling interests	Establish-ments and capital increases	Increase in value from Group contri-butions	Impairment loss	Net book value in LSG ASA 31.12
Lerøy Havfisk AS	3,090,920						3,090,920
Lerøy Vest AS	1,357,385					13,497	1,370,882
Lerøy Midt AS	1,135,230						1,135,230
Sjøtroll Havbruk AS	540,000						540,000
Lerøy Aurora AS	391,303						391,303
Rode Beheer B.V.	319,707						319,707
Lerøy Norway Seafoods AS	232,837				150,166	-139,876	243,127
Laks- & Vildtcentralen AS	115,000						115,000
Lerøy Sverige AB	80,349						80,349
Lerøy Fossen AS	75,018				14,321	-15,151	74,188
Lerøy Seafood AS	57,986				30		58,016
Lerøy Turkey	56,726						56,726
Norsk Oppdrettsservice AS	25,000						25,000
Lerøy Delico AS	22,070						22,070
Lerøy Finland OY	20,581						20,581
Lerøy Processing Spain SL	20,151						20,151
Lerøy Trondheim AS	19,097					-108	18,989
Preline Fishfarming Sys. AS	18,872					-571	18,301
Sjømathuset AS	13,925						13,925
Lerøy Alfheim AS	13,096				1,402	-1,553	12,945
Lerøy Portugal Lda	8,937					-2,939	5,998
Lerøy Ocean Harvest AS	5,551				2,760	-2,840	5,470
Lerøy Nord AS	3,309					-1,103	2,206
Lerøy & Strudshavn AS	515				30	-392	153
Leroy Seafood Italy SRL	0			97			97
Total	**7,623,562**	**0**	**0**	**97**	**168,708**	**-151,036**	**7,641,331**

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

NOTE 6
Shares in associates and other shares

(All figures in NOK 1,000)

Associates	Place of business	Ownership/ voting share 01.01	Ownership/ voting share 31.12	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Norskott Havbruk AS	Bergen, Norway	50 %	50 %	163,273			163,273
Seistar Holding AS	Austevoll, Norway	50 %	50 %	61,500			61,500
Seafood Danmark A/S	Hirtshals, Denmark	33.33 %	33.33 %	77,170			77,170
Sporbarhet AS	Trondheim, Norway	0 %	22 %	0	135		135
Ocean Forest AS	Bergen, Norway	50 %	50 %	30			30
The Seafood Innovation Cluster AS	Bergen, Norway	20 %	20 %	16			16
Total				**301,989**	**135**	**0**	**302,125**

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

Andre aksjer	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Various minor shareholdings	3,941	6,346	-250	10,037
Total	**3,941**	**6,346**	**-250**	**10,037**

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

NOTE 7
Loans, mortgages and guarantees

(All figures in NOK 1,000)

	2019	2018
Long-term interest-bearing debt		
Debt to credit institutions	248,344	320,375
Total interest-bearing debt at 31.12	**248,344**	**320,375**
Bank deposits	2,072,963	1,553,251
Net interest-bearing debt at 31.12	**-1,824,619**	**-1,232,876**
Repayment profile interest-bearing debt		
2019		70,684
2020	70,492	70,684
2021	177,852	179,007
2022		
Total	**248,344**	**320,375**

Financial covenants

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

	2019	2018
Debt secured by mortgages		
Long-term debt to credit institutions	248,344	320,375
Total mortgage-secured debt at 31.12	**248,344**	**320,375**
Mortgaged assets		
Shares in subsidiaries	859,707	859,707
Shares in associates	163,273	163,273
Total book value of mortgaged assets 31.12	**1,022,980**	**1,022,980**
Guarantees and sureties	**32,100**	**32,100**

Guarantee and surety liability

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

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

Other commitments

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

Restricted funds

Restricted funds included in bank deposits equals to NOK 1,886.

NOTE 8
Interest rate swaps

(All figures in NOK 1,000)

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

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

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

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

Interest rate swaps	Agreement 1 17.11.2011	Agreement 2 17.01.2012	Total, all agreements
Nominal amount	500,000	500,000	1,000,000
Duration	10 år	10 år	10 år
Agreed fixed/average interest rate	3.55 %	3.29 %	3.42 %
Book value 01.01.2018			
Fair value of interest rate swaps as of 01.01.2018	-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 01.01.2018	**-33,725**	**-30,784**	**-64,510**
Changes booked through profit and loss			
Change in fair value of interest rate swaps in 2018	14,820	13,499	28,319
Change in deferred tax related to the value change in the period, 23%	-3,409	-3,105	-6,513
Effect of change in nominal tax rate, from 23% til 22%, through profit or loss (change in estimate)	-290	-265	-555
Changes booked through profit and loss	**11,121**	**10,129**	**21,251**
Book value 31.12.2018			
Fair value of interest rate swaps as of 31.12.2018	-28,979	-26,481	-55,460
Deferred tax related to the interest rate swaps, 22%	6,375	5,826	12,201
Net (negative) value after tax, as of 31.12.2018	**-22,604**	**-20,655**	**-43,259**
Reclassification of cumulative change in fair value on interest swap agreements booked against equity, where the hedge is no longer effective			
Accumulated change in fair value on interest swap agreements (gross), reclassified to profit and loss	44,244	0	44,244
Accumulated change in deferred tax that has been booked through equity	-12,792	0	-12,792
Net amount reclassified from equity to profit and loss	**31,452**	**0**	**31,452**

Interest rate swaps	Agreement 1 17.11.2011	Agreement 2 17.01.2012	Total, all agreements
Change in fair value of financial instruments at fair value			
Changes in fair value in 2018 booked through profit and loss	14,820	13,499	28,319
Net amount reclassified from equity to profit and loss	-44,244	0	-44,244
Total	**-29,424**	**13,499**	**-15,925**
Interests on interest swap agreements 2018			
Floating rate interests	4,814	4,835	9,650
Fixed rate interests	17,750	16,450	34,200
Net paid	***12,936***	***11,615***	***24,550***
Changes booked through profit and loss			
Change in fair value of interest rate swaps in 2019	13,071	11,798	24,869
Change in deferred tax related to the value change in the period, 22%	-2,876	-2,596	-5,471
Effect of change in nominal tax rate, from 23% til 22%, through profit or loss (change in estimate)	0	0	0
Changes booked through profit and loss	**10,195**	**9,203**	**19,398**
Book value 31.12.2019			
Fair value of interest rate swaps as of 31.12.2019	-15,909	-14,682	-30,591
Deferred tax related to the interest rate swaps, 22%	3,500	3,230	6,730
Net (negative) value after tax, as of 31.12.2019	**-12,409**	**-11,452**	**-23,861**
Interests on interest swap agreements 2019			
Floating rate interests	7,239	7,289	14,529
Fixed rate interests	17,750	16,450	34,200
Net paid	**10,511**	**9,161**	**19,672**

NOTE 9
Taxation

(All figures in NOK 1,000)

Permanent differences	2019	2018
Dividends received (including the 3% added on the tax base)	-561,150	-802,195
Gain on disposal of shares	0	6,279
Other permanent differences	149,448	362,154
Total permanent differences	**-411,702**	**-433,762**

Calculation of tax payable	2019	2018
Profit before tax	2,058,589	2,851,729
Permanent differences	-411,702	-433,762
Change in temporary differences (through profit and loss)	-44,402	-13,050
The year's taxation base	**1,602,484**	**2,404,917**
Tax rate, nominal	22 %	23 %
Tax payable in the tax cost before intragroup contributions paid	**352,547**	**553,131**

Tax payable booked in the balance sheet	2019	2018
Tax payable	352,547	553,131
Tax payable on intragroup contributions paid	-47,584	-43,025
Tax payable booked in the balance sheet	**304,962**	**510,106**

Overview of temporary differences	2019	2018
Temporary differences where changes are recognised in profit and loss		
Intangibles	40,704	24,951
Buildings and other fixed assets	3,153	1,252
Financial instruments, total	-30,591	-55,460
Gain/loss account	-7,612	-9,490
Temporary differences 31.12 where changes are recognised in profit and loss	5,654	-38,748
Change in temporary differences where changes are recognised in profit and loss	**44,402**	**13,050**

Deferred tax	2019	2018
Deferred tax where changes are recognised in profit and loss		
Total temporary differences through profit and loss	5,654	-38,748
Tax rate, nominal	22 %	23 %
Deferred tax liability (+) / asset (-)	**1,244**	**-8,912**

The year`s tax cost consists of	2019	2018
Tax payable in the tax cost before intragroup contributions paid	352,547	553,131
Change in deferred tax where changes are recognised in profit and loss	9,768	3,002
Effect of change in the nominal tax rate	0	387
Too much (-) or too little (+) allocated to tax previous year	865	5,790
Total tax cost	**363,180**	**562,310**
Effective tax rate	17.6 %	19.7 %

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

(All figures in NOK 1,000)

Payroll expenses	2019	2018
Salaries, holiday pay and bonuses	42,497	32,464
Employer's contribution	5,836	4,425
Hired personnel	10,275	5,668
Remuneration to the Board of Directors	1,200	1,200
Pension costs*	2,399	1,452
Other remunerations / nomination committee	451	529
Other personnel costs	737	261
Total	**63,395**	**45,998**
** Defined contribution pension scheme*		
Average number of full-time equivalents:	30	14

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 with NOK 6.1 million for 2019 and NOK 5.5 million for 2018. For total consulting fee paid to Laco, see note on transactions with related parties.

Auditor

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

	2019	2018
Auditing fees Group auditor	1,040	1,500
Other services Group auditor	882	2,922
Total	**1,922**	**4,422**

NOTE 11
Items that are combined in the financial statements

(All figures in NOK 1,000)

Financial revenue	2019	2018
Interest income from Group companies	14,265	4,457
Other interest income	20,476	11,685
Currency exchange gain	9,566	4,249
Other financial income	7,632	0
Total financial revenue	**51,939**	**20,391**

Financial costs	2019	2018
Interest cost	25,098	42,795
Currency exchange loss	5,395	1,348
Other financial costs	5,998	6,058
Total financial costs	**36,491**	**50,201**
Other financial items , net	**15,449**	**-29,810**
Unrealised currency gain(+)/loss(-) included above*	2,957	-922

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

Responsibility statement from the board of directors and CEO

We declare, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 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, 23 April 2020
The Board of Lerøy Seafood Group ASA

Helge Singelstad
Chairman

Arne Møgster
Board member

Britt Kathrine Drivenes
Board member

Siri Lill Mannes
Board member

Didrik Munch
Board member

Karoline Møgster
Board member

Henning Beltestad
CEO
Lerøy Seafood Group ASA

Hans Petter Vestre
Employees' 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 2019, 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 position as at 31 December 2019, 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 2019, 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 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. Measurement and valuation of biological assets contain approximately the same complexity and risks as previous year and have been in focus for the audit also this year.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
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

Key Audit Matters	How our audit addressed the Key Audit Matters
Measurement of biological assets	
As described in the financial statements Lerøy Seafood Group ASA values biological assets to their fair value according to IAS 41. At the balance sheet date, the fair value of biological assets was MNOK 5,575, of which MNOK 4,402 is historical cost and MNOK 1,173 is adjustment to fair value. Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, brood stock and fish held for harvesting purposes (on growing stage) and relate to the segment Farming. Measured in fair value biological assets constitute close to 1/5 of the balance sheet as at 31 December 2019. Due to the nature and location of the inventory, it is impracticable to attend the physical inventory counting. Consequently, we have performed alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory. The group has established well functioning control procedures for measurement of both number of fish and biomass. However, a certain inherent risk of deviations exists in the measurement. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes, which constitutes the main part of the Group's biological assets.	The Group's biomass system includes information about number of fish, average weight and biomass per site. We reconciled the movement in the inventory of fish held for harvesting purposes (in number and biomass) for the farming units in the period. The movement in number of fish is the total of smolt stocked, mortality, other loss and harvested fish whereas the movement in biomass is the total of stocked biomass, net growth in the period and harvested biomass. We focused particularly on number of smolt stocked and net growth in kilo. This has the most significant impact on the measuring at the balance sheet date. We reviewed the Group's routines connected to recording of number of smolt stocked. In order to assure the accuracy of the number of fish registered in the biomass system we have tested a selection of recorded smolt stocked from the production system to the number of fish according to supporting documentation. Supporting documentation may for instance be invoice from smolt supplier, vaccination report or well boat count. We have also tested and reviewed the Group's routines for continuous registration of mortality. The period's net growth corresponds to the feed used in the period divided by the feed conversion rate. The feed consumption is again closely related to the purchase of feed in the period. In order to estimate the feed consumption and the feed purchase in the period we reviewed the Group's routines for reconciliation of feed inventory and controlled a sample of feed purchase throughout the year against incoming invoice from the feed suppliers. Furthermore, we compared the accumulated feed conversion rate of the inventory against our expectation based on historic figures for the individual region. Where the feed conversion rate was significantly higher or lower than expected we obtained further documentation and explanations. Our work substantiated that the net growth had been reasonably assessed. In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between harvested biomass (in kilos and numbers) and estimated biomass according to the Group's biomass systems. We also reviewed harvest deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31.12.2019. We found the deviations to be relatively insignificant and in accordance with expectations.

Valuation of biological assets

The fluctuations in fair value estimate that arise for instance due to change in market prices may have a significant impact on the operating result for the period. 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 3 about significant accounting estimates and assessments and note 11 about biological assets.

We reviewed the Group's structuring of calculation model for valuation by comparing it against the criteria in IAS 41 and IFRS 13 and found no obvious deviations. Furthermore, we examined whether the biomass and number of fish used in the Group's model for calculation of fair value of biological assets corresponded with the Group's biomass systems and tested that the model made mathematic calculations as intended.

After having ensured that these basic elements were in place, we assessed whether the assumptions used by the Group in the model, were reasonable. We did this by discussing the assumptions with the Group and comparing them to among other things, historical data, available industry data and observable prices. We found the assumptions to be reasonable.

We ensured that disclosures in notes appropriately explained the valuation method and that the information was in accordance with the requirements in the accounting standards.

Other information

Management is responsible for the other information. The other information comprises 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.

Independent Auditor's Report - Lerøy Seafood Group ASA

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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.

Independent Auditor's Report - Lerøy Seafood Group ASA

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, 23 April 2020

PricewaterhouseCoopers AS

Hallvard Aarø

State Authorised Public Accountant

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

(5)

Addresses

Head office, Bergen, Norway

Lerøy Seafood Group ASA
Thormøhlens gate 51 B
N - 5006 Bergen
Phone: +47 55 21 36 50
E-mail: post@leroyseafood.com
Org.nr.: 975 350 940

Wild Catch

Lerøy Havfisk AS
Løvenvoldgata 11
N-6002 Ålesund
Phone: +47 70 11 86 00
E-mail: post@havfisk.no

Lerøy Norway Seafoods AS
Buøyveien 7
N-8340 Stamsund, Norway
Phone: +47 76 06 20 00
E-mail: firmapost@ norwayseafoods.com

Farming

Lerøy Aurora AS
Kystens Hus, Stortorget 1,
Postboks 2123
N-9267 Tromsø
Phone: +47 77 60 93 00
E-mail: post@leroyaurora.no

Lerøy Midt AS
Industriparken 31
N-7246 Sandstad
Phone: + 47 72 46 50 00
E-mail: post@leroymidt.no

Lerøy Midt AS,
Dep. Kristiansund
Hollendergata 11
N-6509 Kristiansund

Lerøy Vest AS / Sjøtroll Havbruk AS
Skipavika 54
N- 5397 Bekkjarvik
Phone: +47 91 91 18 00
E-mail: firmapost@sjotroll.no

Preline Fishfarming System AS
c/o Lerøy Seafood AS, Postboks 7600,
N-5020 Bergen
Phone: +47 41 45 66 28
E-mail: bbilberg@preline.no

VAP, sales og distribution

Bulandet Fiskeindustri AS
Hellersøyvegen 88
N-6987 Bulandet
Phone: +47 57 73 30 30
E-mail: bulandet.fiskeindustri@bufi.no

Lerøy Alfheim AS
Skuteviksboder 1–2
Postboks 7600
N-5020 Bergen
Phone: +47 55 30 39 00
E-mail: firmapost@leroyalfheim.no

Lerøy Seafood AB - Gøteborg
Fiskhamnen 11, SE-41458
Gøteborg, Sweeden
Phone: +46 31 85 75 00
E-mail: info@leroy.se

Leroy Seafood AS China Office
Room 809, Kaixuan Mansion Building B 36
Deshengmenwai Street
Xicheng District,
Beijing 100088 China
Mobil: +86 130 1110 5490
E-mail: juliana.guyu@leroy.no

Lerøy Delico AS
Varabergmyra 2
N-4051 Sola
Phone: +47 51 71 89 00
E-mail: post@leroydelico.no

Lerøy Finland Oy
Pajakatu 2 FI-20320
Turku, Finland
Phone: +358 2 434 9800
E-mail: info@leroy.fi

Lerøy Fossen AS
Reigstadvegen 39
N- 5281 Valestrandsfossen
Phone: +47 56 19 32 30
E-mail: post@leroyfossen.no

Leroy Japan K.K.
Shinagawa Grand Central Tower 5F
2-16-4 Konan, Minato-ku,
Tokyo 108-0075, Japan
Phone: +81 3 6712 1672
E-mail: info@leroy.co.jp

Lerøy Nord AS
c/o Lerøy Seafood AS
P.O. Box 7600
N-5020 Bergen
E-mail: post@leroynord.no

Lerøy Portugal Lda.
Escritorio 11/12, Marl Lugar Di
Ouintanilho, Pavilhao R-07
2670-838S. Juliao Do
Tojal-Loures, Portugal
Phone: +351 210 988 550
E-mail: geral@leroy.pt

Leroy Processing Spain
C/Sierra de Cazorla 18–20
Área Empresarial Andalucia
28320 Pinto,
Madrid, Spain
Phone: +34 91 69 18 678
E-mail: info@leroyps.es

Lerøy Seafood AS
Thormøhlens gate 51 B
5006 Bergen
Phone: +47 55 21 36 50
E-mail: post@leroyseafood.com

Leroy Seafood USA, Inc.
1289 Fordham Blvd., Suite 406
Chapel Hill, NC 27514, USA
Phone: +1 919 967 1895
Mobil: +1 617 270 3400
E-mail: scott.drake@leroy.no

Lerøy Sjømatgruppen AS
Postboks 7600
N- 5020 Bergen
Phone: +47 55 21 36 50
E-mail: post@leroysjomatgruppen.no

Lerøy Smøgen Seafood AB
Postboks 24, SE-45625
Smøgen, Sweden
Phone: +46 52 36 67 000
E-mail: smogenseafood@leroy.se

Lerøy Seafood AB - Stockholm
Vindkraftsvägen 5, SE-135 70
Stockholm, Sweden
Phone: +46 8 81 14 00
E-mail: info@leroy.se

Lerøy Trondheim AS
Pir 1 – Nr. 7 Hurtigrutekaien
N-7010 Trondheim
Phone: +47 55 33 41 00
E-mail: firmapost@leroytrondheim.no

Leröy Turkey
Su Urünleri San Tic A.S Atatürk
Mah. Girne Cad. No. 33
34758 Atasehir, Istanbul, Turkey
Phone: +90 216 629 0685
E-mail: umit.guvenc@leroy.com.tr

Rode Beheer BV
Schulpengat 10, P.O. Box 54
8320 AB Urk, Netherland
Phone: +31 52 76 85 357
E-mail: info@rodevis.nl

SAS Eurosalmon
Zac Des Gouchoux est 127 Rue
des Mures fr-69 220 St Jean D'ardieres,
France
Phone: +33 47 40 77070
E-mail: johann.duhoo@h-leroy.com

SAS Leroy Fish Cut
640 Allé Commios
Zone Actiparc, 62223 Saint Laurent
Blangy, France
Phone: +33 32 11 56907
E-mail: johann.duhoo@h-leroy.com

SAS Leroy Seafood France
No.2&3 Rue Huret Lagache
Terrasse Bat 1 F-62200 Boulogne Sur-Mer,
France
Phone: +33 32 18 75958
E-mail: johann.duhoo@h-leroy.com

Sjømathuset AS
Sven Oftedalsvei 10
N-0950 Oslo
Phone: +47 23 35 55 50
E-mail: post.sjomathuset@leroy.no

Associated companies

Norskott Havbruk AS
Postboks 7600
N-5020 Bergen
Phone: +47 55 21 36 50
E-mail: morste@leroy.no

Seafood Danmark
Søren Nordbysvej 27-29
9850 Hirtshals, Denmark
Phone: +45 98 94 57 77
E-mail: info@seafooddanmark.dk

Scottish Sea Farms Ltd.
Laurel House Laurel Hill Business
Park Stirling FK7 9JQ, Scotland
Phone: +44 1786 445 521
E-mail: emma.leyden@
scottishseafarms.com

Seistar Holding AS
Økland 12
N-5384 Torangsvåg
Phone: +47 55 08 45 00
E-post: br@seistar.no

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N - 5006 Bergen

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N - 5006 Bergen

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