# Consolidated financial statements

## Consolidated financial statements consist of



## Notes to the consolidated financial statements consist of

# Key Figures

(All figures in NOK 1,000)

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

# Income statement

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

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

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

# Statement of comprehensive income

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

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

The items included in comprehensive income are after tax

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

# Statement of financial position

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

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

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

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

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

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

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

**Helge Singelstad**
Chairman

**Didrik Munch**
Board member

**Karoline Møgster**
Board member

**Britt Kathrine Drivenes**
Board member

**Siri Lill Mannes**
Board member

**Arne Møgster**
Board member

**Hans Petter Vestre**
Employees' representative

**Henning Beltestad**
CEO Lerøy Seafood Group ASA

# Statement of changes in equity

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

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

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

## Treasury shares

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

# Statement of cash flows

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

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

# Note 1
# Accounting policies

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

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

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

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

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

### (B) Basis for preparing the financial statements

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

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

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

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

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

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

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

### (C) principles of consolidation

#### Subsidiaries

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

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

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

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

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

### Non-controlling interests

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

### Associates and joint ventures

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

## (D) Operating revenue

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

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

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

## (E) Reporting by segment

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

# Note 1
## Accounting policies cont.

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

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

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

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

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

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

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

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

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

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

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

Fishing rights (the licenses) are valued at acquisition cost minus any accumulated amortisation and impairment loss. The licenses comprise basic quotas with no time limit and structural quotas with a time limit of 20 and 25 years respectively. The structural quotas have a definite useful life and are amortised over the length of the structural period. The basic quotas have an indefinite useful life and are not amortised, but they are tested annually for impairment. The structural quotas, which are amortised, meet the definition of intangible assets in accordance with IAS 38, as a structural quota is a legal right, is identifiable and generates economic yield that the company can control. As these are time-limited rights, the structural quotas shall be amortised over the remaining life of the quota until the value is zero, as there is no active market for the rights or any commitment from a third party to acquire the right once its useful life is over. Pursuant to White Paper no. 21 (2006-2007) (Structural policy for the fishing fleet), the structural quotas with pre-specified time limits after expiry of the allocation period will be redistributed among the “cod trawler” group of vessels, thereby becoming part of the vessels’ basic quota. This implies that if a vessel has structures that are in accordance with the average for the group of vessels, a vessel will be able to maintain practically the same catch volume once the period for the structural quotas has expired. More detailed information on licenses/fishing rights is provided in note on intangible assets.

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

### (H) Fixed assets

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

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

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

### (I) Biological assets, loss-making contracts and mortality expenses

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

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

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

For roe, fry and juvenile fish, in addition to cleaner fish, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation (IAS 41.24). This assessment must be seen in light of the fact that smolt are currently released to sea at a stage when their weight is still relatively low. At the same time, this group comprises a limited share

## Note 1
# Accounting policies cont.

of the Group's biological assets measured in terms of both volume and value. If changes emerge in the future implying that the smolt produced are significantly larger when released to sea, a new assessment will be required.

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

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

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to the optimal weight for harvest. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money. Please refer to the note on significant accounting estimates and assessments for more detailed information on discounts, and sensitivity analysis. Estimated biomass (volume) is based on the actual number of individuals in the sea on the balance sheet date, adjusted to cover projected mortality up to harvest date and multiplied by the estimated weight per individual at the time of harvest. The measurement unit is the individual fish. However, for practical reasons, these estimates are carried out per locality. The live weight of fish in the sea is translated to gutted weight in order to arrive at the same measurement unit as for pricing. Pricing is based on the Fish Pool forward prices. The reason for this is that there are no effective markets for the sale of live fish. Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian salmon, size 3-6 kg gutted weight. Updated forward prices are published daily for slaughtered salmon on Fish Pool. The volume on Fish Pool is however limited. This market is therefore assessed to be insufficiently active and effective. Despite this, the Group is of the opinion that the observable forward prices must be seen as the best approach to a hypothetical price for the sale of salmon. The volume of trout sales in Norway is significantly lower, and there are no corresponding observable market prices. Historically, however, trout prices have been closely correlated to salmon prices. The forward prices for salmon are therefore applied as a starting point for estimates of the fair value of trout. The forward price for the month in which the fish is expected to be harvested is applied in order to estimate cash flow. The price stipulated by Fish Pool is adjusted to take into account export costs and clearing costs and represents the reference price. This price is then adjusted to account for estimated harvest cost (well boat, slaughter and boxing) and transport to Oslo. Adjustments are also made for any estimated differences in size and quality. The adjustments to the reference price are made per locality. Joint regional parameters are applied, unless factors specific to an individual locality require otherwise.

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

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

Fish Pool contracts are not utilised to any significant extent by the Group as a price-hedging instrument, as the sale of such contracts with Fish Pool remains limited and volumes are low. When utilised, the Fish Pool contracts are recorded as financial instruments on the balance sheet (derivatives), where unrealised gain is classified as other short-term receivables and unrealised loss as other short-term debt.
As the financial statements also present production costs for the stock of live fish, the reporting of mortality is of significance. Costs related to abnormal mortality are immediately recognised through profit or loss and presented on the line for changes in inventory, while normal waste is classified as part of production costs. Fair value of biological assets is not affected by the principle for reporting mortality costs. The extent to which mortality is normal or abnormal requires assessment. The Group makes use of a common indicator and threshold for all farming units. If in one month mortality at a locality exceeds 1.5% of the incoming number of fish at the locality, this is classified as an indication of abnormal mortality. A more detailed assessment is then carried out to establish whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish. Please refer to the note on biological assets for a more detailed description of mortality costs and incidents that have caused abnormal mortality.

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

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

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

## Note 1
# Accounting policies cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

### (T) Statement of cash flows

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

### (U) Financial risk management

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

#### Currency risk

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

#### Interest risk

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

#### Price risk

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

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

#### Liquidity risk

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

# Note 1
# Accounting policies cont.

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

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

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

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

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

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

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

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

### (W) Capital management
The Group's objectives for capital management are to enable the Group to continue as a going concern in order to guarantee returns for the owners and other stakeholders and to sustain an optimal capital structure to allow the Group to reduce

capital expenses. Ongoing structural changes in the global industry in which the company operates, seen in conjunction with the cyclical nature of the industry, demand that the company at all times must maintain a satisfactory financial contingency. This in turn requires a close relationship with the company's shareholders and equity markets. The Group has always stressed the importance of maintaining the confidence of its financial partners and thus also access to necessary loan capital on favourable terms.

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

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

### (X) Indefinite useful life (no amortisation) of licences

Below is a detailed description of the Group's assessments in situations where the Group has established that an asset has an indefinite useful life, cf. IAS 38.122. Intangible assets with an indefinite useful life are not amortised but tested for impairment once a year as a minimum. Please refer to the note on intangible assets for information on the impairment test.

#### Licence scheme in Norway

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

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

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

#### Main terms and conditions for licence type

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

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

Grow-out licences are limited in number, i.e. the enterprises are only granted new licences or more production volume subsequent to politically adopted allocation rounds. The maximum allowable biomass (MAB) has previously been 780 tonnes of salmon or trout per licence. The maximum allowable biomass (MAB) for the counties of Troms and Finnmark (North Norway) has previously been 945 tonnes of salmon or trout per licence. Following the political decision taken in 2017 that it should be possible to allocate percentage growth per licence based on various conditions, a fixed maximum allowable biomass per licence is no longer specified. North Norway has been allocated with permission to percentage growth conditional on a low level of lice. Enterprises in this region that satisfy the specified conditions can purchase increased volume capacity. The Group has utilised this option, buying

# Note 1
# Accounting policies cont.

a 5% increase in volume for a total of eight licences in 2017, and a further increase in volume of 2% for all licences in this region in 2018. There are also some licences that, for historical reasons, have a MAB limit different from 780 tonnes. LSG with its subsidiaries has a sufficient number of localities (locality MAB) in the different regions to achieve a satisfactory exploitation of the Group's total MAB. All commercial licences are currently operational.

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

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

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

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

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

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

Juvenile fish licences are licences to produce juvenile salmon and trout in fresh water that in total authorise the licence holder to produce a specific number of juvenile salmon and trout. There are certain limitations on the size of juvenile fish that may be produced according to the individual licence. If the licence holder does not have an exemption from the regulations in force, the largest permitted average weight is 250 grams per individual. Licences are granted on the basis of a discharge permit for a certain number of fish/biomass with a maximum allowable feed consumption per year. In situations where the water source is owned by a third party, an agreement is also required governing the right to utilise the water source.

### Duration and renewal

Section 5, second paragraph of the Aquaculture Act reads: "The Ministry may prescribe detailed provisions relating to the content of the aquaculture licences, including the scope, time limitations, etc., by administrative decision or regulations."

In the legislative background to the Aquaculture Act, White Paper no. 61 2004-2005, the following statement can be found on page 59: "It will remain the case that licences are normally allocated without any specific time limitation. Implementation of such limitations should be reserved for those issues where a time limitation, based on the specific situation, provides for a more complete fulfilment of the Act than if the licence were to be allocated without a time limitation."

The duration of licences is also specified by the Aquaculture Act, which in its most recent revision underlined ownership of licences by allowing the licences to be mortgaged to the benefit of the lender.

There are no time limitations specified in LSG's terms for grow-out and juvenile licences, and they are therefore deemed to be time-indefinite production rights according to the prevailing regulations. This also applies to green licences.

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

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

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

The licences for slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licences provided that they are linked to an approved slaughtering plant and only utilised to keep fish ready for slaughter in immediate proximity to the slaughtering plant. The Group's demonstration licences are allocated for a period of 10 years. Applications can be submitted for renewal of demonstration licences provided that the terms for the licence are met pursuant to the Aquaculture Act.

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

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

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

**Costs related to licences**

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

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

**Assessment of economic life**

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

*Grow-out licences and juvenile fish licences*

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

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

It has also been noted that the licences are registered in the public aquaculture register as being without time limitation. On this basis, the economic life is assessed to be indefinite for the grow-out licences and juvenile fish licences, in accordance with IAS 38.90.

# Note 1
## Accounting policies cont.

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

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

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

b) the entity can document fulfilment of the licence conditions,

c) the cost to the entity for renewal is not significant, when compared with the future economic benefits expected to flow to the entity from renewal.

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

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

### Y) New and amended standards implemented by the group

**a) New standards implemented in 2018**

The Group has implemented the following new IFRS standards with effect from 1 January 2018:
– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers

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

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

One IFRS standard is effective for annual reporting periods beginning or after 1 January 2019:
- IFRS 16 Leases

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

# Note 2
# Significant accounting estimates and assessments

(All figures in NOK 1,000)

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

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

### (A) Value adjustment of biological assets

Biological assets comprise the stock of roe, fry, juvenile fish, cleaner fish and fish in sea. Biological assets are measured at fair value less costs to sell. For a more detailed description of the accounting policies applied, please refer to the description provided under accounting policies and in the note on biological assets. Valuation is based on a number of different premises, many of which are non-observable. The premises can be categorised in four different groups: (1) Price, (2) Cost, (3) Volume and (4) Discount rate.

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

#### (1) Price

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

#### (2) Cost

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

#### (3) Volume

Projected harvest volume is calculated on the basis of the estimated number of fish (individuals) on the balance sheet date minus estimated future mortality, multiplied by the estimated harvest weight (4.8 kg live weight). There is some uncertainty involving both the number of fish in the sea on the balance sheet date, remaining mortality and estimated harvest weight. The actual harvest volume may therefore differ from the estimated harvest volume either as a result of changes in biological developments or due to special events, such as abnormal mortality. The estimate for number of fish on the balance sheet date is based on the number of smolt released to sea. The number of smolt is adjusted to take into account uncertainties during counting and actual

# Note 2
# Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

registered mortality related to release. The normal estimated harvest weight (optimal harvest weight) is assessed to be the live weight of fish that results in a gutted weight of 4 kg, unless specific conditions exist on the balance sheet date to indicate that the fish have to be harvested before they reach this weight. If this is the case, the estimated harvest weight is adjusted. Projected mortality during the period from the balance sheet date to the date when the fish reach harvest weight is estimated to be 1% of the number of incoming fish per month. In North Norway however, historical mortality figures are significantly lower than in other parts of the country. As a result, the percentage applied to estimated mortality in this region is 0.5%.

### (4) Discounting

Every time a fish is harvested and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality. The cash flow is allocated to the month when harvest is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the sea on the balance sheet date. With the current size of the smolt released and the frequency of the smolt releases, this period of time may be up to 18 months. The estimated future cash flow is discounted monthly. The level of discount rate applied has a major impact on the estimate of fair value. The monthly discount rate at 31 December is estimated to be 6% per month. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) Risk adjustment, (2) Licence lease and (3) Time value.

*4.1. Risk adjustment*

The risk adjustment shall reflect the price discount a hypothetical buyer would demand as compensation for the risk assumed by investing in live fish rather than a different investment. The longer it takes to reach harvest date, the higher the risk that something may occur to affect cash flow. Three significant factors could have an impact on cash flow. Volume could change, costs could change and prices could change. The one thing all three factors have in common is that the sample space is unsymmetrical.

*4.2. Hypothetical licence lease*

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

*4.3 Time value*

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

### Sensitivity analysis on fair value of fish in sea

The Group considers that four components are key for valuation. These are:
(1) weighted average price,
(2) projected optimal harvest weight,
(3) monthly discount rate and
(4) estimated number of fish.

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

### Sensitivity analysis for weighted average price and expected optimal harvest weight

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

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

### Sensitivity analysis for weighted average price and monthly discount rate applied

| Average price per kg (NOK) | Change in price per kg (NOK) | Monthly discount rate (%) | | | | |
|---|---|---|---|---|---|---|
| | | **4.0 %** | **5.0 %** | **6.0 %** | **7.0 %** | **8.0 %** |
| | | **Change in monthly discount rate (%)** | | | | |
| | | **-2.0 %** | **-1.0 %** | **0.0 %** | **1.0 %** | **2.0 %** |
| **51.1** | **-5.00** | 5,304,543 | 4,956,573 | 4,640,289 | 4,352,218 | 4,089,322 |
| **54.1** | **-2.00** | 5,760,976 | 5,379,328 | 5,032,643 | 4,717,074 | 4,429,256 |
| **55.1** | **-1.00** | 5,913,120 | 5,520,246 | 5,163,428 | 4,838,693 | 4,542,567 |
| **56.1** | **-** | 6,065,264 | 5,661,165 | **5,294,213** | 4,960,312 | 4,655,878 |
| **57.1** | **1.00** | 6,217,409 | 5,802,083 | 5,424,998 | 5,081,931 | 4,769,190 |
| **58.1** | **2.00** | 6,369,553 | 5,943,001 | 5,555,783 | 5,203,550 | 4,882,501 |
| **61.1** | **5.00** | 6,825,986 | 6,365,756 | 5,948,138 | 5,568,406 | 5,222,434 |

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

# Note 2
## Significant accounting estimates and assessments cont.

(All figures in NOK 1,000)

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

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

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

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

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

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

**(b) Estimated impairment of goodwill and other intangible assets**

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

# Note 3
# Consolidated companies and allocation to operating segment

(All figures in NOK 1,000)

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

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

**Comments on changes:**

*Table cont. >*

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

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

## Note 3
# Consolidated companies and allocation to operating segment cont.

(All figures in NOK 1,000)

*Table cont.*

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

# Note 4
# Operating revenues/segment information

(All figures in NOK 1,000)

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

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

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

### Operating segments

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

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

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

## Note 4
# Operating revenues/segment information cont.

(All figures in NOK 1,000)

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

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

## Specification per operating segment within Farming

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

# Note 4
# Operating revenues/segment information cont.

(All figures in NOK 1,000)

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

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

### Information on product area

*Operating revenue in NOK by product area*

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

### Information on currency

*Operating revenue in NOK by currency*

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

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

### Information on geographic areas

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

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

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

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

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

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

# Note 5
## Business combinations and redemption of non-controlling interests

(All figures in NOK 1,000)

### Business combinations in 2018

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

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

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

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

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

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

### Transactions with non-controlling interests in 2018

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

# Note 6
# Intangible assets

(All figures in NOK 1,000)

### Reconciliation carrying value, gross value and life

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

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

## Specification of intangible assets per acquisition, per segment

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

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

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

# Note 6
## Intangible assets cont.

(All figures in NOK 1,000)

### Licences

*Licences in the Farming segment*

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

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

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

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

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

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

*Licences in the Wildcatch segment*

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

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

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

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

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

In order to boost profitability for fisheries and reduce the number of vessels in operation, the fisheries authorities have implemented schemes allowing for companies to merge several quota units per vessel in return for the permanent removal of vessels that have handed over their quotas from the registry of fisheries. Each vessel has one cod trawling permit, a so-called basic quota. Vessels can also have so-called structural quotas for cod trawling. In total, one vessel cannot have more than four quotas per fish species. The structural quotas have a limited duration according to the scheme in place when the quota was structured. In principle, there are two schemes for structural quotas, comprising 20 and 25 years' duration. The new scheme for structural quotas was introduced in 2007. Structural quotas allocated before 2007 have a duration of 25 years starting in 2008, while quotas allocated after 2008 have a duration of 20 years.

The main purpose of the structure schemes is to reduce the number of vessels participating in individual fisheries, thereby facilitating improved profitability for the remaining vessels – i.e. improving efficiency within a regulated framework. Moreover, the schemes are intended to adapt fleet capacity to the basic resources. At the end of the duration of 20 and 25 years respectively, the structural quotas are no longer valid and the total quotas will be distributed among all parties in the regulation group in question, as basic quotas. Basic quotas do not have any time limits.

Havfisk AS – and Lerøy Norway Seafoods AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act). Havfisk AS has been given an extemption from the requirement stating that the controlling interest must be an active fisherman. The Participant Act and supporting legislation stipulate inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities.

# Note 6
# Intangible assets cont.

(All figures in NOK 1,000)

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

### Other rights

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

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

**Cash-generating units (CGU)**

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

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

**Farming**

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

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

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

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

**Wildcatch**

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

**VAP, sales and distribution**

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

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

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

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

# Note 6
# Intangible assets cont.

(All figures in NOK 1,000)

### Tests of possible impairment loss

The impairment test for cash-generating units is based on estimated present values of future cash flows. The present value is compared with the book value per cash-generating unit. The present value is calculated on the basis of discounted cash flows over the next five years. The analysis is based on the prognosis for the next year and the estimated profit/loss over the next four years. A terminal value is estimated for the period following the next five years. The Gordon growth model is applied to estimate terminal value.

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

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

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

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

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

### Key premises and sensitivity estimates

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

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

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

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

## Note 7
# Fixed assets

(All figures in NOK 1,000)

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

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

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

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

# Note 8
# Shares in associates and other investments

(All figures in NOK 1,000)

## Shares in associates

### Classification of associates

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

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

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

## Carrying value on associates and income from associates

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

** Due to the Group`s acquisition of the remaining 50% of the shares in Lerøy Sommarøy AS, this company has changed its status from an associate to a subsidiary. As a result from the facts that the equity in this company was negative and Lerøy Seafood Group ASA had granted for the company`s bank loan, the net book value was negative on the time of disposal (change from associate to subsidiary), in line with the equity method (thus a positive amount on the disposal in the table above). See note on business combinations for further details.*

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

## Note 8
# Associates and other investments cont.

(All figures in NOK 1,000)

### Other information on associates considered material to the Group

Information on subsidiaries of associates

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

### Financial information (100%)

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

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

### Information on biological assets in associates

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

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

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

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

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

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

### Other investments

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

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

# Note 9
# Biological assets

(All figures in NOK 1,000)

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

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

Fair value adjustment recognised in the period related to biological assets comprises: (1) Change in fair value adjustment of biological assets, (2) change in fair value (provision) of loss-making contracts and (3) change in unrealised gain/loss of financial sale and purchase contracts (derivatives) for fish in Fishpool.

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

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

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

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

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

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

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

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

# Note 9
# Biological assets cont.

(All figures in NOK 1,000)

*Table cont.*

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

## Parameters applied for calculation of fair value

### Price parameters

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

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

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

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

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

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

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

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

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

### Accidental release in 2018

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

### Incident-based mortality

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

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

Fish health, including minimising mortality, is the cornerstone of the Group's strategy. There positive trend in the number of sea lice treatments and related mortality, have continued in 2018.

## Note 10
# Other inventories

(All figures in NOK 1,000)

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

# Note 11
# Receivables

(All figures in NOK 1,000)

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

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

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

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

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

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

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

# Note 11
## Receivables cont.

(All figures in NOK 1,000)

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

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

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

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

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

# Note 12
# Financial instruments

(All figures in NOK 1,000)

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

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

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

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

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

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

# Note 12
## Financial instruments cont.

(All figures in NOK 1,000)

*Table cont.*

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

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

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

At 31.12.2018 Lerøy Seafood Group has currency forward contracts with a net negative fair value of NOK 79.5 million. The currency forward contracts is classified as other short-term debt at 31.12.18. NOK 73.1 million of the net negative value is offset against the off-balance item signed sales contracts, and is classified as a short-term receivable.

The net currency gain in 2018 is NOK 65.3 million, which is recognized in cost of materials in the income statement, as it relates to the inventory cycle.

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

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

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

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

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

## Financial instruments by category

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

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

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

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

## Financial instruments included in other term liabilities

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

# Note 12
# Financial instruments cont.

(All figures in NOK 1,000)

### Change in value of financial instruments trough other comprehensive income

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

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

### Financial instruments at fair value by level

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

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

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

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

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

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

## Note 13
# Loans, mortgages and guarantees

(All figures in NOK 1,000)

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

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

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

# Note 13
## Loans, mortgages and guarantees

(All figures in NOK 1,000)

*Table cont.*

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

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

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

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

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

*Table cont.*

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

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

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

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

## Fair value, borrowing costs etc.

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

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

## Covenants

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

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

# Note 14
## Lease liabilities

(All figures in NOK 1,000)

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

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

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

# Note 15
# Pensions

(All figures in NOK 1,000)

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

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

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

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

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

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

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

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

## Note 16
# Taxation

(All figures in NOK 1,000)

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

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

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

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

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

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

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

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

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

# Note 17
## Other short-term debt

(All figures in NOK 1,000)

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

# Note 18
# Earnings per share

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

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

## Earnings per share since the date of listing

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

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

# Note 19
# Dividend per share

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

### Distributed dividend in current financial year

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

### Recommended dividend

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

#### Dividend per aksje since the date of listing

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

# Note 20
# Share capital and shareholder information

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

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

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

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

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

# Note 21

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

(All figures in NOK 1,000)

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

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

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

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

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

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

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

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

### Mandates granted to the Board of Directors

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

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

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

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

### Loans to employees

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

### Auditor

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

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

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

# Note 22
## Items that are combined in the financial statements

(All figures in NOK 1,000)

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

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

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

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

## Note 23
# Currency translation differences

(All figures in NOK 1,000)

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

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

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

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

## Note 24
# Related parties

(All figures in NOK 1,000)

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

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

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

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

# Note 25
# Events after balance sheet date

**Fire at Lerøy Seafood Group`s smolt facility in Laksefjord in Finnmark**

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

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

## Note 26
# New IFRS standards

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

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

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

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

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

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

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

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

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

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

# Note 26
# New IFRS standards cont.

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

### 1. Identify contracts with customers

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

### 2. Identify the separate performance obligations

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

### 3. Determine the transaction price of the contract

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

### 4. Allocate the transaction price to each of the separate performance obligations, and

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

### 5. Recognise the revenue as each performance obligation is satisfied.

It is the Group's assessment that revenue should be recognised at delivery (point-in-time).

### IFRS 16 Leases

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

IFRS 16 entails that virtually all lease agreements is to be recognised in the balance sheet as the differentiation between financial leases and operational leases will cease to apply. According to the new standard, the asset (right to use) and liability is to be recognised in the financial statements. There has been given exceptions to short-term and insignificant lease agreements.

The accounting by lessors remains mostly unchanged. The Groups activities as a lessor are in any way insignificant and does not have any material impact on the financial statements.

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

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