



To the General Meeting of Lerøy Seafood Group ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

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

In our opinion:

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

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

Key Audit Matters

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

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

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Key Audit Matters**How our audit addressed the Key Audit Matters***Measurement and valuation of biological assets*

As described in the financial statements Lerøy Seafood Group ASA values biological assets to their fair value according to IAS 41. At the balance sheet date the fair value of biological assets was MNOK 5,564, of which MNOK 4,017 is historical cost and MNOK 1,547 is adjustment to fair value.

Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage), and relate to the segment Farming. Measured in fair value biological assets constitute approximately 1/5 of the balance sheet as at 31 December 2018.

When auditing substantial inventories the auditing standards require that the auditor attends the physical inventory counting when practically possible. The biological assets are by nature difficult to count, observe and measure due to lack of measuring techniques that are sufficiently accurate and at the same time do not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the sea. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes which constitutes the main part of the Group's biological assets.

The fluctuations in fair value estimate that arise for instance due to change in market prices may have a significant impact on the operating result for the period. Lerøy Seafood Group ASA therefore presents the effect of value adjustments connected to biological assets as a separate line item before the operating result.

We focused on the valuation of biological assets due to the size of the amount, the

The Group's biomass system include information about number of fish, average weight and biomass per site. We reconciled the movement in the inventory of fish held for harvesting purposes (in number and biomass) for the farming units in the period. The movement in number of fish is the total of smolt stocked, mortality, other loss and harvested fish whereas the movement in biomass is the total of stocked biomass, net growth in the period and harvested biomass. We focused particularly on number of smolt stocked and net growth in kilo. This has the most significant impact on the measuring at the balance sheet date.

We reviewed the Group's routines connected to recording of number of smolt stocked. In order to assure the accuracy of the number of fish registered in the biomass system we have tested a selection of recorded smolt stocked from the production system to the number of fish according to supporting documentation. Supporting documentation may for instance be invoice from smolt supplier, vaccination report or wellboat count. We have also tested and reviewed the Group's routines for continuous registration of mortality.

The period's net growth corresponds to the feed used in the period divided by the feed conversion rate. The feed consumption is again closely related to the purchase of feed in the period. In order to estimate the feed consumption and the feed purchase in the period we reviewed the Group's routines for reconciliation of feed inventory and controlled a sample of feed purchase throughout the year against incoming invoice from the feed suppliers. Furthermore, we compared the accumulated feed conversion rate of the inventory against our expectation based on historic figures for the individual region. Where the feed conversion rate was significantly higher or lower than expected we obtained further documentation and explanations. Our work substantiated that the net growth had been reasonably assessed.

In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between actually harvested biomass (in kilos and numbers) and estimated biomass according to the Group's biomass systems. We also reviewed harvest

complexity and the judgement involved in the calculation and the impact of the value adjustment on the result for the year.

See the description of the measurement and valuation of biological assets in note 1 about accounting policies part I, note 2 about significant accounting estimates and assessments and note 9 about biological assets.

deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31.12.2018. We found the deviations to be relatively insignificant and in accordance with expectations.

We reviewed the Group's structuring of calculation model for valuation by comparing it against the criteria in IAS 41 and IFRS 13 and found no obvious deviations. Furthermore, we examined whether the biomass and number of fish used in the Group's model for calculation of fair value of biological assets corresponded with the Group's biomass systems and tested that the model made mathematic calculations as intended.

After having ensured that these basic elements were in place, we assessed whether the assumptions used by the Group in the model, were reasonable. We did this by discussing the assumptions with the Group and comparing them to among other things, historical data, available industry data and observable prices. We found the assumptions to be reasonable.

We ensured that disclosures in notes appropriately explained the valuation method and that the information was in accordance with the requirements in the accounting standards.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation of the financial statements in accordance with law and regulations, including fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 12 April 2019

PricewaterhouseCoopers AS

Hallvard Aarø

State Authorised Public Accountant

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