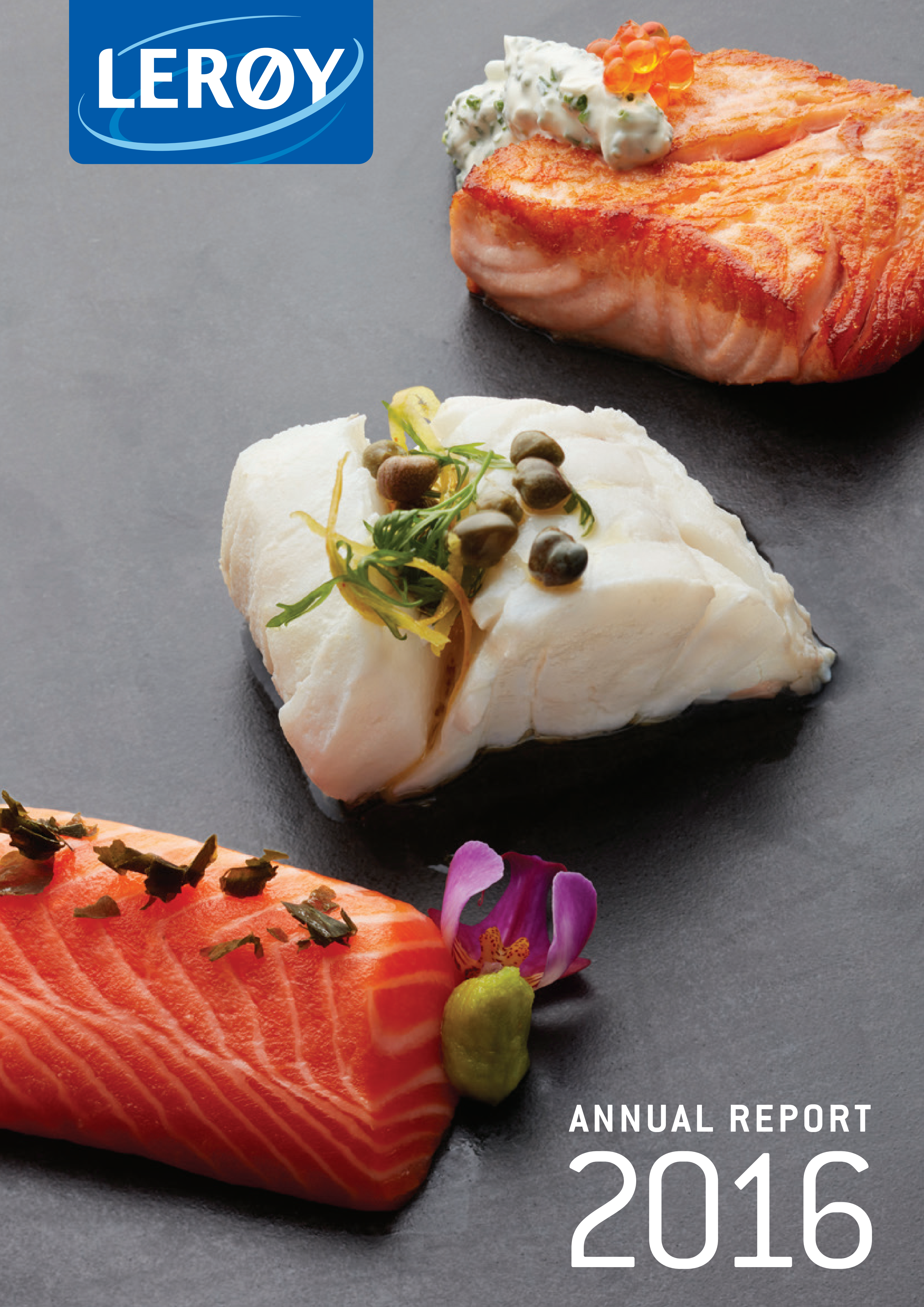

LERØY

ANNUAL REPORT 2016

ANNUAL REPORT 2016

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FINANCIAL CALENDAR 2017

11.05.2017	PRESENTATION OF THE 1ST QUARTER 2017
24.08.2017	PRESENTATION OF THE 2ND QUARTER 2017
09.11.2017	PRESENTATION OF THE 3RD QUARTER 2017
27.02.2018	PRELIMINARY RESULT FOR THE YEAR 2017
23.05.2017	ANNUAL GENERAL MEETING

Elias Fjellstad on his way to the fishmarket in Bergen

HISTORY

The Lerøy Seafood Group can trace its operations back to the end of the 19th century, when the fisherman-farmer Ole Mikkel Lerøen started selling live fish on the Bergen fish market. This was fish he either had caught himself or bought from other fishermen. The fish was hauled to market in corfs behind Ole Mikkel Lerøen's rowing boat from the island of Lerøy to the fish market in Bergen, a journey that could take between six and twelve hours, depending on prevailing winds and currents.

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

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

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

At the turn of the new millennium, large parts of the fish farming industry were seriously undercapitalised and suffering from the impact of a short-term perspective and a lack of risk management. This was not compatible with the requirements placed on enterprises in the fish farming industry at that time. Lerøy Seafood Group had achieved a more solid position by August 2003, when they purchased Nye Midnor AS as it was then called – the company that currently makes up the main share of Lerøy Midt AS. The Group went on to acquire Lerøy Aurora AS in 2005, Fossen AS and the remaining shares in Hydrotech-Gruppen AS in 2006, Lerøy Vest in 2007 via a business combination and a majority shareholding in Sjøtroll Havbruk AS in 2010. The acquisition and demerger of Villa Organic were conducted in 2014. The above-mentioned companies along with a number of minor acquisitions have, together with highly skilled local management, been developed via organic growth to form what is now one of the world's largest producers of Atlantic salmon and trout. The fish farming segment employed 1,323 persons at the end of 2015 in Norway.

The Group has over time made substantial investments within the Processing segment (VAP). These investments in VAP (value-added processing) not only generate a wider product range and open the door to new markets, but also provide more room for manoeuvre in relation to the sale of own produced salmon and trout. The Group made their ambitions clear in 2002 with the investment in fish smoking capacity in Sweden (Lerøy Smøgen). They went on in 2005 to invest in a processing facility for whitefish in Bulandet (Bulandet Fiskeindustri) in order to further expand their product range. In 2006, the Group expanded its high-value processing plant for trout and salmon on the island of Osterøy (Lerøy Fossen). The Group's acquisition of 50.1% of the shares in the Dutch seafood company Rode Beheer BV Group took place in 2012. The Group has subsequently gone on to expand capacity at all its existing plants. The framework conditions for industrial development in Norway are increasingly unsatisfactory, resulting in a trend whereby production is outsourced from Norway to countries with low production costs.

Despite this trend, Lerøy Seafood Group has invested heavily in Norway, most recently with the development and doubling in capacity of the plant on the island of Osterøy outside Bergen in 2014. The VAP segment currently employs 510 persons, 176 of these work in Norway. The Group's ambition to increase demand for seafood in the form of new products for new markets has constantly been the driving force behind the Group's investments in the Sales & Distribution segment. This segment not only sells its own production of salmon and trout, but also has a high level of sales activity in cooperation with third parties, ensuring a wide product range for the Group within seafood. In recent years, the Group has also made significant investments in processing facilities, in order to take part in leading the "revolution" within the distribution of fresh seafood. These investments have been made in what is known as "fish-cuts", processing facilities where proximity to the customer is key. The distribution of fresh seafood requires quality throughout the entire organisation, flexibility, continuity in supply and a high level of service. Today, the Group has a number of fish-cut facilities across Europe, and sells its products to more than 70 markets worldwide. The Sales & Distribution segment currently employs 830 persons, 398 of whom work in Norway.

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

2016 will go down as one of the most important years in the company's long history. Lerøy Seafood Group acquired 100% of the shares in Havfisk ASA (a shipowning company with trawlers) and 100% of the shares in Norway Seafoods Group AS. These are two of the largest companies in Europe within wild catches and processing of whitefish respectively. With this investment, the Group has gained the opportunity to embark on a new and exciting development, whereby wild catches and processing of whitefish shall be integrated into the Group's well-established value chain. Lerøy Seafood Group is now a fully integrated company, having achieved control of the entire value chain for a full range of seafood products – from the sea to the consumer.

At the start of 2017, the seafood corporation Lerøy Seafood Group has a unique position for further growth and development.

The new well boat, Seihav, was christened in Austevoll on 8 October 2016, and the ceremony was then celebrated with a procession to Bergen and a meal in the city.

IMPORTANT EVENTS IN 2016

- 2016 will now go down in the record books as one of the most exciting years in the history of Lerøy Seafood Group ASA. In June 2016, Lerøy Seafood Group acquired 64% of the shares in Havfisk ASA and 74% of the shares in Norway Seafoods Group. At the same time, a mandatory offer was issued for the acquisition of the remaining outstanding shares in Havfisk ASA and a voluntary offer for the remaining shares in Norway Seafoods Group. The acquisition was approved by the Norwegian Ministry of Trade, Industry and Fisheries and relevant competition authorities in August, and the process was completed in October 2016. With sole ownership of Havfisk ASA and Norway Seafoods Group, Lerøy Seafood Group has embarked on a new and exciting journey to integrate whitefish into the Group's well-established value chain. As a result, Lerøy Seafood Group is now a fully integrated company, having achieved control of the entire value chain for a full range of seafood – from the sea to the consumer.

- In 2016, Lerøy Seafood Group gained access to the new well boat, Seihav, via Seistar Holding AS, a company 50% owned by LSG. Seihav has been equipped with state-of-the-art technology and equipment, and is designed to carry live fish and smolt to and from cages and slaughtering plants. In addition, Seihav has the capacity for fish sorting operations and different methods for treating lice and AGD. The boat, which can carry up to 550 tonnes of live fish, will mainly operate in the county of Hordaland and parts of Sogn og Fjordane.

- After a two-year upgrade and extension, Lerøy Seafood Group's Laksefjord smolt facility in Finnmark, was officially opened in June 2016. The facility is now one of Norway's largest and most modern smolt facilities with capacity for 11 million smolt. In terms of production, there is a focus on efficient and environmentally sound solutions, using RAS technology for both fresh water and sea water. As such, the facility can produce post-smolt weighing up to 250 grams.

  As early as the start of January 2016, during the dark months in North Norway and with temperatures as low as minus 20 degrees, the very first "small salmon" were released from the juvenile fish plant in the Laksefjord. 870.000 post-smolt with an average weight of 230 grams were released to the Angstauren locality in Troms. These fish, which have thrived since their release, will be harvested during the first half of 2017. By that time, they are expected to have an average weight of 5 kg. A second release of small salmon from the facility in the Laksefjord took place in January 2017, this time to Årøya in the Lyngenfjord in Troms. To date, these fish have also thrived in their locality.

- In 2016, Lerøy Seafood Group issued an application for development licences for the "Pipefarm" concept, a closed-containment, floating raceway plant. The Group is confident that this concept can be developed into an optimal solution for closed-containment production at sea and, in the long term, can contribute to improving area-efficiency within the fish farming industry. The application covers in total nine R&D licences and a combined capacity of 7.020 tonnes.

- Construction start for new factory for Lerøy Midt. This involves merging today's two factories into one new factory, designed to ensure optimal environmental efficiency during operations. The measures planned to reduce energy consumption will generate a 45% reduction in comparison with current consumption, while consumption of fresh water will be reduced by 50%. Direct delivery from well boat to factory will improve fish health and increase the rate of survival. The new factory is designed to provide 100% exploitation of fish, and there will be no emissions other than purified process water. All waste will naturally be sorted at source, and power required by well boats will be provided from shore.

- The Group maintains a continuous focus on developing new products and markets. In recent years, the Group has achieved a position as Norway's largest producer of sushi. The Group's sushi concept has been successfully launched on several other markets, including Spain and Finland. The Group also continues to develop its "fish-cut" concept in many parts of Europe. The processing units follow a target-driven and efficient strategy, focusing on freshness, high level of service and proximity to end customer. Furthermore, the Group has sustained its positive trend within the development and launch of new products, principally within freshly packaged fish, and is seeing an increase in demand.

STRATEGIC EVENTS

1999
- Lerøy Hydrotech (Farming): The Group's first investment (associate) in salmon production

2000
- Capital supply

2001
- Lerøy Sverige (S&D): Investment in distribution companies in Sweden
- Scottish Sea Farms Ltd: Investment established via 50% shareholding in Norskott Havbruk AS

2001
- Lerøy Smøgen (VAP): Investment in fish smoking company in Sweden
- Listing on the Stock Exchange
- Capital supply

2002
- Capital supply
- Lerøy Midnor AS (Farming): Acquisition of 100% of the shares (currently consolidated in Lerøy Midt AS)

2004
- Lerøy Portugal (S&D): Acquisition of 60% of shares (Portnor Lda)

2005
- Bulandet Fiskeindustri AS (VAP): Corporate relationship established with acquisition of more than 50% of the shares
- Lerøy Alfheim (S&D): Investment within wholesalers and distribution in Norway
- Laksefjord AS (Farming): Acquisition of 100% of the shares
- Lerøy Aurora AS (Farming): Acquisition of 100% of the shares
- Capital supply
- Alfarm Alarko Lerøy (associate): Partnership with Alarko Holding in Turkey

2006
- Lerøy Hydrotech AS (Farming): Acquisition of 100% of the shares (currently consolidated in Lerøy Midt AS)
- Lerøy Fossen AS (Farming and VAP): Acquisition of 100% of the shares
- Capital supply
- Investment in whole-salers (S&D): Investments resulting in nationwide distribution of fresh fish

2007
- Lerøy Vest (Farming): Acquisition of 100% of the shares via a business combination
- Capital supply

2008
- Austevoll Seafood ASA increases its ownership of LSG from 33.34% to 74.93%

2009
- Austevoll Seafood ASA reduces its ownership of LSG from 74.93% to 63.73%

2010
- Sjøtroll Havbruk AS (Farming): Acquisition of 50.71% of the shares

2012
- Rode Beheer BV (VAP): Shareholding increased to 50.1% in the Dutch seafood group

2014
- Villa Organic AS (Farming): Demerger, Lerøy Aurora gains eight new licences for consumer products
- Fish-cut investment: Investments in new facilities in Norway, France, Spain and Denmark
- Villa Organic AS (Farming): Acquisition of 49.4% of the shares

2015
- Seistar Holding AS (shipping company involved in well boats): Acquisition of 50% of the shares in Seistar Holding AS
- Lerøy Turkey (fish-cut): Shareholding increased from 50% to 100% (former Alfarm Alarko Lerøy)
- Norsk Oppdrettsservice AS (cleaner fish): Shareholding increased from 34% to 51%
- Senja Akvakultursenter AS (cleaner fish): Acquisition of 100% of the shares
- Preline Fishfarming System AS (R&D): Owns 91% of the shares

2016
- Capital supply
- Acquisitions of 100% of the shares in Havfisk ASA (trawling operator) and Norway Seafoods Group AS (processing, sale and distribution of whitefish)

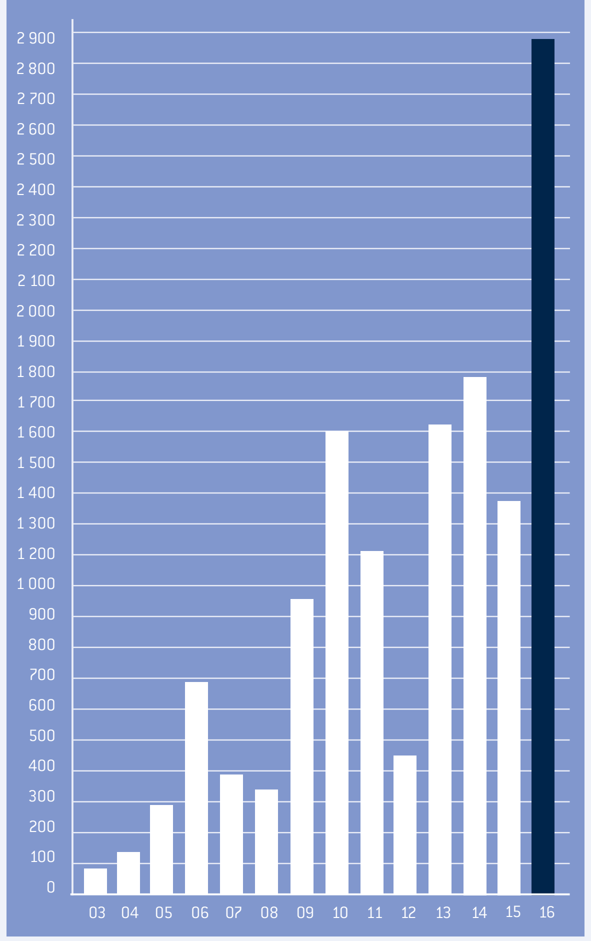
KEY FIGURES FOR LERØY SEAFOOD GROUP CONSOLIDATED

LERØY SEAFOOD GROUP CONSOLIDATED (FIGURES IN NOK 1 000)	2016	2015	2014	2013	2012	2011	2010
LSG stock price last annual trading day	**481.10**	330.00	273.00	177.00	129.50	84.00	192.00
Dividend paid per share (distribution year)	**12.00**	12.00	10.00	7.00	7.00	10.00	7.00
Dividend per share for payment following year	**13.00**	12.00	12.00	10.00	7.00	7.00	10.00
Cash flow from operating activities per share	**48.48**	14.05	25.92	23.06	8.13	15.99	28.05
Diluted cash flow from operating activities per share	**48.48**	14.05	25.92	23.06	8.13	15.99	28.05
Operating revenue	**17 269 278**	13 450 725	12 579 465	10 764 714	9 102 941	9 176 873	8 887 671
Net interest-bearing debt	**3 433 487**	2 594 653	1 876 121	2 116 865	2 231 860	1 592 914	1 298 726
Equity ratio	**53.7%**	54.8%	54.4%	54.3%	50.7%	50.6%	52.8%
Harvest volume (GWT)	**150 182**	157 697	158 258	144 784	153 403	136 672	116 824
Key figures before fair value adjustments related to biological assets							
EBITDA before fair value adjustments*	**3 355 089**	1 813 869	2 160 138	1 938 474	774 866	1 484 797	1 805 874
Operating profit (EBIT) before fair value adjustments*	**2 843 468**	1 379 953	1 788 676	1 625 799	450 098	1 212 898	1 586 249
Pre-tax profit before fair value adjustments*	**2 925 930**	1 320 816	1 816 813	1 630 011	379 913	1 183 314	1 623 307
Operating margin before fair value adjustments*	**16.5%**	10.3%	14.2%	15.1%	4.9%	13.2%	17.8%
Profit margin before fair value adjustments*	**16.9%**	9.8%	14.4%	15.1%	4.2%	12.9%	18.3%
ROCE before fair value adjustments (annualised)*	**23.9%**	14.5%	21.2%	20.7%	6.2%	17.9%	27.5%
Earnings per share before fair value adjustments*	**38.42**	19.38	24.04	21.12	5.11	15.13	22.08
EBIT/kg before fair value adjustments*	**18.9**	8.8	11.3	11.2	2.9	8.9	13.6
Fair value adjustments related to biological assets							
Fair value adjustments related to consolidated companies' inventory (before tax)	**1 470 561**	188 508	-327 414	764 229	294 735	-615 767	298 538
Fair value adjustments related to associates' inventory (after tax)	**48 830**	-8 214	-55 988	86 135	-139	-32 559	18 676
Key figures after fair value adjustments related to biological assets							
EBITDA	**4 825 651**	2 002 377	1 832 724	2 702 703	1 069 601	869 030	2 104 412
Operating profit (EBIT)	**4 314 030**	1 568 461	1 461 262	2 390 028	744 832	597 131	1 884 787
Pre-tax profit	**4 445 321**	1 501 110	1 433 411	2 480 376	674 509	534 988	1 940 521
Operating margin	**25.0%**	11.7%	11.6%	22.2%	8.2%	6.5%	21.2%
Profit margin	**25.7%**	11.2%	11.4%	23.0%	7.4%	5.8%	21.8%
ROCE	**32.4%**	15.3%	15.7%	28.9%	9.9%	8.4%	30.8%
Earnings per share	**56.49**	21.62	19.35	31.76	8.81	7.01	26.25

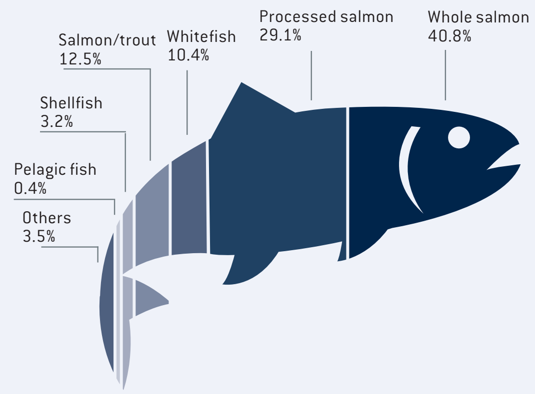
* This figure is an alternative performance measurement before fair value adjustment related to biological assets.

REVENUE (NOK MILLION)

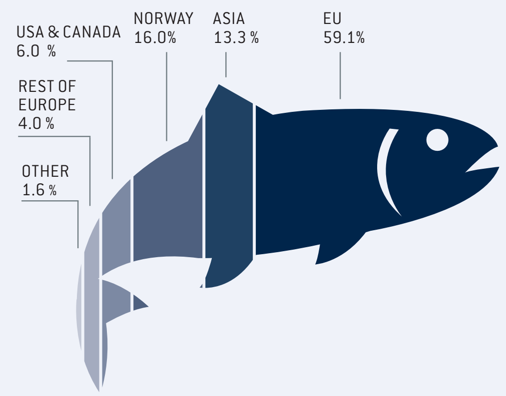
EBIT DEVELOPMENT (BEFORE FV ADJ. ON BIOMASS) IN TOTAL (NOK MILLION)



PRODUCT AREAS YTD 2016



GEOGRAPHIC MARKET YTD 2016



AN EVENTFUL YEAR!

2016 will go down in the record books as one of the most challenging and exciting years in the history of Lerøy – and certainly during the almost 24 years I have worked for the company. The level of activity in 2016 remained high, and we have succeeded in further boosting our market share on the global seafood market. Revenue for the year totalled an impressive NOK 17.3 billion, up more than NOK 3 billion from 2015 and the highest revenue in the history of the Group. Last year, I wrote that I was optimistic with regards to the Group's future position. It is gratifying to see that we in 2016 had a positive development and strengthened the Group's position even further. With the acquisitions of Havfisk and Norway Seafoods Group, I am confident that we will continue to thrive in 2017.

The acquisitions of Havfisk and Norway Seafoods Group come across as the most exciting events that took place in 2016 for Lerøy Seafood Group ASA. The acquisitions let us enter a new and exciting segment within the seafood industry, and represent a milestone in the history of the company.

FULLY PREPARED FOR THE FUTURE

Our company is developing all the time, and 2016 will go down as one of the most important years in the company's history.

We initiated the process of forming a fully integrated company for salmon in 2003 with our very first acquisition – Nye Midnor (now Lerøy Midt). This was the start of a fantastic journey and today we are one of the world's largest producers of salmon and trout.

With the acquisition of Havfisk and Norway Seafoods, we have now embarked on a new and equally exciting journey. We are working to integrate whitefish into our well-established value chain.

We have grown into a fully integrated company, having achieved control of the entire value chain for a full range of seafood – from the sea to the consumer.

With such a solid position, we have every opportunity to shape the Lerøy Seafood Group of the future. We very much look forward to completing the integration of these two companies into Lerøy, and can confirm that the integration process has gone well so far.

NEW COMPANIES, NEW OPPORTUNITIES

Havfisk is the largest trawling operator in Norway for whitefish, currently with nine trawlers. The company also has one trawler under construction, scheduled for completion in 2018. As such, Havfisk has the most modern trawler fleet for whitefish in Norway, and is very well run. Total catch volumes in 2016 were 63.764 tonnes, comprising 29.945 tonnes of cod, 11.508 tonnes of haddock and 9.409 tonnes of saithe. With the integration of Havfisk, Lerøy gains access to stable deliveries of top-quality frozen and fresh whitefish. This will afford major development potential in terms of the market, making use of our already well-developed distribution network. We are delighted to confirm that Havfisk has reported increased revenue in 2016.

Norway Seafoods Group, now Lerøy Norway Seafoods, is an extremely exciting company. Geographically, it has strategically central locations with facilities throughout North Norway. Lerøy Norway Seafoods is Norway's largest purchaser of whitefish. The company has also played a key role in developing the sale, marketing and distribution of both fresh and frozen whitefish in many parts of Europe. We plan to sustain and build upon the achievements of this company over many years, and will make significant investments in the different factories in North Norway.

FARMING – HIGH PRICES MEAN A SUCCESSFUL YEAR

2016 has been a wonderful year for the Farming segment due to extremely high prices for salmon and trout. The increase in price level is mainly attributed to the 6.7% decline in global supply. Lerøy Seafood Group produced 150,000 tonnes of salmon and trout in 2016, down 5% from 2015.

Release from stock costs in 2016 were at an extraordinarily high level from an historical perspective. Increased feed costs were one of the main drivers behind the high costs. We also incurred extremely high direct and indirect costs in order to comply with the statutory limits for salmon lice. The Group has initiated a number of measures and made substantial investments to combat salmon lice. These comprise both preventive measures and non-medicinal delousing methods that, in the long term, are expected to minimise the number of salmon lice and reduce production costs for salmon and trout.

VAP – GOOD GROWTH IN ACTIVITIES

The VAP segment has experienced a challenging year with high and fluctuating prices. Price and volume stability are decisive if we are to optimise production at our VAP facilities. The result reported for VAP in 2016 was substantially lower than in 2015, down from NOK 106 million to NOK 73 million.

We are nonetheless satisfied with the result and the development achieved by the segment, given the difficult framework conditions encountered in 2016.

We are fully confident that we shall be able to further develop our VAP companies in the future. We aim to do this by focusing on product and market development and on measures to increase production efficiency in all units. We have identified major opportunities within increased technological development and automation in the future. These will boost competitiveness for those of our production units that are closest to the market.

SALES & DISTRIBUTION – A GRATIFYING DEVELOPMENT

For many years now, Lerøy Seafood Group has focused its efforts on building up a strong global production and distribution network for fresh seafood. In 2016, we could report a gratifying development in both revenue and profit for the Sales & Distribution segment. Revenue for the segment was up from NOK 12.6 billion in 2015 to NOK 15.6 billion in 2016. Operating profit for the segment increased from NOK 287 million in 2015 to NOK 326 million in 2016.

The segment will continue to develop its distribution network for fresh products on a number of central markets in the future. Demand for freshly packaged seafood is expected to grow significantly as these products become ever more readily available to consumers. The investments made in Havfisk and Lerøy Norway Seafoods will further reinforce our position within this segment moving forward. It is clear to me that the potential within whitefish is vast.

I very much look forward to shaping the future of Lerøy together with our 3.500 employees, our suppliers, customers and other strategic partners.

My sincere thanks to all of you for your hard work in generating such fantastic results in 2016!

Henning Kolbjørn Beltestad
CEO of Lerøy Seafood Group

BUSINESS OVERVIEW

LERØY – IN EVERY KITCHEN

LERØY SEAFOOD GROUP'S VISION

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

The seafood market is experiencing increasingly strict requirements on traceability, food safety, product quality, cost efficiency, sustainability, continuity of supply and a higher level of processing. The Group maintains a strong focus on the market, and a vertically integrated value chain is of decisive importance in order to offer end customers the right product at the right time. By actively developing new markets and new products from fisheries and fish farming based on sustainable principles, the Group aims to develop profitable, efficient and binding alliances both nationally and internationally within both supply and marketing.

Historically, the Group's growth has been based on sound operations, acquisitions, development of acquired companies and building of alliances. The Board of Directors and management continuously target strategic, forward-looking models for the Group's activities. These will continue to include business combinations and acquisitions, both upstream and downstream.

The Group's strategy is based on economic and environmental sustainability. Lerøy Seafood Group is one of the world's largest corporations in the seafood sector, and shall maintain an operational model that allows it to choose and develop sustainable solutions throughout the value chain.

The Group's operations are based on what is produced in the sea, and are highly dependent on the proper management of these resources, allowing for growth for the industry and the continuing supply of high-quality products in the future. Lerøy Seafood Group has a long list of environmental goals with indicators measured at regular intervals. These are described in the chapter entitled Environment – Sustainability and in the company's Environmental Report.

HISTORY AND KEY FOCUS POINTS

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

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

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

The Group's rapid development in recent years has been made possible by capable people who have found the Group to be an attractive employer. One of several important prerequisites for the Group's continued positive development is its ability to offer attractive jobs to as many talented employees as possible.

The Group must maintain a strong focus on leading the competition for result-oriented and skilled personnel with a high capacity for work and change.

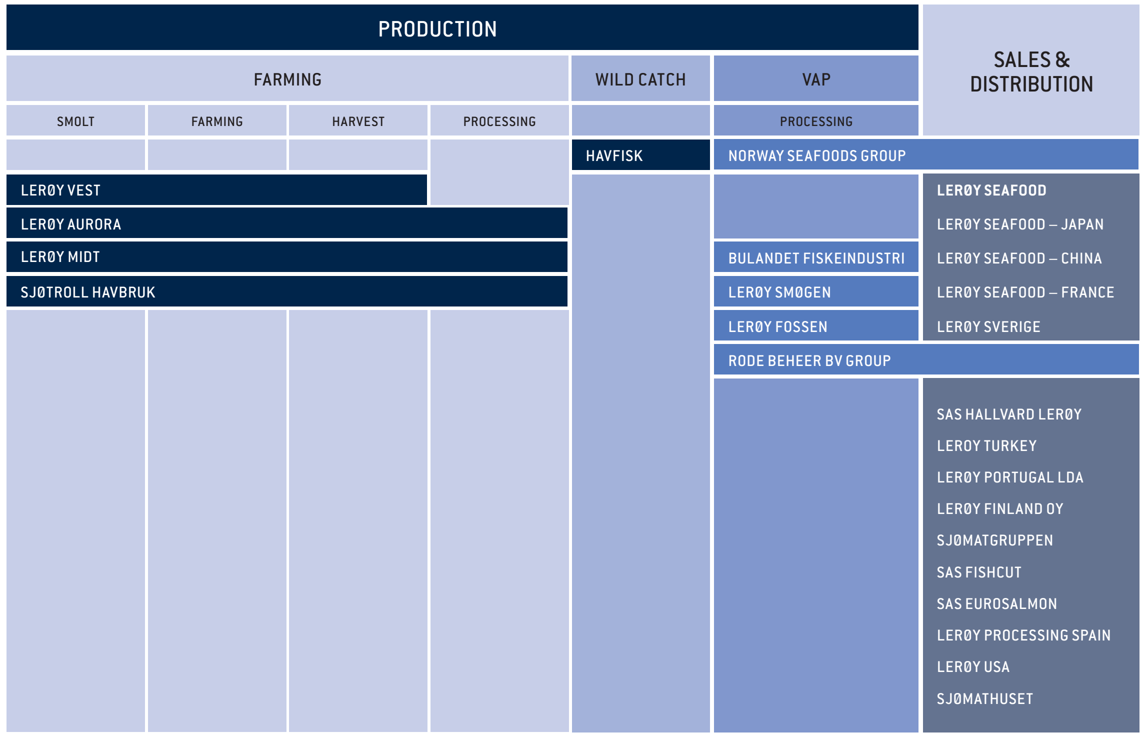
The growth of Lerøy Seafood Group generates an increasing demand for business systems, risk management and capital. The Group maintains a continuous focus on developing business systems that can grow with the company and that provide a competitive advantage on the market. Risk management is key and involves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

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

LERØY SEAFOOD GROUP, VALUE CHAIN AND THE DIFFERENT SEGMENTS

One important element in Lerøy Seafood Group's strategy is to be a fully integrated supplier of the Group's key products, and the business is currently operated via a number of subsidiaries in Norway and abroad. For 2016, the Group reports within four segments: Farming, Wild Catch and Whitefish, Value-added Processing (VAP) and Sales & Distribution. The Group views its operations as regional with a global perspective. The Group aims to be an enterprise with local roots in the locations where it operates, thereby contributing to all local communities irrespective of region and nationality.

The Farming segment comprises the Group's activities involving production of salmon and trout, and includes harvesting and an increasing volume of filleting. The Group companies in this segment represent a major employer



along the Norwegian coastline, and strive to be visible and active in all the regions in which they operate.

The Wild Catch and Whitefish segment comprises businesses acquired in 2016. In 2016, the Group became the sole owner of both Havfisk AS and Norway Seafoods Group AS. These are businesses with substantial operations within the catch and processing of whitefish in Norway.

The VAP segment is involved in high-value processing of mainly salmon and trout, but also other species. The segment's products are increasingly sold to the global market.

The Sales & Distribution segment has a global reach, comprising sales, marketing, product development, distribution and simple processing of the Group's own raw materials, as well as a large volume of raw materials from partners and a network of external suppliers.

FARMING

In order to comply with the seafood market's increasingly strict requirements on traceability, food safety, product quality, cost efficiency, sustainability and continuity of supply within the Group's main areas of Atlantic salmon and trout, the Group considers it vital to aim for a position as a fully integrated supplier. Control throughout the entire value chain is a key and important element of the company's strategy. One of our main aims is to ensure coordinated growth in central parts of the production chain. Measures implemented to achieve this goal comprise major investments in new smolt production, including production based on recycling technology. The Group has completed several major developments: a brand new facility in 2013 in Central Norway, a new facility in North Norway in 2015 and a new facility in West Norway completed in 2016.

Since 2002, the Group's production of salmon and trout has enjoyed a tremendous development and now comprises units that in total harvested 150.000 tonnes from 146 licences in 2016. Production takes place in three regions in Norway. The northernmost region comprises Troms and Finnmark counties, where Lerøy Aurora AS produces salmon from 26 licences. In Central Norway, Lerøy Midt AS produces salmon from 57 licences. The third and final region is West Norway, where Lerøy Vest AS and Sjøtroll Havbruk AS produce salmon and trout from 63 licences. The Group also produces salmon in Scotland through the associate Norskott Havbruk AS. The Group owns 50% of this company, which reported a harvest volume of 28.000 tonnes of salmon in 2016. As such, the Group is one of the world's largest producers of Atlantic salmon and trout. In 2017, Lerøy expects to harvest 180.000 tonnes of salmon and trout, including Lerøy's share of the volume from Norskott Havbruk. The Group believes it has the potential to achieve further growth in volume with its existing licences.

LOCAL ROOTS YET A GLOBAL PERSPECTIVE

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

1 LERØY AURORA AS
Number of licences: 26 • 2016 GWT: 30 000

2 LERØY MIDT AS
Number of licences: 57 • 2016 GWT: 52 200

3 LERØY VEST AS
Number of licences: 37 • 2016 GWT: 39 000

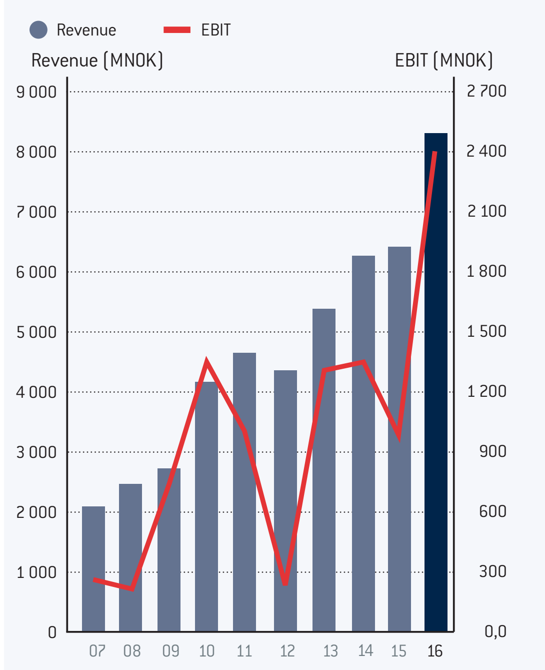
4 SJØTROLL HAVBRUK AS
Number of licences: 26 • 2016 GWT: 29 000

There are several factors behind the increase in Group costs per kilo produced of salmon and trout in 2016 compared with 2015, including increased feed costs – mainly caused by the weaker Norwegian krone – and increased costs for combating salmon lice. There is no doubt that Norway has the most stringent framework conditions for fish farming in a global perspective, particularly in relation to salmon lice. The industry has faced challenges adapting to the amended salmon lice regulations introduced in 2013. These challenges have had a significantly negative impact on costs and production volume for both the Group and the Norwegian fish farming industry.

At the same time, the fish farming industry, despite its relatively young age, has always shown an outstanding ability to solve new challenges. We will solve the problem of salmon lice, but the Group acknowledges that it is difficult to say when. In the long term, the problem of salmon lice must be solved by means of prevention rather than treatment. Investments in measures to prevent salmon lice saw a substantial increase in 2016 and are projected to be even higher in 2017. The Group is still in a transitional period, where substantial costs are incurred for both prevention and treatment.

The Group is, however, not satisfied with cost developments in 2016, and a number of measures have been introduced to reduce costs. These include a major investment in the use of cleaner fish, improved well boat capacity and more mechanical delousing. Other key factors in the fight against salmon lice include in-house focus and training.

DEVELOPMENT IN REVENUE AND EBIT FOR FARMING



Recently, the Norwegian krone has rallied slightly. At the start of 2017, feed prices are expected to be lower than in 2016. At the time of writing, the Group expects costs in 2017 to remain in line with those reported for 2016. In the long term, there is major potential to reduce the costs associated with combating salmon lice.

Prices realised by the Group for salmon and trout combined were up 37% measured in Norwegian kroner in 2016 when compared with 2015. The global production of salmon was down 7% from 2015 to 2016 – a major contributory factor to the high salmon prices. The situation for trout at the start of 2016 was challenging, mainly due to import restrictions introduced in Russia and neighbouring countries. The Group has focused on developing new markets for trout, and throughout 2016 the trout prices improved substantially.

These factors in total, comprising volume, price and costs, gave an increase in revenue for the Farming segment, from NOK 6.494 million in 2015 to NOK 8.338 million in 2016. During the same period, operating profit increased from NOK 988 million in 2015 to NOK 2.419 million in 2016. The operating profit per kilo produced was up from NOK 6.3 in 2015 to NOK 16.1 in 2016.

NORTH NORWAY

Lerøy Aurora AS represents the backbone of production in North Norway, and the company is a fully integrated producer of Atlantic salmon. The company held 26 licences in 2016 and harvested 30.000 tonnes of Atlantic salmon, up from 29.200 tonnes in 2012.

In 2016, Lerøy Aurora released large smolt weighing over 200 grams, and this would not have been possible without the major investments in the smolt facility in Laksefjord. The new facility has provided Lerøy Aurora with access to more and larger high-quality smolt, thereby increasing production volumes and minimising production time at sea. The Group has great expectations in relation to the yield from this investment, and is confident that this will materialise in the form of e.g. an increase in harvest volume in 2017. Projected harvest volume for Lerøy Aurora in 2017 is 39.000 tonnes.

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

Due to higher feed prices, Lerøy Aurora experienced an increase in release from stock costs in 2016 compared with 2015. In total, the North Norway region reported an operating margin per kilo produced of NOK 24.2 in 2016, up from NOK 15.4 in 2015. The Group is satisfied with the development in Lerøy Aurora and will do its utmost to allow Lerøy Aurora to continue to grow within its region in the years to come.

CENTRAL NORWAY

Lerøy Midt AS owns 57 licences and has substantial processing capacity. In 2016, the company harvested 52.200 tonnes of Atlantic salmon, a significant decline from 71.400 tonnes in 2015.

2015 and 2016 have been very difficult years for Lerøy Midt. The company was obliged to carry out early harvest at their facility, resulting in a lower average weight for the harvested salmon than planned. The company's costs per kilo produced were consequently higher, and the early harvest also had a very negative impact on prices realised in both 2015 and 2016.

The difficult situation encountered in 2016 will have a negative impact on production volume and cost levels in 2017, and projected harvest volume for 2017 is

Region	Licences	Smolt cap. (in mill)	2012 GWT	2013 GWT	2014 GWT	2015 GWT	2016 GWT	2017E GWT
Lerøy Aurora AS*	26	11.5	20 000	24 200	26 800	29 200	30 000	39 000
Lerøy Midt AS	57	22.0	61 900	58 900	68 300	71 400	52 200	62 000
Lerøy Sjøtroll	63	22.6	71 600	61 700	63 200	57 100	68 000	64 000
Sum Norway	146	56.1	153 400	144 800	158 300	157 700	150 200	165 000
Villa Organic AS**						6 000		
Norskott Havbruk (UK)***			13 600	13 400	13 800	13 500	14 000	15 000
Total			**167 100**	**158 200**	**178 100**	**171 200**	**164 200**	**180 000**

Associates

* Includes volume from Lerøy Finnmark AS from and including second half 2014
** LSG's share of Villa Organic's volume in H1 2014, not consolidated
*** LSG's share, not consolidated

62.000 GWT. This represents a significant improvement on 2016, but remains lower than the company's potential harvest volume.

For 2016, Lerøy Midt reported an operating margin per kilo produced of NOK 14.3, up from NOK 6.5 in 2015.

Neither the Group nor Lerøy Midt AS is satisfied with the company's performance in 2016, but Lerøy Midt has a motivated organisation and is working purposefully to re-establish its position as one of the world-leading enterprises in the industry.

A long series of measures has been introduced, including better supply of cleaner fish, large well boat capacity and access to mechanical delousing. The company expects to report better results in 2017.

WEST NORWAY

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

Lerøy Vest AS has 37 licences and harvested 39.000 tonnes of Atlantic salmon and trout in 2016, compared with 33.200 tonnes in 2015. In addition to facilities for ongrowing at sea, Lerøy Vest AS produces smolt. Sjøtroll Havbruk AS has 26 licences and harvested 29.000 tonnes in 2016, up from 23.800 tonnes in 2015. Sjøtroll Havbruk AS is involved in the production of fry and smolt, consumer products, slaughtering and processing.

Lerøy Vest AS and Sjøtroll Havbruk AS are operated as one company with joint management. In 2016, Lerøy Sjøtroll reported a production volume of 68,000 tonnes of salmon and trout, up from 57.100 GWT in 2015. The production volume in 2016 comprised approx. 35.000 GWT of trout. Trout prices were challenging, particularly at the start of 2016.

Throughout 2016, Lerøy Sjøtroll has seen a positive development in production, but the costs associated with combating salmon lice remain excessive. The operating margin per kilo for 2016 was NOK 14.0, a significant increase from NOK 1.3 in 2015.

Towards the end of 2016, Lerøy Sjøtroll gained access to a state-of-the-art well boat, Seihav, and completed the first stage of the development of a new smolt facility for trout. A further increase in costs related to preventive measures for salmon lice is expected in 2017, while the company has a clearly defined goal to reduce the treatment-related costs. Projected harvest volume for Lerøy Sjøtroll in 2017 is 64,000 GWT, of which approx. 25.000 GWT is trout.

WILD CATCH AND WHITEFISH

On 2 June 2016, Lerøy Seafood Group signed agreements that on execution would afford the Group majority ownership of both Havfisk ASA and Norway Seafoods Group. The acquisitions were executed on 31 August 2016, providing Lerøy with 67% of the shares in Havfisk and 74% of the shares in Norway Seafoods Group. On 16 September 2016, Lerøy issued a mandatory offer for all shares in Havfisk ASA and a voluntary offer for all the shares in Norway Seafoods Group. On 20 October, the Group reported that on expiry of the mandatory offer for Havfisk, it had received acceptances that would provide Lerøy with a total shareholding in Havfisk of 96%. On 27 October 2016, Lerøy took the decision to apply the option for compulsory acquisition of minority shareholdings, laid down in the Public Limited Companies Act (Norway), and thereby gained ownership of 100% of the shares in Havfisk ASA and Norway Seafoods Group. Reference is also made to the more detailed information in the note regarding business combinations and redemption of non-controlling interests.

Subsequent to these transactions, Havfisk ASA and Norway Seafoods AS were consolidated into Lerøy's financial statements as of 1 September 2016. In total, the two businesses represented a positive contribution to Lerøy's operating profit of NOK 88.6 million.

Havfisk ASA's primary business segment is the wild catch of whitefish. At the end of the financial year, Havfisk owned 100% of the shares in Nordland Havfiske AS, 60% of the shares in Hammerfest Industrifiske AS and 97.62% of the shares in Finnmark Havfiske AS. Havfisk has had nine trawlers in operation in 2016 with 29.6 quota units for cod/haddock.

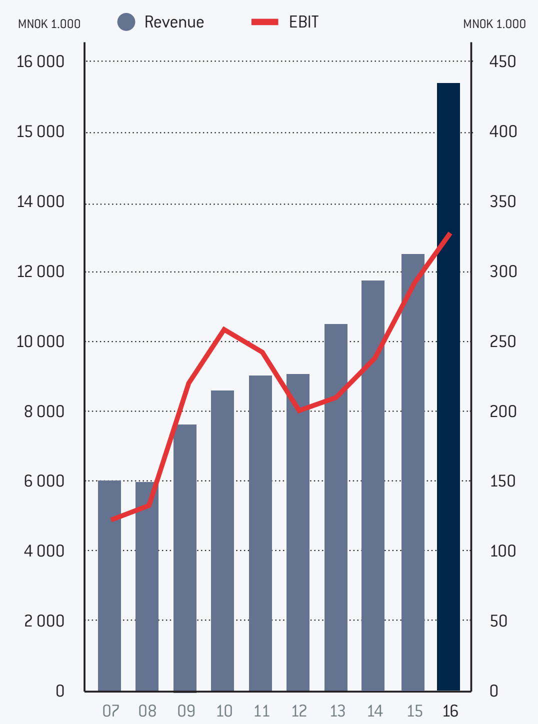
In February 2016, Havfisk signed an agreement with Vard regarding the construction of a new vessel to replace Stamsund. The value of this contract is NOK 325 million. The newbuilding is a combination trawler (fresh and frozen fish) with dimensions 80.4 metres x 16.7 metres. She will be delivered at the start of 2018, and the Group will have nine trawlers in operation in 2017.

Havfisk has licence rights to harvest more than 10% of the total Norwegian cod quota in the zone north of 62 degrees latitude. This represents more than 30% of the quotas allocated to the trawler fleet. At the end of 2016, Havfisk had 367 employees and the company's main office is located in Ålesund.

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

Norway Seafoods Group AS comprises in total 11 processing plants, eight in Norway and three in Denmark. Five of the Norwegian plants have production equipment leased from Havfisk AS.

REVENUE AND EBIT SALES & DISTRIBUTION



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

In Denmark, the company produces a number of products based on saithe, cod, plaice, salmon and other species. The product range comprises fresh products in bulk, fresh fish products packaged for consumers in modified atmospheres (MAP) and frozen processed products. At year-end 2016, Norway Seafoods had 730 employees. Of these, 138 work outside Norway.

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

An agreement has also been signed for the sale of the business in Denmark to Seafood International Holding A/S, a Danish seafood group. The business was sold on 9 January 2017.

A business combination of Norway Seafoods Group AS and Norway Seafoods AS has been planned in the first quarter of 2017. Norway Seafoods AS will be the recipient party in the business combination.

VAP

Lerøy Seafood Group has invested and will continue to invest considerable sums of money in value-added processing of Atlantic salmon and trout. The Group believes that new product development is a key factor for sustaining growth in demand for Atlantic salmon and trout. This segment supplies a wide range of products such as portion sizes, smoked and cured salmon, sandwich fillings/toppings, sushi/sashimi dishes and ready-to-cook products. The majority of the Group's processing capacity is dedicated to processing Atlantic salmon and trout.

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

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

Lerøy Seafood Group made a substantial boost to investments in processing in 2012 with the acquisition of 50.1% of the Dutch seafood group **Rode Beheer B.V. (Rode)**. Rode is a leading producer of processed seafood in the Netherlands and has a wide product range comprising smoked, marinated, freshly packaged and frozen products. Rode is extremely well positioned for supplying high-quality seafood to customers in markets such as the Benelux countries, Germany and France. In 2016, Lerøy Seafood Group gained ownership of 100% of the shares in Rode.

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

SALES & DISTRIBUTION

One central aspect of Lerøy Seafood Group's strategy for growth is offering new products to new markets. This requires knowledge of and proximity to both customer and market. Lerøy Seafood Group has a long, proud history within the sale and distribution of seafood. Today, the Group sells its products to more than 70 markets worldwide and has a vast network of customers in the majority of these markets. Not only does this afford the Group unique knowledge of market trends, it also allows for significant diversification of risk.

The Group divides its products into the main sectors of salmon products, whitefish, pelagic fish and shellfish.

On the market for salmon products, the Group sells and distributes its entire own production volume, but also sells a substantial volume of products supplied by alliances with a number of other seafood producers. This generates economies of scale via increased exploitation of the Group's sales network.

Fish caught in the wild is almost exclusively the source of all whitefish products. With the acquisitions of Havfisk AS and Norway Seafoods Group AS, Lerøy Seafood Group is now a much bigger player on the whitefish market. The Group is confident that this area offers significant potential for development.

Lerøy Seafood Group has a long-term goal for the Sales & Distribution segment to grow so that it can generate an operating margin of between 2.5 and 3.0% per year. In 2016, the segment reported revenue of NOK 15.6 billion, up from NOK 12.6 billion in 2015. The operating margin in 2016 was 2.1%, down from 2.3% in 2015. The segment's operating profit, however, was up from NOK 287 million in 2015 to NOK 327 million in 2016.

In recent years, the Group has made significant investments in so-called "fish-cuts". These are factories/facilities on the end market with relatively simple processing but large volumes, and where proximity to the end customer is key. In many ways, these "fish-cuts" represent a revolution in the distribution of fresh fish. New and simple consumer-oriented packaging and short and efficient logistics systems make it possible for many more retailers to sell fresh fish.

This development is a very important driver of demand for both salmonoids and other species of fish. The Group opened several new fish-cuts in 2014 and 2015, incurring start-up costs. However, in 2016, the Group witnessed positive effects from several of these investments, and the Group now has a strong position on several markets.

Lerøy Seafood AS has the highest revenue of all the Group companies, and is the hub of the Group's sales and logistics operations. Lerøy Seafood AS was previously named Hallvard Lerøy AS. The name was changed at the end of 2016. In 2016, Lerøy Seafood AS reported both record-high revenues and results.

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

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

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

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

In 2014, the Group started sales and distribution activities in Spain with the establishment of **Lerøy Processing Spain**. The company has a modern facility on the outskirts of Madrid. The facility operates according to the same model as Sjømathuset in Oslo and has become a major producer of sushi and other products.

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

Lerøy Finland OY was consolidated into Lerøy Seafood Group in 2011. Lerøy Finland OY is located in Åbo/Turku in Finland, and enjoys a strong position within the sale and distribution of seafood on its domestic market. Development of this market has proved extremely difficult, but the Group has reported improvements at the start of 2017.

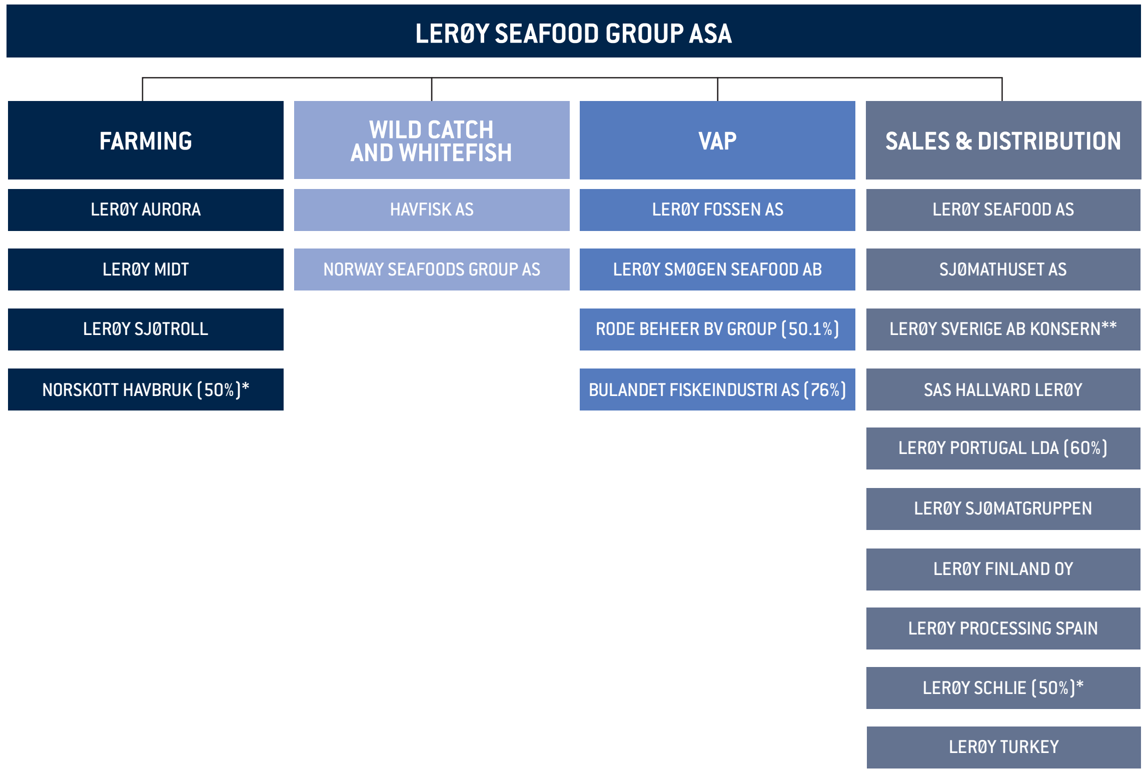
The Group's operations in Turkey are managed by **Leroy Turkey**. In close collaboration with Lerøy Seafood AS, the company has developed the Turkish market for Atlantic salmon. In 2015, Lerøy Seafood Group increased its ownership interest in the company from 50% to 100%.

ASSOCIATES

Lerøy Seafood Group ASA has shareholdings in several associates. The largest of these are **Norskott Havbruk AS** and Seistar Holding AS. Norskott Havbruk AS is 50% owned by Lerøy Seafood Group ASA and SalMar ASA respectively. Norskott Havbruk AS was set up in 2001 for the sole purpose of acquiring the company currently named Scottish Sea Farms Ltd. (SSF). SSF is the second-largest fish farming company in Scotland with a harvest volume of 28.000 tonnes of salmon in 2016. SSF produces smolt and is largely self-sufficient in the supply of smolt. The company runs two modern land-based plants for processing salmon on the Scottish mainland and the Shetland Islands. The company works continually to consolidate its position as the leading and most cost-efficient producer of high-quality Atlantic salmon within the EU. The company is already well positioned in several market segments with a focus on high quality, for instance under the respected brand name Label Rouge. The company expects to harvest 30.000 tonnes of salmon in 2017. SSF has significant potential for organic growth in the years to come, and aims to achieve an annual harvest volume of between 35.000 and 40.000 tonnes from existing licences. In order to achieve this goal, the company plans to make further investments within smolt production over the next two years.

In 2015, the Group acquired a 50% ownership interest in Seistar Holding AS, a shipping company involved in well boats. Seistar Holding AS supplies well boat services to companies in West Norway. The company took delivery of a new, large well boat in 2016, which will play an important role in the Group's farming operations in Hordaland.

For some time now, the Group has had a working relationship with Brdr. Schlie in Denmark. In 2013, the parties entered into a joint venture and founded Lerøy Schlie A/S, with a 50% stake each. At the start of 2017, Lerøy sold its shares in Lerøy Schlie A/S and Norway Seafoods Group's operations in Denmark to Seafood International Holding A/S. Lerøy will own one third of the shares inSeafood International Holding A/S.



** Associate*
*** Excluding Lerøy Smøgen Seafood AB*

PRIORITY TASKS

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

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

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

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

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

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

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

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

CORPORATE MANAGEMENT

Henning Beltestad
CEO
Lerøy Seafood Group

Stig Nilsen
EVP farming
Lerøy Seafood Group

Sjur S. Malm
CFO
Lerøy Seafood Group

CORPORATE GOVERNANCE

Corporate Governance is an international concept which tentatively may be translated to Norwegian as Shareholder Management and Control. In this chapter, the Board of Directors of Lerøy Seafood Group will provide a description of Corporate Governance within the Group.

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

The company's basic corporate values, ethical code of conduct and guidelines for corporate social responsibility

The Group's basic corporate values are based on the Group's vision to be the leading and most profitable global supplier of sustainable quality seafood. The Group's core activities comprise a vertically integrated value chain for the production of salmon and trout; catch of whitefish; processing of seafood; purchasing, sales and marketing of seafood; distribution of seafood; product development.

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

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

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

Every year, the Group publishes an Environmental Report setting out the status of, and providing an over-view of, all environmental aspects within the Group's value chain. The Group has stipulated target areas, key performance indicators and environmental goals. A short summary of the main content of the Environmental Report can be found under the chapter entitled "Environmental Report". The Environmental Report is published in its entirety on www.lsg.no.

2. BUSINESS

According to Lerøy Seafood Group's Articles of Association, the company's objectives are as follows: "The Company's objectives are acquisition and management of shares and activities related thereto". The parent company's Articles of Association exclusively reflect that the parent company is a holding company established for the purpose of owning other companies. The Group's goals and main strategies are presented in total in the annual report, but can be summarised as follows: The Group's core activities are production of salmon and fjord trout, catch of whitefish, processing of seafood, product development, marketing, sales and distribution of seafood.

3. EQUITY AND DIVIDENDS

Technical information

As of 31 December 2016, Lerøy Seafood Group ASA had 59,577,368 shares, each with a face value of NOK 1. The number of shareholders as of 31 December 2016 was 4,211 of whom 521 were foreign shareholders. The company's register of shareholders, see section 4-4 of the Public Limited Companies Act (Norway), was registered with the Norwegian Central Securities Depository (Verdipapirsentralen – VPS) on 28 November 1997 and carries the VPS registration number ISIN NO-000-3096208. DnB ASA, Oslo, is the account manager. The Ticker code for the Group's shares on the Oslo Stock Exchange's main list is LSG. The company's organisation number in the Register of Business Enterprises is 975 350 940.

Equity

The Group is financially sound with book equity of NOK 13,475,426 million as of 31 December 2016, which corresponds to an equity ratio of 53.7%. At the end of 2016, the company had 59,577,368 shares outstanding. All shares carry the same rights in the company. As of 31 December 2016, the company owned 29,776 treasury shares.

Financial goals

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

Dividends

Based on continued growth and improved profitability, Lerøy Seafood Group aims to generate financial value for its shareholders, employees and society in general.

Lerøy Seafood Group aims to provide a satisfactory rate of return from all its activities. The yield to shareholders in the form of dividends and share price performance shall reflect the company's value generation. Distributed dividends should develop in line with the company's financial strength, growth and profit performance.

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

The Board has recommended a dividend payment for 2016 of NOK 13.00 per share, which is NOK 1.00 more per share compared to the dividend payment in 2015. The recommendation is based on the company's dividend policy.

Mandates granted to the Board of Directors

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

Mandate for the Board to purchase treasury shares

The Board was authorised for the first time to purchase treasury shares by the annual general meeting on 12 May 2000. This mandate was last exercised in 2011 with the acquisition of 100,000 treasury shares. The mandate was recently renewed at the annual general meeting on 24 May 2016 and authorises the acquisition of up to 5,000,000 shares over a period of 18 months from the date on which the resolution was adopted. An extension of the mandate will be recommended to the annual general meeting on 23 May 2017. As of 31 December 2016, the company owned 29,776 treasury shares.

Mandate to increase share capital by issuing shares for private placings for external investors and individual shareholders in Lerøy Seafood Group ASA

Our highly skilled worker, Jane Dalsbøe, always has a smile on her face as she makes sure production at Norway Seafoods Båtsfjord runs smoothly.

The Board has a mandate to increase the share capital by up to NOK 5,000,000 by issuing up to 5,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 1, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the annual general meeting of 4 May 1999 and subsequently renewed by the annual general meeting on 24 May 2016. The board exercised this mandate on 02 June 2016 and completed a private placement consisting of 5,000,000 new shares and sales of 300,000 treasury shares. It will be recommended that an equivalent mandate be approved by the annual general meeting on 23 May 2017.

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

Equal treatment of shareholders and transactions with close associates

Lerøy Seafood Group ASA has a strict policy of providing correct and open information to shareholders, potential shareholders and other stakeholders.

Not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties

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

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

Notice of and holding annual general meetings

Lerøy Seafood Group ASA held its annual general meeting in the company's head office at Bontelabo, Bergen on Tuesday, 24 May 2016. The notice of the meeting with a proposed agenda, meeting slip and proxy form were distributed to all shareholders with a registered address three weeks prior to the date of the general meeting. The notice of the general meeting was formatted in accordance with the requirements of the Public Companies Act in Norway and the regulation relating to general meetings which governs the content and availability of supporting information.

Pursuant to the company's Articles of Association, all documents to be discussed at the general meeting were made available on the company's website: www.lsg.no. This information was published on the website 21 days prior to the date of the general meeting.

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

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

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

The notice and holding of the annual general meeting in 2016 complied with the practice established by Lerøy Seafood Group ASA in recent years.

Participation by proxy

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

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

No extraordinary general meetings were held in 2016.

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

7. NOMINATION COMMITTEE

The Nomination Committee consists of three members elected by the general meeting for a period of two years.

The company's nomination committee is charged with preparing proposals for the composition of an owner elected board of directors and to submit recommendations to the annual general meeting for appointments to the board. At present, the members of the Nomination Committee are Helge Møgster (Chairman), Benedicte Schilbred Fasmer and Aksel Linchausen. The company has not established specific guidelines for the Nomination Committee. However, the composition of the Nomination Committee is such that the interests of the shareholders in general are taken into account in that the majority within the committee is independent of the Board and other executive personnel. The Nomination Committee makes a recommendation regarding remuneration to the members of the board. The general meeting makes the final decision regarding fees to be paid to the members of the company's board and Nomination Committee.

Information on the members of the Nomination Committee is published at www.lsg.no. The Nomination Committee will be facilitated contact with the shareholders, the board members and the CEO when working on the recommendation of candidates. In addition, shareholders are permitted to recommend candidates to the Committee.

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

No specific guidelines have been prepared for the Nomination Committee, mainly due to the fact that the Articles of Association already specify the framework for the work of the committee.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Corporate assembly

Lerøy Seafood Group ASA does not have a corporate assembly.

Composition and independence of the Board of Directors

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

The transformation of the Lerøy Group from a family company to a listed public limited company has been guided by the owners' clear awareness of the type of Board the company needs. The process to establish a Board with members from various fields of expertise and independent of the Group's management team and largest shareholders was initiated at an early stage by the owners, at the end of the 1980s. Since the early 1990s, the majority of the board members have been independent of the Group's management team precisely in order to protect the Board's ability to challenge management practices. In part because of the Board's composition (size and independence from management and main owners, etc.), it has been deemed unnecessary so far to establish so-called board committees.

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

Nomination period and term of office

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

Information on the members of the board

The Chairman of the Board, **Helge Singelstad** (1963), was appointed to the Board by the extraordinary general meeting on 26 November 2009. Helge Singelstad holds a degree in computer engineering, a degree in Business Administration from the Norwegian School of Economics (NHH) and took a foundation course in law at the University of Bergen. Helge Singelstad has previously held positions as CEO, Vice CEO and CFO of Lerøy Seafood Group. Consequently, he has broad knowledge of the Group and the industry. Helge Singelstad is Chairman of the Board of Austevoll Seafood ASA and Vice Chairman of the Board of DOF ASA. He is the Managing Director of Laco AS. Laco AS is a majority shareholder of Austevoll Seafood ASA. Helge Singelstad owns no shares or options in Lerøy Seafood Group ASA as of 31 December 2016, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.

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

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

Board member **Hege Charlotte Bakken** (1973) was appointed to the Board by the extraordinary general meeting on 12 December 2008. Hege Charlotte Bakken holds an MSc degree from the Norwegian University of Life Sciences and an Executive MBA from ESCP EAP European School of Management in Paris. Hege Charlotte Bakken is Senior Advisor in Hemingway Corporate Finance, Amsterdam and Senior Advisor within strategy and management in Stella Polaris. Furthermore, she is the former COO of Marvesa Holding NV, as well as former Managing Director of Marvesa Rotterdam N.V. She also has experience from companies such as Pronova BioPharma Norge AS, FishMarket International AS, FrioNor AS and Norway Seafoods ASA. Hege Charlotte Bakken has also served as a member of the boards of Pronova Biopharma Norge AS and Pronova BioPharma ASA. She owns no shares in the company as of 31 December 2016.

Board member **Didrik Munch** (1956) was appointed to the Board by the annual general meeting on 23 May 2012. Didrik Munch has a degree in law from the University of Bergen and qualified as a police officer at the Norwegian Police University College in Oslo. He has worked in a number of positions within the Norwegian police force (1977-1986). From 1986 to 1997, he worked in finance, primarily in the DnB system. Towards the end of this period, he was part of DnB's corporate management, as Director for the Corporate Customer division. From 1997 to 2008, Didrik Munch was CEO of Bergens Tidende AS (a Norwegian newspaper). In 2008, he took on the role of CEO for Media Norge AS, which changed its name to Schibsted Norge AS with effect from April 2012. Didrik Munch has sat on the boards of a number of companies, both as chairman and ordinary member. By virtue of his position, Munch is currently chairman in VG and Finn.no. He owns no shares in the company as of 31 December 2016.

Board member **Marianne Møgster** (1974) was appointed to the Board by the annual general meeting on 23 May 2012. She graduated with a degree in Business Administration from the Norwegian School of Economics (NHH). She is currently Senior Vice President of Finance in DOF Subsea AS. Marianne Møgster has experience from several positions in DOF, StatoilHydro and Norsk Hydro. Furthermore, she has experience as board member in many companies in the DOF Group. In addition to her board position in Lerøy Seafood Group, she was elected to the DOF ASA's Board of Directors. Marianne Møgster indirectly owns shares in Lerøy Seafood Group ASA as a shareholder of Laco AS.

Board Member **Hans Petter Vestre** (1966) was appointed to the Board as the employees' representative at the annual general meeting on 24 April 1995. Hans Petter Vestre is a graduate of the Norwegian College of Fishery, University of Tromsø. He was employed by Hallvard Lerøy AS as sales manager in 1992 and is today departmental head in Lerøy Seafood AS. Hans Petter Vestre owned 120 shares in the company as of 31 December 2016.

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

Encouraging the board members to own shares in the company

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

9. THE WORK OF THE BOARD OF DIRECTORS

The tasks of the Board of Directors

The Board of Directors shall establish an annual plan for its work, with a focus on goals, strategy and execution, in order to ensure continuous follow-up and further development of the company. For several years, as well as in its nine meetings in 2016, the Board has maintained a particular focus on the connection between practical operations and strategic business development. The Board works purposefully together with the company management to make the Group the most profitable, fully integrated global seafood company. This work has for a considerable time been carried out in accordance with our public announcements. The Board's work reflects this strategy and the results are shown through management implementation. Although the strategic development of the company is a continuous process and part of the work of the Board of Directors, the company also holds strategy meetings. Strategy meetings were held in 2016.

A seafood platter is a wonderful mix of the flavours of the sea.

Instructions for the Board of Directors and management

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

Independent consideration of business of a significant nature, where the Chairman of the Board plays an active role

The Chairman of the Board is not involved in cases where he/she has a personal interest. Such business is dealt with by one of the other board members. There has been no business of this nature during the year.

Board committees

Audit committee

Pursuant to section 6-41 (1) of the Norwegian Public Companies Act, companies listed on the Stock Exchange are obliged to establish an audit committee which prepares business for and submits recommendations to the Board of Directors. Lerøy Seafood Group ASA's audit committee consists of Didrik Munch (Chairman) and Britt Kathrine Drivenes. The audit committee reports to the Chairman of the Board. The audit committee conducts quality assurance of internal control and reporting. It is also responsible for the Board of Directors' dialogue with and monitoring of the external auditor. The audit committee held three meetings in 2016. The auditor reports on his work in writing to the company administration and the Board through the audit committee. The company does not have a so-called remuneration committee.

Assessment of the Board's work

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control

The Group's activities are varied, depending on each entity's position in the value chain, and consequently require differentiated forms of management and follow-up. Good internal management systems are essential for success, and these must be continuously developed in order to accommodate fluctuating conditions. The Group's regional structure with independent entities, also in respect of short-term reporting, facilitates good control and a powerful focus. Internal control is based on daily and weekly reports that are summarised into monthly reports tailored to the individual company, and at Group level. There is an emphasis on developing uniform reporting procedures and formats in order to ensure correct reporting from all entities and up to an aggregate level.

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

Operating risk
Fish farming takes place in relatively open seas which provide the best conditions for fish farming in terms of the environment and the health of the fish. However, this places significant demands on both personnel and equipment. The production plants are continuously subjected to the forces of nature, representing a certain risk of damage to equipment which, in turn, may result in accidental release of fish. The company reported three accidental releases of fish in 2016, ref. the more detailed description in the Group's Environmental Report. Keeping animals in intensive cultures will always represent the risk of illness. Fish are particularly vulnerable to illness when they start life at sea, as they are exposed to stress during this period and have to adapt to a completely new environment. The risk of illness can be reduced by ensuring high quality smolt, vaccinations, good conditions and the correct locations for the fish. The Group also has a focus on sustainable feed.

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

Market risk
The developments in global salmon and trout prices, and now also the prices of whitefish, especially cod, have a considerable impact on the results achieved by the Group. The Group seeks to reduce this risk factor by ensuring that a certain proportion of sales are so-called contract sales.

In addition, Norwegian fish farming and the fish processing industry in Norway and the EU have a history of exposure to the risk represented by the constant threat of long-term political trade barriers imposed by the EU Commission. In 2008, the EU Commission abolished the programme which involved so-called minimum prices for Norwegian salmon and punitive duties on Norwegian trout. In 2011, punitive duties on whole salmon exported to the USA were also lifted. Russia introduced a ban on imports of salmon and trout from Norway on 7 August 2014. As Russia is normally a major market for Norwegian salmon and trout, the import ban had a negative impact on realised prices for trout in 2016 as well.

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

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

Interest rate risk
The main share of the Group's long-term liabilities is based upon agreements for floating rates of interest, representing exposure to increases in the market interest rate. Interest rate swap agreements are signed to reduce interest rate risk.

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

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

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

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

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

Organisation and responsibility
The Chief Accountant for the Group reports to the CFO and is responsible for areas such as financial reporting, budgets and internal control of financial reporting within the Group.

The Directors of the reporting entities are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisation and business. The entity managers shall ensure implementation of an appropriate and efficient internal control and are responsible for compliance with requirements.

The audit committee shall monitor the process of financial reporting and ensure that the Group's internal control and risk management systems function efficiently. The audit committee shall also ensure that the Group has an independent and efficient external auditor. The financial statements for all companies in the Group are audited by an external auditor, within the framework established in international standards for auditing and quality control.

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

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

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

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

The Chief Accountant and the CFO continuously assess the Group's and the entities' financial reports. Analyses are carried out in relation to previous periods, between different entities and in relation to other companies within the same industry.

Review by the Group management
The Group management reviews the financial reports on a monthly basis, with the review including the development in figures for profit/loss and balance sheet.

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

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

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

Lightly salted cod made with inspiration from the Mediterranean.

Monitoring
Reporting entities
Those persons responsible for reporting entities shall ensure appropriate and efficient internal control in accordance with requirements, and are responsible for compliance with such requirements.

Group level
The Chief Accountant and CFO review the financial reports issued by the entities and the Group, and assess any errors, omissions and required improvements.

External auditor
The external auditor shall provide the audit committee with a description of the main elements of the audit from the previous financial year, in particular significant weak points identified during internal control related to the process of financial reporting.

The Board of Directors
The Board, represented by the audit committee, monitors the process of financial reporting.

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

Remuneration of the Chairman of the Board and other board members is recommended by the Nomination Committee and adopted by the general meeting. The general meeting on 24 May 2016 adopted remuneration of the Board of Directors as follows: Annual remuneration of the Chairman of the Board, NOK 375,000. Annual remuneration of the other board members, NOK 200,000. However, no remuneration is paid to the Chairman of the Board that represents a duty to report. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees related to the role as working Chairman of the Board from the Group's leading company, Laco AS, where the Chairman of the Board is an employee.

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

12. REMUNERATION OF EXECUTIVE PERSONNEL

This item is referred to in the chapter regarding the Board of Directors' Statement regarding salary and other remuneration of executive personnel.

The general meeting will vote individually on the recommended and binding guidelines.

13. INFORMATION AND COMMUNICATION

Lerøy Seafood Group ASA has a strict policy of providing correct and open information to shareholders, potential shareholders and other stakeholders. The company has presented quarterly reports with financial information since 1997. Timely, relevant, consistent and current information is the basis upon which all interested parties will assess the value of the company's shares. The company's most important medium for distributing information will be the Oslo Stock Exchange reporting system, but the company will also hold presentations for investors and analysts. Lerøy Seafood Group aims to keep its shareholders informed via the annual reports, quarterly reports and at appropriate presentations. In addition, press releases will be sent out regarding important events on the company's markets, or about other relevant circumstances.

Every year, Lerøy Seafood Group ASA publishes the company's financial calendar, showing the dates for presentation of the interim financial statements and the date of the annual general meeting. The date for payment of dividends is decided by the company's annual general meeting.

The company's website is updated constantly with information distributed to shareholders. The company's website is at: www.lsg.no.

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

14. TAKE-OVERS

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

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

15. AUDITOR

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

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

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

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

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

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

BOARD OF DIRECTORS' STATEMENT

Regarding salary and other remuneration of executive personnel in Lerøy Seafood Group ASA

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

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

MAIN PRINCIPLES IN THE COMPANY'S SALARY POLICY

The Group's development is closely linked to the Group's ability to recruit and retain executive personnel, and the Group employs various models for remuneration of executive personnel at competitive terms. Executive personnel receive salary according to market terms. Remuneration varies over time both in respect of level and form of payment. In addition to the annual salary, the Group also pays performance-based bonuses limited to one year's salary, lump sum payments, sign-on fees, arranged leave of absence, educational opportunities and option agreements. The Group does not currently have an option programme. The Group has collective pension schemes.

For logical reasons and to date, the Chairman of the Board has on behalf of the Board handled all practical matters in respect of agreements with the Group CEO. Remuneration of other senior executive personnel is determined by the CEO in consultation with the Chairman of the Board.

Remuneration is reviewed annually, but is assessed over several years in order to secure continuity.

PRINCIPLES FOR COMPENSATION IN ADDITION TO BASE SALARY

Basis: Base salary

Salaries to executive personnel must be competitive – Lerøy Seafood Group aims to attract and retain the most talented management.

The base salary is normally the main element of executive personnel salaries. There is at present no particular limit on the total compensation a senior staff member may earn.

Additional compensation: Bonus scheme

The compensation earned by executive personnel must inspire high performance and must be structured to motivate extra efforts towards continuous improvement of operations and the company's performance.

The Group utilises performance-based bonuses of maximum one year's salary.

Options

The Group does not currently have an option programme.

Pension schemes

All companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP). At the time of writing, the Group only practices defined contribution pension plans.

The Group's executive personnel participate in the company's collective pension plans.

Severance pay

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

Non-pecuniary benefits

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

Other benefits

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

Sjømathuset is Norway's largest producer of sushi.

PROCEDURE FOR STIPULATION OF EXECUTIVE PERSONNEL SALARIES

Introduction

For information on remuneration of individual executive personnel, please refer to the relevant note to the accounts.

Stipulation of salary for Group CEO

Remuneration of the Group CEO is determined annually by the Chairman of the Board with authority from the Board.

Stipulation of salary for Group management

Remuneration of each person within the Group management is determined by the CEO in consultation with the Chairman of the Board. The Board of Directors shall be subsequently informed of the decision.

Establishment of incentive schemes

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

Remuneration of the Board of Directors

Board remuneration is not performance based.
The Board members have no share options. The Board's remuneration is determined annually by the ordinary general meeting.

STIPULATION OF SALARY FOR EXECUTIVE PERSONNEL IN OTHER GROUP COMPANIES

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

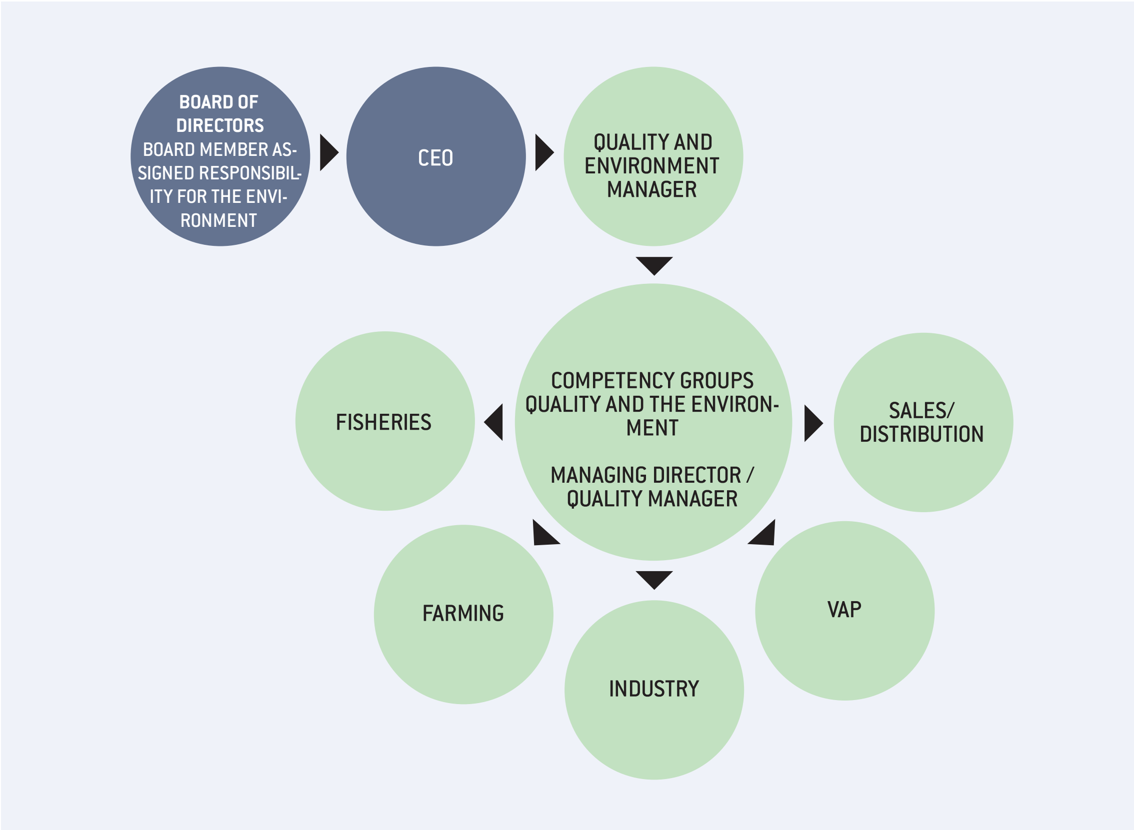
Bergen, 21 April 2017
The Board of Directors of Lerøy Seafood Group ASA

ENVIRONMENT – SUSTAINABILITY

ORGANISATION OF ENVIRONMENT AND SUSTAINABILITY WORK

The Board of Directors of Lerøy Seafood Group ASA has one member who is assigned extended responsibility for the environment and sustainability. In the Group, the CEO has main responsibility for this area. The Head of Quality and CSR is responsible for coordinating work involving the environment/sustainability for all the companies within the Group. Responsibility is delegated to the Managing Director of each subsidiary, while the Quality Manager or delegate is responsible for daily follow-up within the companies.

Competency groups are set up in each part of the value chain for quality/the environment/sustainability. These groups are made up of representatives from the different subsidiaries. These competency groups are headed by the Head of Quality and CSR.



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

ENVIRONMENTAL POLICY
Lerøy Seafood Group is one of the largest seafood corporations in the world. The Group's operations are based on the natural resources produced in the sea and rely on these resources being properly managed so that we can continue to sell seafood in the future. The management of Lerøy Seafood Group will do their utmost to ensure that the products caught, manufactured and purchased comply with the prevailing regulations and requirements of our industry.

We will furthermore strive to find the most environmentally friendly and sustainable solutions for our products through close cooperation with our customers and suppliers, particularly suppliers of fish feed, packaging and transport.

Lerøy Seafood Group also seeks continuously to identify improvements which may reduce pollution and help protect the environment.

The management and employees will focus on the goals set, and the environment and sustainability will be important focus areas for Lerøy Seafood Group in the years to come.

ENVIRONMENTAL VISION
Take action today – for a difference tomorrow

ENVIRONMENTAL TARGETS
As previously mentioned, Lerøy Seafood Group is a company with activities that cover every part of the value chain.

Environmental targets have been established for all focus areas in the value chain. All key performance indicators are measured on a monthly basis and utilised internally in order to achieve improvements within individual companies and for benchmarking between comparable companies.

Environmental targets have been established for the following indicators:

- Farming
- Fisheries
- All

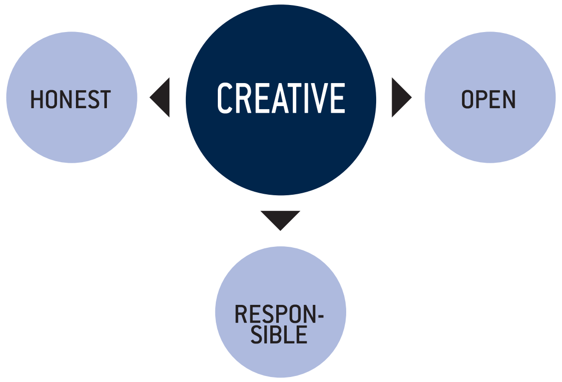
LSG KPI 1: accidental release
LSG KPI 2: lice
LSG KPI 3: mortality
LSG KPI 4: density
LSG KPI 5: locality status
LSG KPI 6: use of medicines
LSG KPI 7: biological feed factor
LSG KPI 8: reduction of discharge of nutrient salts
LSG KPI 9: fish feed
LSG KPI 10: zero tolerance for discarding fish
LSG KPI 11: 100% utilisation of raw materials
LSG KPI 12: complaints from stakeholders
LSG KPI 13: waste
LSG KPI 14: energy consumption per kWh/tonne produced
LSG KPI 15: water consumption per m3/ tonne produced

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

QUALITY POLICY
The right seafood products delivered to the right place at the right time to optimise profitability for all parties.

OUR VALUES

Lerøy Seafood Group, in collaboration with the entire organisation, has drawn up a set of values that apply to the entire Group. These were implemented in all Group companies in 2016/2017.



Creative

There are several definitions of the word "creative"; effective, enterprising, inventive and innovative. Creativity is based on the desire and capacity to solve challenges, wanting to achieve results and continuously develop the company.

A creative and innovative environment requires openness and honest discussions – all focusing on the progress of the company.

Honest

Involves

Being sincere
Being reliable
Being honest even in uncomfortable situations
Being honest with yourself
Don't take part in gossip or slander
Being pleasant with your colleagues

Does not involve

Stating your opinion about everything and nothing
Being brutally honest

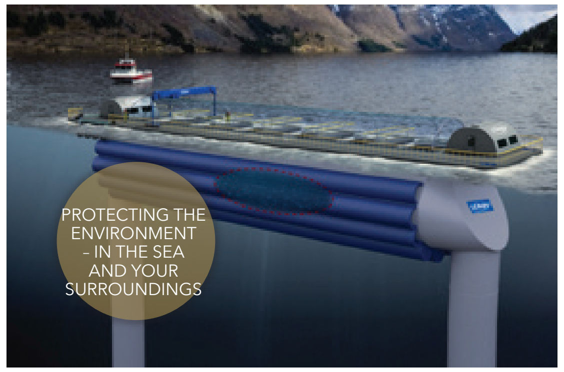
Open

Involves

Keeping an open mind to ideas and input
Sharing with your colleagues
Being open about your activities
Being cooperative
Reporting all aspects of your activities in-house
Being open to change

Does not involve

Sharing sensitive information
Sharing information on personnel issues
That all employees are entitled to express their thoughts outside the workplace,
– we have to comply with the Group's guidelines



Responsible

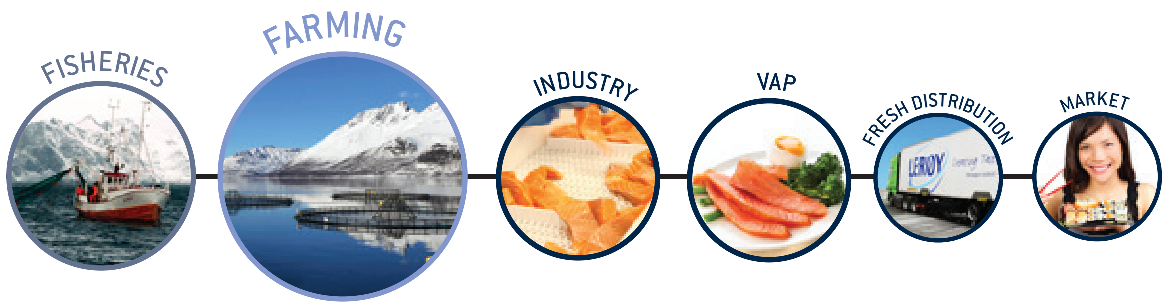
Involves

Complying with regulations
Being considerate
Supporting your colleagues
Being aware of the role you play in the company
Being reliable

Does not involve

Taking on responsibility "for everything and everyone"
Taking over responsibility from others and thereby preventing them from growing by learning

From one of Lerøy's fish farming sites



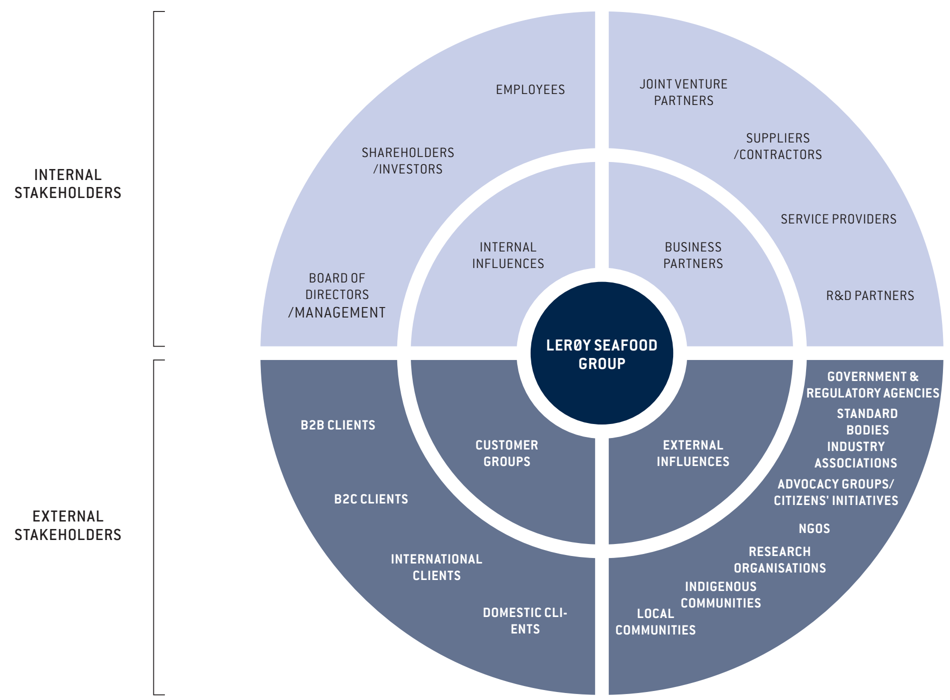
VALUE CHAIN

WHAT ARE OUR FOCUS AREAS?
For Lerøy Seafood Group as a corporation, it is essential to maintain a constant focus on areas where we have the greatest influence in terms of sustainability. Based on a critical evaluation of the value chain and our processes, we have reached the conclusion that we currently have the greatest influence within our work on the different areas related to our fisheries and fish farming activities. A major share of our efforts related to the environment and sustainability will therefore focus on these areas.

The different sizes of the images in the value chain above represent how we prioritise work on sustainability within the different parts of the value chain.

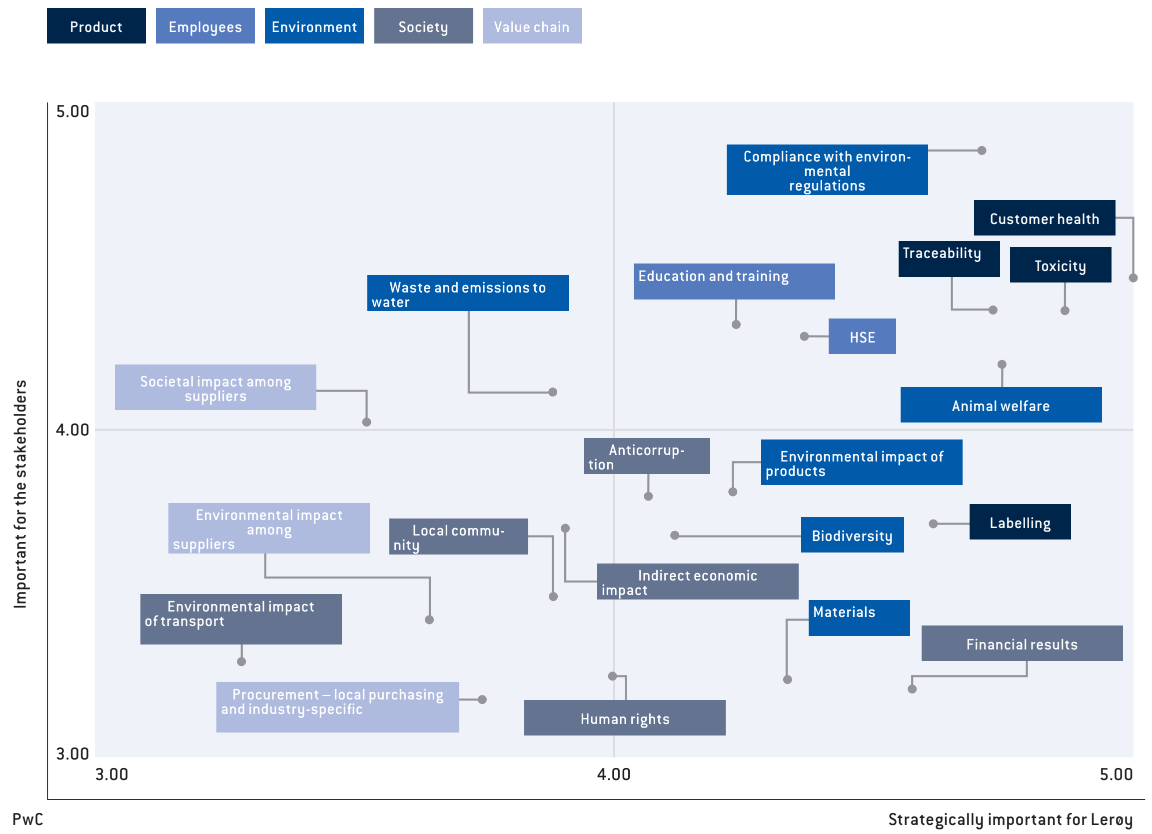
A materiality assessment was performed in 2015, involving interviews of in-house and external stakeholders. The assessment concluded that our sustainability reporting should focus on five main areas: product, employees, environment, society and value chain. These areas will therefore receive particular focus.

STAKEHOLDERS



RESULT OF MATERIALITY ANALYSIS

Overview of the most important target areas

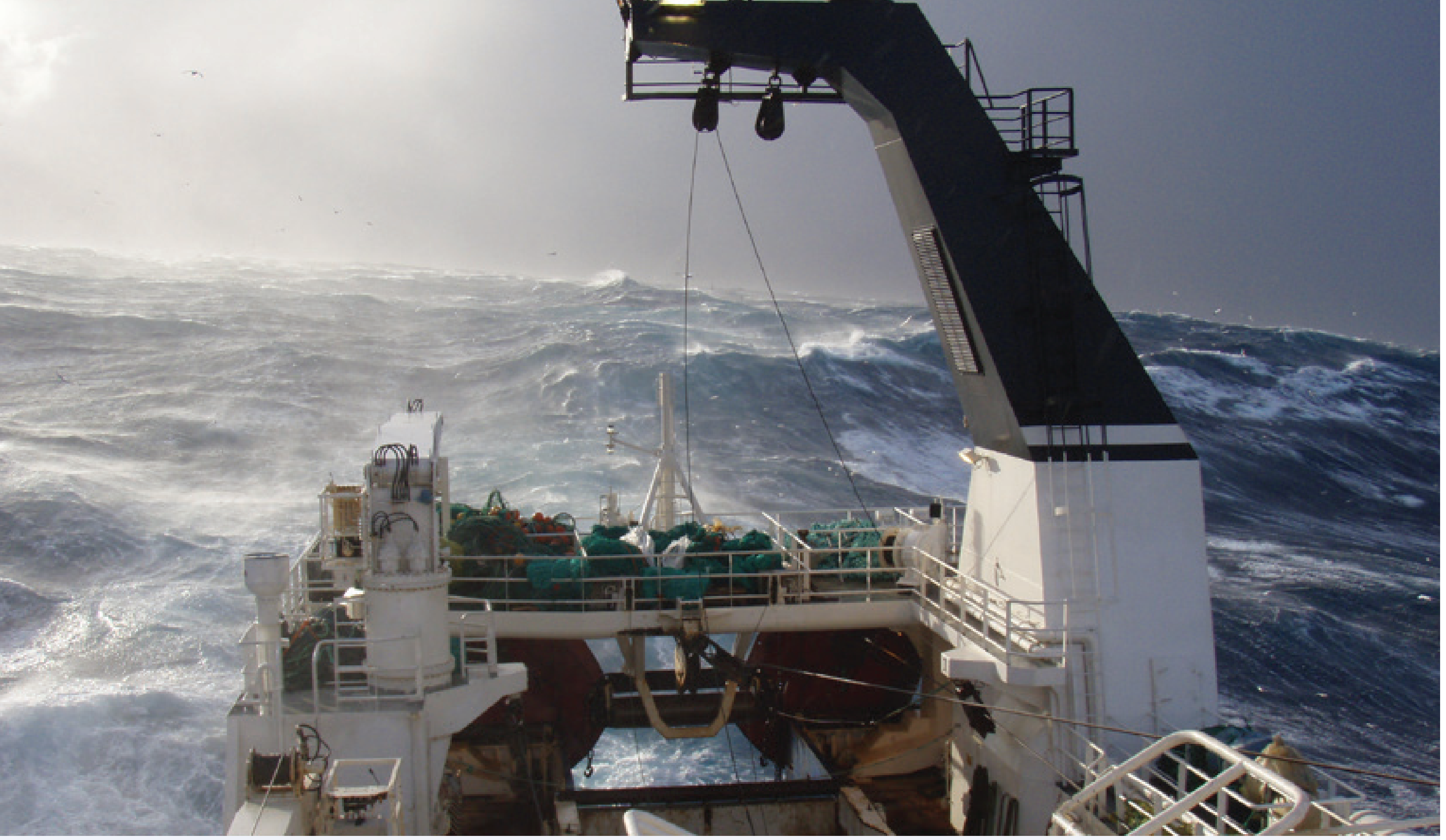


More than 70% of the earth's surface is covered by sea

"TAKE ACTION TODAY – FOR A DIFFERENCE TOMORROW"

No other country in the world can match Norway's coast in terms of food production. Few nations can boast such a rich coastal culture, where the seafood industry has played such a central role throughout history in providing for vigorous local communities along the coast. With the global population approaching 9 billion (by 2050), it seems perfectly natural for the increased demand for food production to be satisfied by significant growth in fish farming.

For Lerøy Seafood Group, it is essential to maintain a focus on the entire concept of sustainability, a concept that encompasses not only the environment, but also social and economic factors. Our industry plays a significant role within society, and Lerøy Seafood Group in Norway aims to take its social responsibility very seriously, and to ensure that the social benefits provided by our activities are safeguarded by maintaining robust and profitable businesses, ripple effects within local communities and stronger environmental management within fisheries and fish farming.



Vesttind in a storm

FISHERIES

Our operations within fisheries are based on fish as a natural resource. We therefore rely on proper management of the different species in the sea. Limitations on the harvest volumes of individual fish stocks come from Mother Nature herself. Information on fishing volumes (catch statistics), monitoring of fish stocks and estimates provided by researchers from numerous countries all form the basis for the fishing quotas established. Research and advice from the Institute of Marine Research in Bergen and the International Council for the Exploration of the Sea (ICES) shall help ensure that future generations are able to harvest the major assets in the sea and along the coast. One of the vessels owned by our subsidiary Havfisk is part of the Institute of Marine Research's reference fleet. As such, we play a part in collecting a significant amount of biological data utilised in the research into fish stocks.

Norway enters negotiations with other countries when total fishing quotas are to be established. The final decisions regarding the total quotas for fishing different species are taken based on stock assessments and advice on quotas from the International Council for the Exploration of the Sea (ICES). More than 90% of the fish resources harvested by Norway are managed in cooperation with other countries. The national quotas in Norway are discussed by the different stakeholders during regulation meetings, for which the Norwegian Directorate of Fisheries is responsible. These regulation meetings are held twice a year. Subsequent to the discussions during the regulation meetings, the Directorate of Fisheries issues a proposal for regulation of fisheries to the Norwegian Ministry of Trade, Industry and Fisheries. The Ministry issues provisions regarding the distribution of quotas to Norwegian fishing vessels and provisions regarding fisheries in the form of annual regulations for each species of fish.

Our operations are based on public permits for the harvesting of Norwegian fish resources. The entitlement provided by these permits entails statutory obligations in terms of activity and delivery, as well as a responsibility to fish sustainably. It is our aim to be a "proud custodian", and we have taken an active approach to ensuring full compliance with all regulations involving fisheries. We manage our natural resources on behalf of society as a whole, and therefore accept a particular responsibility for ensuring sustainable operations, leaving behind the smallest possible ecological footprint. The Group monitors all employees and management

9 trawlers, 4 purchasing stations

All the major Norwegian fisheries have gained certification according to international environmental standards

to ensure compliance with prevailing regulations and quota provisions. The Group has also cooperated with authorities, trade associations and non-governmental organisations to help counteract illegal fishing, thereby safeguarding resources for future generations. Norwegian North East Arctic cod, haddock and saithe fisheries gained Marine Stewardship Council (MSC) certification in 2010. This was followed by MSC certification for shrimp fisheries in 2012. These certificates substantiate the sustainability of Norwegian fisheries for these species. The cod, haddock and saithe fisheries were awarded a new five-year certificate in 2015. Our fisheries operations mainly comprise MSC certified cod, haddock and saithe, in addition to shrimp.

In 2016, Havfisk and the other parties involved in the Norwegian trawling industry entered into the *Arktisavtalen* (Industry Group Agreement to Cod fishery in the northern part of North-East Atlantic). As a result of the melting of the ice sheet around the North Pole and so-called new areas becoming accessible, a map has been prepared showing those regions traditionally fished. The parties to the agreement have committed to not fishing in waters north of these areas before the seabed has been charted and it has been established that fishing will not cause permanent damage to vulnerable benthic biotopes. There are 19 areas under Norwegian administration that are protected against bottom trawling. These are mainly found along the coastline and have been established to protect coral and other benthic organisms. Farther north, there is a total prohibition on fishing around all islands surrounding Svalbard and extending 12 nautical miles. Combined with a more comprehensive nature reserve where fishing is prohibited and a general prohibition on fishing in waters that are shallower than 100 metres around Svalbard, the protected area covers 70,000 square kilometres. The minimum water depth of 100 metres protects food sources for animals that live on shore and birds that dive for food close to the coast. A number of other regulatory measures also apply, including a prohibition on fishing deeper than 1,000 metres to protect potentially vulnerable benthic biotopes in these areas.

Main goal: Eco-friendly and profitable operations supplying healthy food from sustainable stocks in the cleanest sea waters in the world.

FLEET RENEWAL

In general, Havfisk has renewed its fleet by rebuilding/modernising some of its older trawlers and selling others. Three new trawlers were delivered from 2013 to 2014. The new trawlers are equipped with modern technology ensuring more eco-friendly operations.

Several vessels in the existing fleet have been upgraded with more eco-friendly solutions. Other vessels have been rebuilt as combi-vessels that can deliver both frozen and fresh fish all year round. This boosts flexibility and reduces fuel consumption when compared with vessels that only deliver fresh fish. The delivery obligation implies that we deliver a share of our catches as fresh fish, a positive obligation with a view to fresh fish distribution to the end customer.

In 2016, Havfisk received a number of subsidies from the NOx fund for investment in equipment that saves on energy when compared with current solutions, for example LED lights, variable frequency controlled compressors, more energy-efficient pumps etc. In February 2016, a contract was signed for a newbuilding scheduled for delivery at the start of 2018. The newbuilding is to replace an older trawler, and will be equipped with modern and environmentally efficient gear. As with the last three newbuildings, this new vessel will provide utilisation of all residual raw materials as part of the strategy to ensure maximum resource utilisation.

R&D PROJECT – SUSTAINABLE DEVELOPMENT

Havfisk is an industrial partner in an international, interdisciplinary research cooperation involving the effect of climate change on the marine eco-system. The name of the project is GreenMar. The cooperation comprises research groups within ecology, climate and marine resources. The aim of the project is to increase know-how that will contribute towards "green growth" via sustainable administration and utilisation of our marine areas.

In 2016, Havfisk provided information to students at NTNU who were writing a term paper for the "Green Value Creation and Ethical Perspectives" course. By taking part in such projects, we are able to contribute towards education and research while following our goal to expand our own knowledge within this area. Havfisk has ongoing R&D projects relating to increased total utilisation of raw materials. The main aim of these projects is to increase utilisation of resources and boost value creation. Havfisk is also participating in the "E-sushi" project, led by the research organisation SINTEF, with other enterprises in the fisheries industry. The goal of this project is to gather comprehensive data, so-called big data (large volumes of experience data), on numerous levels, in order to gain a better understanding of factors that impact on fisheries. This will allow for better prognoses and information for sustainable management and efficient fisheries.

"FISHING FOR LITTER"

Our sea waters and coast are increasingly littered by vast volumes of man-made waste. Pieces of plastic, rubber and other non-degradable materials may remain in the environment for hundreds of years, causing harm to animals and humans. Havfisk's fleet is involved in the "Fishing for litter" project, a voluntary environmental project to clear up marine waste from the sea, led by the Norwegian Environment Agency. The aim is to send as much of this waste as possible for recycling, by facilitating sorting, registration and recycling of all waste collected.

Cod, Haddock and Saithe can be caught all year round, but the season peak is from January to April

One of our demonstration facilities, open to visitors

FARMING

Lerøy Seafood Group has a strategy whereby its fish farming activities are based on a "lasting perspective" which lays the foundations for the Group's utilisation of coastal resources. Such a perspective requires the involvement of owners, employees and suppliers and is applied daily as we work to produce the best seafood in the world from production activities based on natural resources.

Lerøy Seafood Group is organised with local management of its fish farming activities, and the local management's knowledge of and care for the local communities, environment and nature are of decisive importance. It is particularly important for Lerøy to establish proper arenas where parties involved in coastal fishing and fish farming can meet to exchange knowledge and to ensure that these two industries interact in the development of their potential to benefit local communities and Norway as a nation. Lerøy Seafood Group shall take a leading role in constantly improving the interaction between fish farming and the environment, aiming at generating positive and lasting environmental gains.

Lerøy Seafood Group has fish farming activities in three regions: West Norway (Lerøy Sjøtroll), Central Norway (Lerøy Midt AS) and North Norway (Lerøy Aurora AS). All three regionswork closely together, benchmark and exchange experiences in order to arrive at a best practice, laying the foundations for further development of the local operating organisations.

Simultaneously with the reinforcement and development of competencies within the local operating organisations over many years, the Group has built up a strong team to support the local operating organisations in their efforts to secure good environmental and biological results.

Advisory group for environment and safety:
- supports the production companies in relation to prevention of accidental release and staff safety
- standardises operating concepts, technology and methods

The fish health team:
- supports preventive work and ensures good routines for managing salmon lice, and ensures good fish health and welfare

The RAS/post-smolt team:
- provides project management and support to the production companies when selecting appropriate solutions for environmental and more efficient operations, and shorter production time in open cage systems at sea

The cleaner fish team:
- supports our six production plants for lumpfish and develops good models for optimal utilisation of ownproduced and wild-caught cleaner fish to combat salmon lice at our fish farms

The technology team:
- builds up Lerøy's own technological development team, with competencies related to ordering and in-house competencies for the improvement of current production concepts and development of new production technology

Lerøy Seafood Group follows a goal-oriented strategy to improve routines, methods and the company's environmental results. To the extent that certification schemes can contribute towards this strategy, international standards such as GlobalG.A.P. and ASC, along with standards developed in-house, may be useful in providing inspiration for and documentation of good routines and attitudes.

146 licences, 16 juvenile fish plants and own breeding centre

The properties of a salmon fish are determined four years in advance when the parent fish are selected.

The following areas are of particular importance for the operational part of the Group's environmental work within fish farming activities:

- measures to reduce salmon lice
- work to prevent accidental release of fish
- fish health and fish welfare
- efficient utilisation of land and sea areas
- reduction of discharge of nutrient salt from premises

Among the above, there has been a special focus in recent years on work to minimise the challenges related to salmon lice and the secondary effects of a transition from medicinal methods to mechanical methods to treat salmon lice. Despite this, we have experienced extremely challenging situations, particularly in Central Norway, in 2015 and 2016. These experiences have provided new knowledge that will aid us in our future efforts.

Having documented positive results with the use of lumpfish as a lice eater, Lerøy Seafood Group has decided to make further investments in our own production of lumpfish as a cleaner fish at our facilities. We aim to be self-sufficient in terms of in-house production of lumpfish. Our work on cleaner fish comprises both in-house-produced lumpfish and wrasse caught in the wild. Our efforts involving cleaner fish have made a positive contribution to the work to eliminate the use of medicinal methods. In 2016, our companies have been actively involved in developing mechanical delousing methods and have invested in increasing treatment capacity with those methods that have to date provided the best results.

In addition, the Group has invested a lot of work in development projects to strengthen sustainability within fish farming, including:

- raw materials for fish feed
  - ensuring compliance with our requirements for sustainable and regulated fisheries
  - ensuring that fish health, fish welfare and the environment are taken into account when developing and producing new raw materials for fish feed
  - contributing to the production of new marine raw materials for fish feed
- paving the way for improvements to bio-safety throughout the value chain, from parent fish to harvesting.
- development of new technology for fish farming in both fresh water and at sea.

The Group's fish farming companies have established a clearly defined set of goals for each main operating segment and have developed operating procedures specifically to ensure that they can reach the goals set for such important environmental work. The Group also carries out regular internal and external audits to ensure full correspondence between operating procedures and actions. The Group has implemented advanced technology to secure and monitor operations. In addition, we have developed requirement specifications for our suppliers, in an effort to contribute to their active participation towards achievement of our environmental targets.

There is vast potential off the coast of Norway for increased production of seafood. At the same time, however, we also have a heavy obligation to take care of the environment effectively so that we can realise our lasting perspective for fish farming.

Our environmental vision – "Take action today – for a difference tomorrow" – therefore provides a clear statement from every employee within the Group that we fully intend, every day, to take the initiative for environmental improvements, benefiting the environment, the fish farming industry and our coastal communities.

ENVIRONMENT AND SAFETY

The aim of the environment and safety group is to help the companies identify areas for improvement, suggest measures, and provide assistance in applying new knowledge or technology to minimise the risk of accidental release or serious incidents. The group shall provide competencies and exchange of experience, and shall also act as the Lerøy Seafood Group's resource team/internal audit function in the event of serious incidents at sea.

In 2016, the environment and safety group focused on standardisation and optimisation of product and service procurement. At the same time, the group focused on standardising operations that, together with equipment requirements, are of decisive importance for safety at our fish farms. In several critical areas, the Group finds it necessary to follow in-house standards that are more stringent than statutory requirements.

Prevention of accidental release of fish is an extremely important and high-priority area for Lerøy Seafood Group. The Group invests a considerable amount of work in optimising equipment and routines specifically to avoid accidental release of fish. Actual incidents of accidental release and all events that can lead to accidental release are reported to the fisheries authorities. Securing against accidental release is a question of focusing on execution and action, good planning of all operations in order to ensure safe execution and efficient re-examination of operations. Key elements are: ATTITUDE, ACTION and RESPONSIBILITY. However, these have no impact if not clearly defined by management. Moreover, it is essential that all employees are made aware of their responsibility to ensure zero – 0 – accidental release of fish within our companies.

The advisory group for the environment and safety plays an important role in this work. In addition to in-house processes, the group is responsible for the quality assurance and auditing of our suppliers in terms of the role they play within an environmental perspective, where prevention of accidental release is key.

18 February: 18.451 fish from locality 26235 Stualand
Damage to net probably caused by contact between net and bottom ring chain in combination with exposure to electricity, wave frequency and response in bottom ring chain.

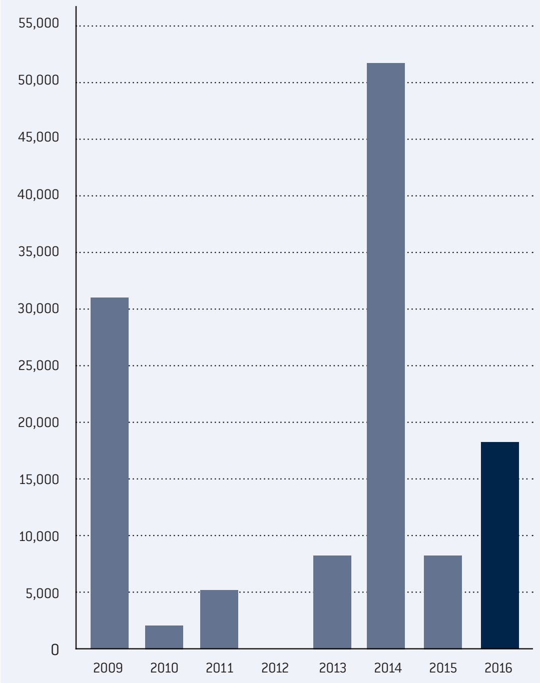
7 April: 20 fish from locality 18898 Skaftå
Accident on well boat during H2O2 treatment.

7 October: 128 fish from locality 12075 Sundal
Fry were transported over the edge of the container and out into the sea.
The company, Rådgivende Biologer, immediately recaptured/re-caught the fish.

Main goal: "Zero – 0 – accidental release"

Date	Company	Location	Species	No. of units
18.02.16	Sjøtroll Havbruk	26235	Trout	18451
07.04.16	Sjøtroll Havbruk	18898	Trout	20
07.10.16	Sjøtroll Havbruk	12075	Trout	128

ACCIDENTAL RELEASE IN LERØY SEAFOOD GROUP (NO. OF FISH)



FISH HEALTH

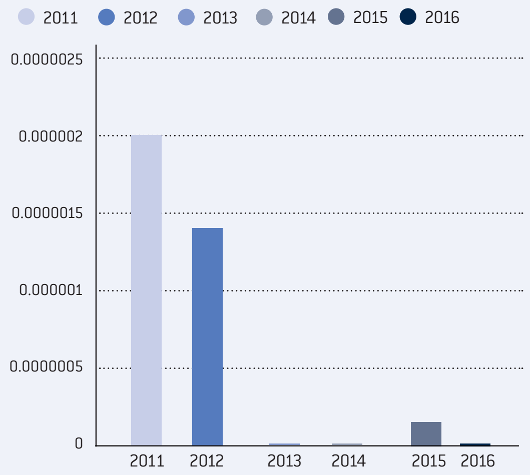
Fish health and fish welfare are at the core of our operations as a producer of Atlantic salmon and rainbow trout. As such, we have both ethical and statutory obligations governed by Norwegian legislation. A healthy fish is also a good fish for production and a prerequisite for good financial results. There are therefore numerous incentives for putting fish health and fish welfare at the top of the agenda for fish farming operations. In an effort to ensure that we continuously fulfil these obligations, the Group has chosen to invest substantial resources in preventive measures for fish health, and this is now a major part of the production strategy for the entire Group. At the end of 2016, the companies in the Lerøy Seafood Group had 16 employees who are fish health biologists/veterinaries, as well as purchasing external fish health services. An interdisciplinary approach is required to solve the challenges related to fish health and to ensure that the correct and necessary preventive action is taken. The interaction between factors such as technology, the environment, fish disease, nutrition and production biology is part of the whole, and forms the basis for how we as a Group work with preventive fish health.

Lerøy Seafood Group's goal is to restrict the use of medicines.

Salmon are guaranteed to be free of antibiotics

No antibiotics have been administered to fish in the sea in recent years. Any antibiotics utilised were administered to juvenile fish to prevent disease. In 2016, Lerøy Seafood Group utilised a total 236.371 tonnes of fish feed and 1.6 kg of antibiotics (active ingredient). This means our fish feed contains 0.00000068% antibiotics.

MEDICINES, ACTIVE AGENT, USED IN FARMING LERØY SEAFOOD GROUP (KG/KG FISH GROSS GROWTH)



GOAL ACHIEVEMENT, FISH HEALTH: LERØY SEAFOOD GROUP, FARMING

	GOAL			GOAL ACHIEVEMENT		
	2014	2015	2016	2014	2015	2016
Survival consecutive 12 months (GSI)	94	94	94	92.50	93	92.20
No. cage treatments	753	753	753	1514	1240	1122
Average lice of reproductive age	0.2	0.2	0.2	0.22	0.19	0.17

* The target figures for 2016 were based on an optimistic outlook inspired by the reductions in the number of cage treatments in recent years. The fact that target figures were not met is due to the implementation of new medicine-free treatment methods and an increased number of salmon lice in the region for North Norway. Despite a slight increase in the number of treatments conducted, the number of medicinal treatments has seen a considerable reduction between 2015 and 2016

SALMON LICE

The work to prevent salmon lice and develop successful methods for non-medicinal delousing is a central element in our work on fish health. Salmon lice still represent one of the major biological obstacles to further development of the fish farming industry, and activities involving management and control of salmon lice represent a substantial cost-driver and have an impact on fish health and welfare. The Group's salmon lice strategy is sound and shall provide control by means of perpetually effective measures, a focus on individual cages at the highest aggregate level and early intervention in situations where the preventive efforts are not sufficiently effective.

Despite the fact that Lerøy Seafood Group can report a significant level of control over salmon lice, experience from the autumn of 2016 has shown that the challenges related to salmon lice may in certain circumstances imply challenges for individual fish and our fish farming operations. The much-discussed "Langskjæra case" is an example of how quickly things can develop when the industry loses control over the levels of salmon lice in one area. This incident was extremely unfortunate, and is a clear illustration of how much we depend on collaboration within the industry in order to face biological challenges. The Group has once again upscaled its capacity within prevention and non-medicinal treatment in 2016, based on new knowledge gained from the situation off the coast of Frøya in 2016.

PREVENT INFECTION REGIONALLY

Since 2011, Lerøy Seafood Group has chosen to regionalise the value chain for its own fish farming production, from release of roe to slaughter, in order to prevent undesired infection by known and unknown agents. As a result, the Group no longer moves live fish by sea between its three fish farming regions: West Norway, Central Norway and North Norway. This implies major costs for Lerøy in developing regional capacity and ensuring biosafety. We are confident that other enterprises in the industry will recognise the value of introducing similar in-house regulations.

The Group cooperates with other enterprises and research groups to contribute actively towards establishing new knowledge of and new tools with which to fight salmon lice. New knowledge and new tools are implemented as they emerge and will form part of the Group's future lice strategy alongside existing measures.

Chitin inhibitors are a group of delousing agents used in Norway and abroad to fight salmon lice. At present, it is suspected that chitin inhibitors may cause damage to certain species during ecdysis. The severity of this problem has not however been documented, making it difficult to reach a conclusion on the use of chitin inhibitors. Chitin inhibitors have been approved by Norwegian authorities for use to combat salmon lice, but Lerøy Seafood Group has decided to take a precautionary approach. Chitin inhibitors shall therefore not be used if use is not necessary due to resistance problems. Special approval is required for the use of chitin inhibitors.

Since 2011, the Group has utilised chitin inhibitors on one occasion at one facility. Lerøy Seafood Group is working hard to achieve its long-term goal of eliminating the use of medicines to combat salmon lice, if justifiable in relation to regulations and factors relating to fish health.

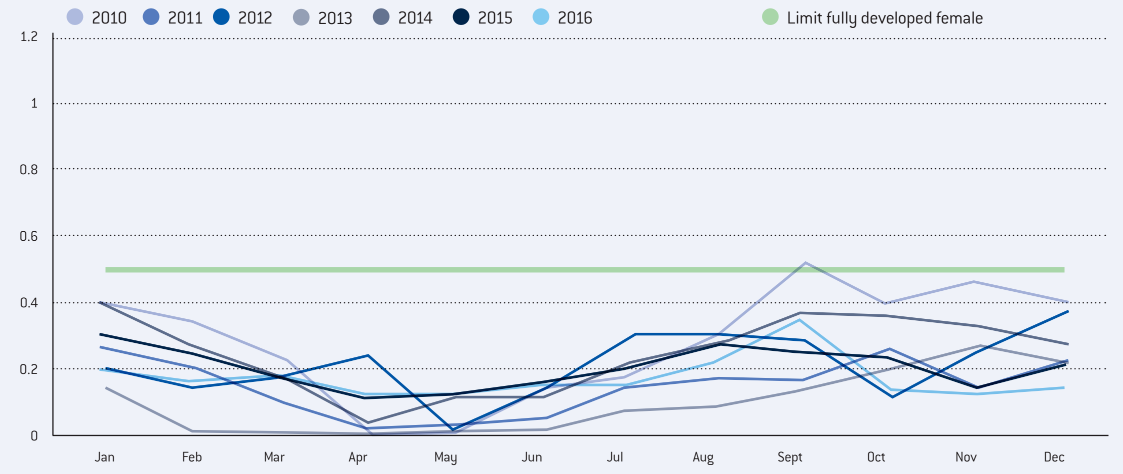
Main goal: "We aim to avoid salmon lice of reproductive age in our fish farms and we aim to avoid use of medicines in treating salmon lice infestation."

CHEMICALS USED IN DELOUSING AGENTS, LERØY SEAFOOD GROUP (ACTIVE AGENT)

	VIA FEED (GRAMS)	VIA BATH (GRAMS)	HYDROGEN PEROXIDE* (KG)
2013	0.01	2.08	0.00
2014	2.35	3.06	38.74
2015	0.18	3.91	44.94
2016	0.13	0.47	13.39

* Hydrogen peroxide is also used for AGD treatment

DEVELOPMENT OF ADULT FEMALE LICE, LERØY SEAFOOD GROUP (AVERAGE NO. LICE PER FISH)



RAS / POST-SMOLT

Lerøy has invested heavily in the production of juvenile fish in our three farming regions. In 2013, we opened the Belsvik juvenile fish plant in Central Norway, which remains one of the world's largest and most modern facilities for juvenile fish, with a capacity of approximately 14 million smolt. In 2016, we opened the "new" Laksefjord facility in the north of Norway with an RAS department for both fresh water and sea water production. This represented an increase in production capacity from 7 to 11 million smolt per year. The initial construction phase of the new juvenile fish facility for Bjørsvik in the south of Norway was also completed in 2016, and the second construction phase started. This facility is Lerøy's main facility for production of trout. The facilities in both the Laksefjord and Bjørsvik are based on modern RAS technology that provides impressive savings in the consumption of energy and water. At the start of 2017, we have plans for a number of major development projects for post-smolt in all three production regions.

CLEANER FISH

The use of cleaner fish is one of our most important tools for ensuring low levels of salmon lice at our plants. Cleaner fish are Mother Nature's own way of removing salmon lice on fish. Lerøy has therefore decided to build up substantial capacity for own production of cleaner fish, and has made major investments in recent years to achieve self-sufficient supply. To date, production has mainly involved lumpfish. The total number of lumpfish released by Lerøy in 2016 was approximately 6 million. The Group also makes use of vast numbers of wrasse caught in the wild and purchased from local fishermen.

R&D, TECHNOLOGY AND BIOLOGY PROJECTS

Lerøy continuously carries out a number of major and minor R&D projects focusing on improved operating procedures, improved fish health, and improved survival rates and production optimisation. These are important projects that have a direct impact on daily production, and that rapidly generate results and improvements. Developments in technology and methods based on interaction between technology and biology are key factors behind optimal operations.

Lerøy also plays an active part in a number of external and internal R&D programmes and projects. We would like in particular to mention the following:

- CtrlAQUA, focusing on production in closed-containment systems – either RAS systems on shore or closed-containment/semi-closed-containment, floating systems at sea. Thanks to the focus on and efforts to develop this type of system in recent years, a major need for knowledge relating to fish biology and welfare has been uncovered in order to ensure optimal sustainability and rational production. CtrlAQUA has a timeline of five + three years and a total budget of NOK 160 million. The Research Council of Norway contributes 50% of this sum, while the remaining financing is provided by the fish farming industry. Lerøy makes use of the knowledge gained from CtrlAQUA in both the production of juvenile fish on shore in RAS plants and for the development of closed-containment, floating facilities at sea.
- Pipefarm: development project building upon the Preline pilot facility, a semi-closed-containment fish farm for production of post-smolt at sea. Development permits have been applied for based on this concept. Pipefarm as a project has major innovation height and will require significant competencies and capital to reach completion. Lerøy is confident that this concept will be of major importance for the future development of the Norwegian fish farming industry.
- Lerøy Safe Guard:
In cooperation with Multiconsult, the Norut research centre and Akva AS, Lerøy has developed a system for improved prevention of accidental release, improved predictability and safe operations at sea. Via the advanced use of data from measuring stations in the facility combined with weather data from satellite stations, we can now take the step from experience-based to fact-based operational management using real-time data. The concept is expected to be launched on the market in 2017.
- Lerøy participates in the Sea Lice Research Centre, a research programme focusing on salmon lice. The centre has contributed a large amount of fundamental knowledge on the biology of the salmon lice, knowledge now being used in the development of vaccines and functional feed and in the work on salmon breeding.

A major part of the current salmon lice strategy focuses on treating the fish once it is infested. There is now an increasing trend towards preventing the lice from attaching to the salmon. Fundamental biological knowledge is required to achieve this aim.

In addition to this major salmon lice project, Lerøy plays an active role in several smaller projects all aiming to produce new methods for the prevention and non-medicinal treatment of salmon lice.

- The FINS programme is a comprehensive study of how eating fish affects human health. A number of studies have been conducted of newborn babies (mother/baby), kindergarten children, lower-secondary school pupils and persons who are overweight. The study has focused on the effect of eating oily fish such as salmon, mackerel or herring, and the results have been in part remarkable. In particular, a significant increase has been identified in the concentration and learning skills of young children when they eat fish three to four times a week. FINS is partly financed by the Norwegian Seafood Research Fund (FHF), with the National Institute of Nutrition and Seafood Research (NIFES) as project manager.

The control room on the barge

Several major research programmes target the fresh water phase:

- There has long been a lack of focus on the optimisation of smoltification among rainbow trout. Lerøy has cooperated with Uni Research for two years now on systematically charting the smoltification physiology of rainbow trout, with a number of exciting results.
- With the development of LED technology enabling the use of light with specifically defined colours/wavelengths, Lerøy, the Department of Biology at the University of Bergen and Philips have conducted a number of studies into the development of salmon roe and yolk sack larvae under a range of LED light regimes. The results have been astounding, and are now being followed up with a project partly financed by the Research Council of Norway.

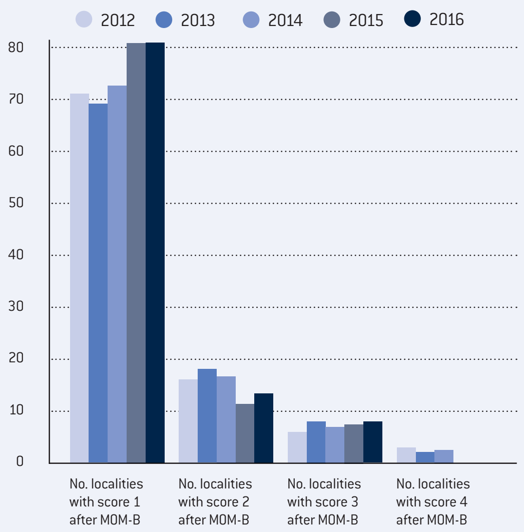
Lerøy actively contributes to a number of projects financed by the FHF, participating both in the project steering groups and reference groups. The Chairman of the Board of FHF is an employee of Lerøy, and we also have a representative on FHF's advisory group.

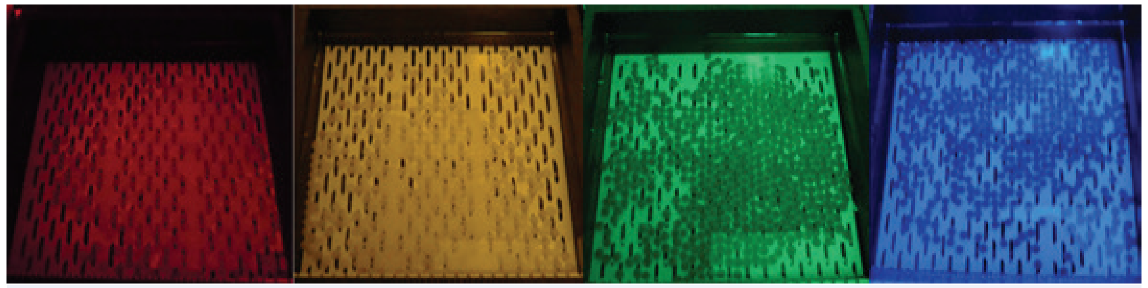
LOCALITIES

All the localities utilised by Lerøy Seafood Group are approved for fish farming by various Norwegian bodies. Furthermore, approval requires numerous analyses, and compliance with requirements and local conditions. A MOM-B evaluation is carried out by a third-party enterprise and involves extraction of samples from the seabed under cages and around the cages in a facility. All the parameters from the evaluation are allocated points according to how much sediment is impacted by organic matter. The difference between acceptable and unacceptable sediment condition is established as the largest accumulation which allows digging benthic fauna to survive in the sediment. The evaluation is carried out when the biomass at the facility is at peak. On the basis of these investigations, the individual locality receives a score from 1 to 4, where 1 is the best.

MOM-B stands for:
M - matfiskanlegg (production facility)
O - overvåkning (monitoring)
M - modellering (models)

STATUS OF LOCALITIES, LERØY SEAFOOD GROUP AS OF 2012-2016 (NUMBER)





LED technology developed for use in e.g. juvenile fish production. Photographs: Jon Vidar Helvik, University of Bergen.

Feeding

FISH FEED

EXPLOITATION

Lerøy Seafood Group plays an active role vis-à-vis fish feed suppliers in ensuring that the raw materials used in our feed are:

• fished/harvested in an ethically sound manner
• fished/harvested in compliance with legal frameworks
• based on sustainable fishing/harvesting

Lerøy Seafood Group has established requirements for its suppliers of fish feed to make sure that raw materials for the fish feed are managed in a satisfactory manner. Lerøy Seafood Group requires all suppliers to closely monitor the stipulation of and compliance with quotas, and the utilisation of catches. Lerøy Seafood Group requires the raw materials in its fish feed to be traceable and come from geographic areas regulated by national quotas for the respective species, and where the quotas are allocated as far as possible in conformance with accepted scientific recommendations. We require all our feed suppliers to prioritise use of marine raw materials which have been certified in accordance with the IFFO's (International Fishmeal and Fish Oil Organisation) standard for sustainability or raw materials with Marine Stewardship Council certification (MSC). Use of cuttings shall be prioritised as far as possible.

Certification schemes shall comprise guidelines which comply with the requirement for sustainability, including for small-scale pelagic fisheries. Palm oil shall not be used. If utilised, soya-based raw materials shall be traceable and have "Round Table for Responsible Soy (RTRS)" certification or similar.

FISH FEED

Fish feed is the most important input factor in fish farming, and quality assurance of feed and feed raw materials is therefore absolutely essential. In 2016, Lerøy Seafood Group purchased feed from all three major suppliers in Norway: EWOS, Skretting and BioMar.

Working closely together with our feed suppliers, Lerøy Seafood Group has taken an active role in influencing the further development of feed composition in order to ensure that it is as highly adapted as possible to our fish farming environment, our fish material and our market strategy. In order to facilitate these efforts, the Group has developed state-of-the art R&D facilities where feed trials can be carried out. In 2016, several trials were performed on both the use of new raw materials in feed and in benchmarking existing feed concepts. During 2016, Lerøy Seafood Group has carried out extensive benchmarking of growth feed from the Group's three largest suppliers. The trials focused on feed factor and feed costs per kilo of fish produced. The benchmarking process has been carried out as a controlled trial at the Group's own trial facilities, as cage trials at commercial trial facilities (LetSea) and at the Group's own production facilities. Benchmarking at in-house production facilities is demanding, as we have to take into account a high number of variables in addition to feed. In total, 33 production cages have been in use during the trials, and the results are clear and conclusive. Lerøy Seafood Group aims to continue with these types of trials.

"A salmon requires approx. 1 kg of feed to grow 1 kg, a bull requires more than 8 kg

Lerøy Seafood Group has a particular focus on product quality for the end customer. During the year, the Group has intensified its efforts on sustainability and certification schemes for individual raw materials.

The aquaculture industry currently consumes up to 80% of the worldwide production of Omega-3-rich fish oil. Fish oil is the most important source of the essential and healthy fatty acids, EPA and DHA. Lerøy has chosen to sustain a higher level of these Omega-3 fatty acids than required in the industry standard, with a view to both fish welfare and the quality of the end product. The gap between the level required in the standard and the level utilised by Lerøy is principally covered by Omega-3-rich oils produced by microorganisms. This is currently the most sustainable source of oil available.

Lerøy Seafood Group has introduced a comprehensive sampling programme for re-examination of feed in terms of chemical content, dust, presence of foreign agents etc. The Group is able to trace both species and origin of the raw materials used in its fish feed. The feed suppliers carry out audits of their own suppliers, and Lerøy Seafood Group conducts annual audits of the feed companies. These measures, combined with the feed suppliers' internal control activities and traceability, allow us to maintain control of feed content and quality.

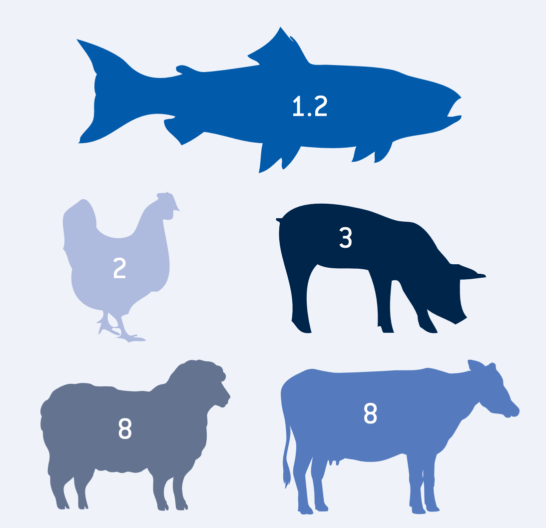
Ethoxyquin, an antioxidant, has recently been the subject of much discussion. This antioxidant is added to fishmeal to avoid explosion during long-distance transport by boat. Without the addition of the antioxidant, the fishmeal may ignite when it heats up.

This antioxidant is currently subject to a new approval round in the EU, leading to discussions as to whether ethoxyquin shall be approved or not. Ethoxyquin is not utilised directly in feed. Via our feed suppliers and our parent company Austevoll Seafood, we are actively involved in efforts to source good alternatives to ethoxyquin.

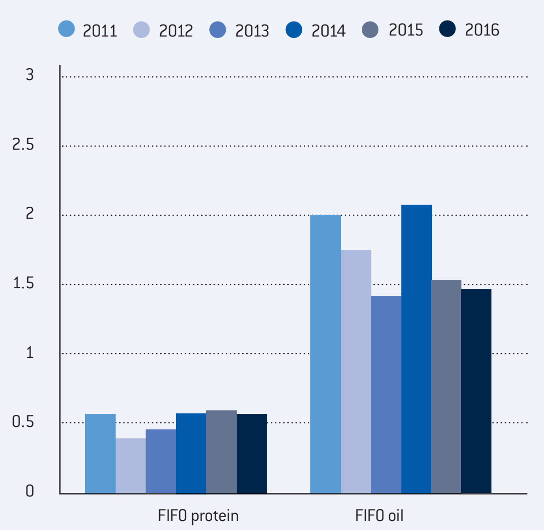
Access to raw materials for fish feed is good, despite a number of external factors which impact on supply. There are no special requirements for the raw material content of feed for fish (for example fishmeal), but fish require feed with a specific nutritional content. Today, we prefer to produce fish feed from cuttings from the wild fish industry and to supply wild fish directly for human consumption where possible. Raw material from wild fish is utilised as an ingredient in numerous different types of animal feed. Among all farmed animals, salmon is the most efficient at converting raw materials into consumable goods. The volume of wild fish caught and utilised for fishmeal and oil remains relatively stable and will most likely not increase in the near future.

2016 saw an increased demand for marine raw materials, putting pressure on the supply of marine raw materials. The steady growth of the aquaculture industry, particularly in Asia, and the vast increase in direct consumption by humans, for example in Omega-3 capsules, have resulted in higher prices and a reduced supply of marine raw materials. The Group has taken an active approach to these challenges and has been able to find successful and sustainable solutions in cooperation with the feed industry.

VOLUME OF FEED REQUIRED TO GROW 1 KG (KG)



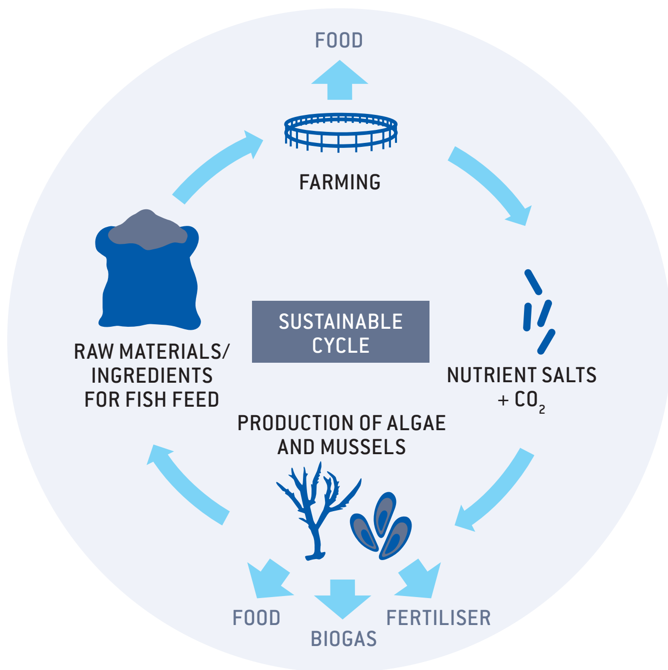
FISH IN – FISH OUT • LERØY SEAFOOD GROUP (KG)



MARINE RAW INGREDIENTS IN FISH FEED, LERØY SEAFOOD GROUP 2016

English	Latin	Norwegian	% Fishmeal	% Fish oil
Blue whiting	*Micromesistius poutassou*	Kolmule	34.21	7.49
Capelin	*Mallotus villosus*	Lodde	1.64	3.80
Capelin trimmings	*Mallotus villosus*	Loddeavskjær	0.57	0.38
Herring	*Clupea harengus*	Sild	1.03	1.12
Herring trimmings	*Clupea harengus*	Sildeavskjær	14.84	11.83
Horse mackerel	*Trachurus trachurus*	Hestmakrell	0.12	1.01
Jack mackerel	*Trachurus murphyi*	Stillehavsmakrell	0.00	0.00
Krill	*Eupheusia superba*	Krill	8.07	0.00
Mackerel	*Scomber scombrus*	Makrell		0.08
Mackerel trimmings	*Scomber scombrus*	Makrellavskjær	1.27	3.62
Menhaden	*Brevoortia patronus*	Beinfisk	1.10	12.52
Norway pout	*Trisopterus esmarkii*	Øyepål	1.57	0.94
Anchoveta	*Engraulis ringens*	Ansjos	12.60	19.31
Sardines	*S. pilchardius, S. aurita, S. maderensis*	Sardin	0.19	3.84
Sandeel	*Ammodytes marinus*	Tobis	3.39	3.16
Silver Smelt	*Argentina sphyraena*	Sølvfisk	0.01	3.20
Sprat	*Sprattus sprattus sprattus*	Brisling Nordsjøen	9.55	21.95
Sprat	*Sprattus sprattus balticus*	Brisling Østersjøen	0.00	0.00
Whitefish		Hvitfisk	0.00	
Whitefish trimmings		Hvitfiskavskjær	6.74	1.92
Other		Andre fiskeslag	3.11	0.35
Other trimmings		Avskjær div. arter		3.49
Total			**100.00**	**100.00**

MTA PRODUCTION – MULTITROPHIC AQUACULTURE



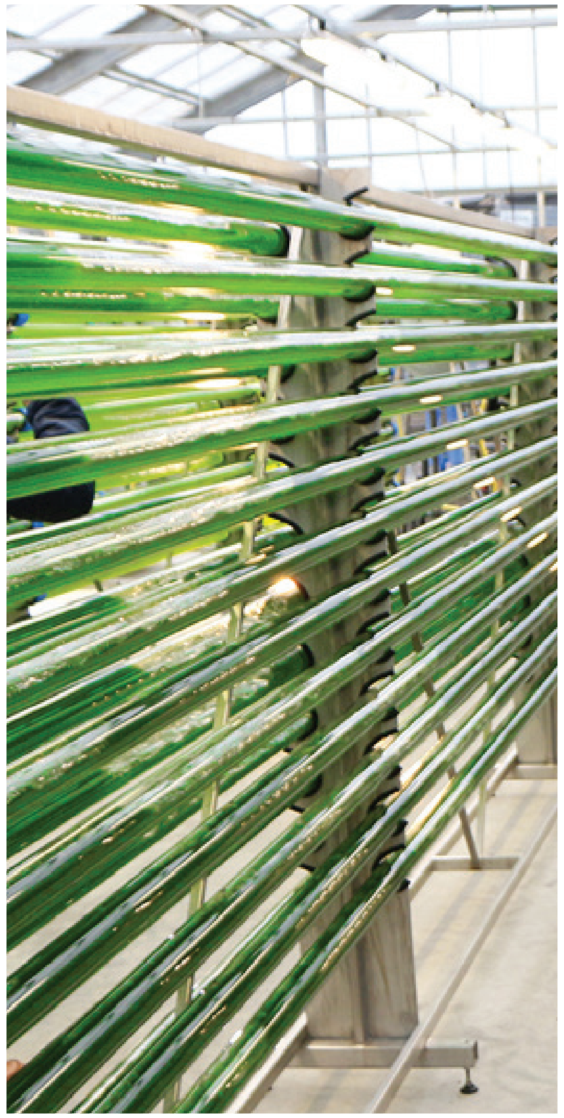
RAW MATERIALS FOR FISH FEED

Camelina oil:
We are constantly seeking new and sustainable raw materials for use in our fish feed. In 2016, we introduced several new raw materials to increase the sustainability of our feed.

Camelina oil is an oil extracted from the Camelina plant. This plant is well known for its ability to grow in infertile soil, with only low levels of water and fertiliser. The oil from this plant is particularly rich in Omega-3 fatty acids and has an extra-low content of Omega-6 fatty acids. We aim to minimise the amount of Omega-6 fatty acids in our salmon and the fish we eat, as our diet contains more Omega-6 than recommended.

Microalgae / Omega-3:
For several years, Lerøy Seafood Group has had a level of Omega-3 fatty acids in its feed, and therefore also in the fish, that is higher than the market standard. These Omega-3 fatty acids have originated from fish oil, the most common commercially available source of Omega-3 in the world to date.

Microalgae also produce Omega-3 fatty acids, and microalgae meal is a good source of the essential Omega-3 fatty acids. A number of bodies have worked with microalgae to trigger production of Omega-3 fatty acids. The challenge has been to achieve sufficiently efficient cultivation in large cultures, so that they can provide a genuine alternative to fish oil.



Lerøy Seafood Group has worked with fish feed containing various microalgae since the end of 2014. The fish have to enjoy the taste, the microalgae must be digestible and the raw material must be reasonably priced.

Microalgae can be produced in two ways, depending on the source of energy they use.

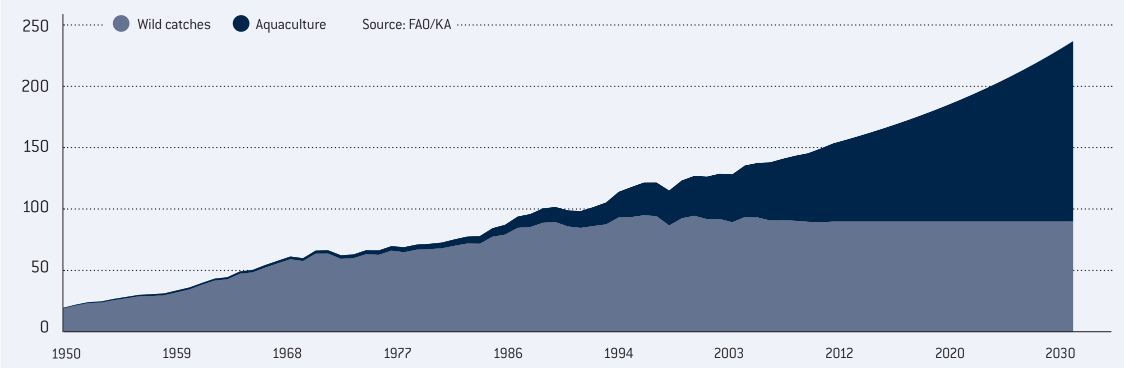
One main group of microalgae use sunlight as a source of energy, and when combined with CO_2 the algae grow and produce protein and marine fatty acids. Lerøy Seafood Group is part of CO_2Bio, which has opened a national pilot centre for microalgae cultivation in Mongstad. The employees at the centre are working on developing commercial production of these microalgae. To date, neither CO_2Bio nor others have succeeded in developing cost-efficient production of marine fatty acids using this method – but the work on identifying optimal production conditions has only just begun.

The second main group of microalgae live in the dark, in large tanks, and use sugar as a source of energy. Developments with this group are further along, and several parties are now producing commercially, although the prices vary significantly.

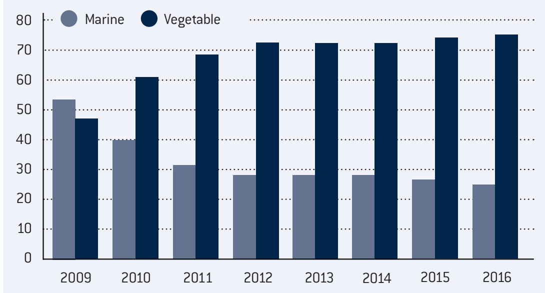
Together with the feed company BioMar, Lerøy Seafood Group has chosen a producer located in south Brazil. This is an American company primarily involved in cultivating sugar cane in Brazil. When evaluating the different suppliers, we apply several criteria:

- Primarily, the algae must not be a genetically modified (GM) organism, i.e. it cannot have been modified with genes enabling it to produce extra Omega-3.
- Secondly, its "food" (the sugar) cannot come from GM plants. It has become evident that the majority of suppliers use sugar from GM plants. Our supplier does not.

DEVELOPMENT AND ESTIMATES - WILD CATCHES AND AQUACULTURE PRODUCTION 1950 – 2030 (MILLION TONNES)



DEVELOPMENT IN RAW MATERIALS IN FEED IN LERØY SEAFOOD GROUP (%)



- Thirdly, production must have a minimal carbon footprint. The algae are cultivated in a "soup". When production is complete, the residual products are dried to form a powder.

What energy source is used for the drying process? Many suppliers use gas or oil, leaving a significant footprint. "Our" Brazilian producer uses residual waste from sugar production (straws or sugar canes) as fuel to produce vapour used in the drying process. This ensures a minimal footprint.

In summary, the Omega-3 source from algae used by Lerøy is produced using one of the most sustainable and eco-friendly methods available.

Today, we add so much microalgae to our feed that we are able to close the gap between 6% (the standard) and 7.5% (the Lerøy standard). We are therefore free from the criticism that we "waste" valuable fish oil. And the best part is that the fish love the feed!

The introduction of new raw materials for fish feed is one of the most important focus areas in Ocean Forest, where we aim to make use of nutrient salts to produce new raw materials for fish feed. Meal from mussels is one example of this.

INDUSTRY/VAP

At all our factories, we focus on improving efficiency and measures to prevent environmental damage, for example by reducing the consumption of water, electricity and fossil fuels. We use sea water in several parts of production where appropriate. As a member of the environmental scheme Grønt Punkt Norge (Green Dot Norway), we contribute towards the collection and recycling of packaging, and make payments to the material-recycling companies Plastretur AS and Norsk Returkartong AS. Several of our factories also use recycled boxes for several customers in Europe as part of a recycling system. Lerøy Norway Seafoods is a member of Norsk Lastbærer Pool (NLP). This means that the products sold to Norwegian retailers are delivered on pallets maintained by NLP and reused by member companies.

Lerøy Seafood Group is working to minimise waste in all parts of the value chain, and aims particularly to utilise as much as possible of the fish produced for human consumption.

Our goal is to achieve as close as possible to 100% utilisation. One important factor in this work is being able to contribute towards ensuring that as much as possible of the by-products from wild-caught fish is retained and adapted for human consumption. Lerøy Norway Seafoods has had a special focus on this over the past two years. Traditionally, fishermen have gutted a major part of the fish at sea and by-products have been thrown back into the water. The most important measure implemented to reduce the volume of fish discarded in this way is installing equipment and facilities for gutting on shore. This is now a facility offered at all our purchasing stations. In 2016, the decision was made to build new industrial facilities at both Lerøy Midt and Rode Vis. During the design process for these buildings, we spent a lot of time identifying the correct solutions with a view to environmental efficiency. For Lerøy Midt, this will involve merging the two existing factories into one new factory. A new factory will provide improvements in relation to environmental protection.

- Measures to reduce energy consumption will be implemented in the new factory, and it is estimated that we will achieve a gain of 7 GWh per year. This represents a reduction of 45% when compared with current consumption.
- Consumption of fresh water in the new factory will be 50% lower.
- Fish welfare will also be improved, as direct delivery from the well boat to the factory will result in increased survival.
- 100% utilisation of the fish
- No emissions except purified process water
- Waste sorted at source
- Power supply from shore for well boats

14 factories and 4 fish-smoking facilities

Lerøy sold 319,872,630 portions of seafood to more than 70 countries in 2016

SALES / DISTRIBUTION OF FRESH FISH

FOOD SAFETY

Lerøy Seafood Group is actively involved in all parts of the value chain in order to ensure supply of safe products to the consumer. Based on experience gained over many years, we have developed a quality system comprising routines and procedures to ensure supply of safe products. As a part of our quality assurance routines, we carry out control and monitoring of our manufacturers and partners. This involves specifying requirements for their quality systems and routines, and carrying out analyses and monitoring operations. Our quality team carries out from 250 to 300 quality audits every year. Moreover, the products are controlled by Lerøy Seafood Group at different stages throughout the production process: from egg/boat/purchasing station to finished product in a box and, in certain cases, up to delivery to the customer.

For many years, Lerøy Seafood Group has followed a definitive strategy for quality assurance. The Group companies have developed different control systems based on their position in the value chain.
We have certifications including GLOBALG.A.P., MSC, ASC, ISO 14001, HACCP, IFS, BRC and ISO 9001.

PREPAREDNESS

Recall

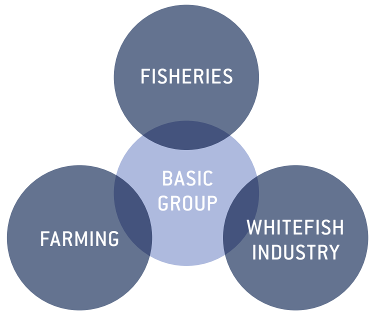
Lerøy Seafood Group has full traceability for all products from egg/boat/trawler/purchasing station to customer. Every year, recall tests are carried out in relation to our major manufacturers. In 2016, Hallvard Lerøy AS carried out seven recall tests.

Preparedness group

The preparedness group is made up of:

- the CEO
- the Head of Quality and CSR
- the EVP Farming
- the Technical Director, feed/R&D
- the EVP Fisheries
- the EVP Whitefish

The core of the preparedness group comprises the CEO and the Head of Quality and CSR. The other members are invited to meetings depending on the items to be discussed – farming, fisheries or the whitefish industry.
The preparedness group has primary responsibility, both internally and externally, for communications and handling of any relevant challenges/crises. Preparedness plans are also prepared locally.



TRACEABILITY - OPENNESS

Lerøy Seafood Group has full traceability for all products. For species related to fish farming, such as salmon and trout, the customer can go to Lerøy Seafood Group's website, www.lsg.no, to download traceability information for products sold via Lerøy Seafood AS. One example of this is the Gladlaks concept, where the consumer can go to Gladlaks.no online and download information specific to the product purchased by entering the traceability code on the product packaging.

"TIL LÅNS" (ON LOAN)

"Til Låns" is a project in which Lerøy Seafood Group is cooperating with waste and recycling company Norsk Gjenvinning to ensure that the packaging for products packed in aluminium trays is returned to circulation after use. Such packaging is thus only "on loan". Waste is a resource that is not properly utilised, and we aim to do something about this. An extra label will be attached to these products telling the user what to do with the packaging after use. This informative label is meant as a careful nudge in the right direction and is therefore only the first step on the road to ensuring correct handling of packaging. This is an exciting project, heading in the right direction. We also focus on using the correct packaging and the correct size of products in order to avoid waste.

DISTRIBUTION

Lerøy Seafood Group outsources the majority of its distribution work, but cooperates with suppliers of transport services to identify the most eco-friendly solutions possible within transport. New vehicles, new aircraft and more transport by rail are among the measures implemented.

We can cultivate seaweed and kelp to absorb CO_2

OCEAN FOREST

Sustainable fish farming is a high priority for Lerøy Seafood Group. New, enterprising projects and innovation play a decisive role in identifying good sources of marine raw materials for a growing fish farming industry and in being able to feed a growing population in the years ahead. In 2013, Lerøy cooperated with Bellona, an environmental organisation, to launch an ambitious project principally targeting exploitation of those products we have in excess in order to produce those products we are lacking.

The company's vision is: The sea – the major future source of new production of food, feed ingredients and energy/biomass, through the capture of CO_2.

Lerøy Seafood Group and Bellona, together with national and international R&D groups, aim to research how the organic interaction between different species can help solve the environmental problems created by fish farming, while at the same time attempting to achieve significant value generation by taking a leading role in developing new sources of biomass for human consumption, fish feed and bioenergy.
The cultivation of kelp, shellfish and invertebrates alongside fish is a new concept within the history of Norwegian fish farming. Waste produced by one species becomes a resource for another species, forming an interacting ecosystem of value-generating species in harmony with their environment. Mussels, kelp and other invertebrates filter large organic particles from fish feed or carried by water currents from fish farming plants, e.g. small lice larvae. At the same time, these organisms absorb excess nutrient salts along with vast volumes of CO_2. By increasing production of these new species, we can enhance value generation while also producing high-quality raw materials that can be utilised to produce fish feed, for consumption or for energy production.
Ocean Forest AS is a joint venture between Lerøy Seafood Group ASA and Bellona Holding AS, and had its first full year of operations in 2014. The company's personnel are all employees of different Lerøy Seafood Group companies. Ocean Forest AS has focused on establishing a knowledge base for production of oligotrophic species such as mussels and various macroalgae based on the recycling of nutrient salts.

The company has licences for production of macroalgae such as sweet tangle, winged kelp and dulse, in addition to the production of mussels. These licences are linked to a total of three of Lerøy Sjøtroll's facilities in Hordaland.

Lerøy's initiative involving integrated multitrophic aquaculture (IMTA) is realised via Ocean Forest AS, a company jointly owned with Bellona Holding AS. The purpose of Ocean Forest is to develop industrial production of macroalgae and production methods for mussel meal so that this product can provide a satisfactory replacement for fishmeal. The continued growth in the fish farming industry both in Norway and abroad requires us to utilise even more sustainable raw materials in fish feed in the future. This in turn requires the harvesting of raw materials from lower down in the food chain than the current fishmeal and fish oil. Mussels and macroalgae are materials very low down in the food chain but are also raw materials that are currently not being utilised – we are not competing with other user groups for these materials.

Our main focus in 2015 was on mussel meal. Subsequent to four trials where mussel meal was fed to salmon, we were able to determine that mussel protein was a satisfactory replacement for fishmeal. When we replace fishmeal with mussel protein, the salmon show improved growth.

Comprehensive testing is now under way to determine whether mussels with algal toxins – poisonous in high concentrations for humans – are also poisonous for salmon. The results to date are promising, and it appears that the salmon can withstand high doses of algal toxins. The outbreak of toxic algae represents a major challenge for the mussel industry, requiring comprehensive sampling and analysis prior to harvesting. The volume of such work may be significantly reduced if the shells are to be used as a raw material for feed.

Ocean Forest has focused on kelp in 2016. The company harvested 17.000 kg of sweet tangle and winged kelp, representing the first industrial production volume for the company and a milestone in Ocean Forest's development. The company has followed a steep learning curve, and continues to do so. The work on further industrialisation of production and harvesting of cultivated macroalgae will continue in 2017.
The project and its impact on the environment surrounding the facilities are closely monitored by the Institute of Marine Research in Bergen.

Initially, the algae are wound around a rope. After only a few weeks, the kelp start to take shape.

A SUSTAINABLE FISH FARMING INDUSTRY

OCEAN FOREST

OCEAN FOREST HAS THE FOLLOWING AMBITIOUS GOALS:

- Production of sustainable raw materials and clean energy
- Production of marine raw materials for feed
- Absorption of large volumes of CO_2
- Minimise environmental impact from Norwegian fish farming

We should eat fish at least twice a week

SEAFOOD

- AN IMPORTANT SOURCE OF PROTEIN FOR FUTURE GENERATIONS

- THE WORLD WILL NEED MORE FOOD IN THE FUTURE

The UN Food and Agriculture Organization (FAO) has estimated that the world's population will increase to approx. 9 billion people by the year 2050. A population growth of approx. 30% will require increased food production of approx. 30%, based on current food production volumes. The FAO has estimated that the increased demand for seafood will total 40 million tonnes by 2030.

Only 30% of the earth's surface is land, with 70% covered by sea. Today, less than 5% of the protein consumed worldwide originates from the sea. There is no doubt that we will need some source of protein in the future, making the potential for increased production of food from the sea particularly relevant.

Seafood is highly advantageous in terms of sustainability, for several reasons:

- Production at sea does not require a lot of space, as production is three-dimensional.
- Salmon is a poikilothermic animal, which means that it adapts to sea temperatures and does not require an energy supply, for example to heat up housing for animals on land.
- Most species of seafood require relatively low volumes of fresh water.
- The volume of feed required by most species to grow 1 kg is low.
- Most species provide a high yield, i.e. a high percentage of the fish can be utilised, principally as a food source.
- Fish have a small carbon footprint when compared with other types of protein.

Foods rich in protein include meat, eggs, milk and seafood.

– AN IMPORTANT CONTRIBUTION TO PUBLIC HEALTH

– ACTION PLAN FOR A HEALTHIER DIET

On 6 December 2016, a letter of intent was signed between the food industry and the health authorities in Norway to facilitate a healthier diet. Signatories included Bent Høie, the Minister of Health and Care Services, and the trade associations NHO Mat og drikke (FoodDrinkNorway), NHO Handel, Virke Dagligvare, Coop Norge SA, Sjømat Norge and Norges Frukt- og Grønnsaksgrossisters Forbund (the Norwegian association of fruit and vegetable wholesalers). Numerous companies have also committed to the targets in the letter of intent by signing an endorsement agreement – including Lerøy Seafood Group, to date the only seafood company to do so. Other companies that have signed the endorsement agreement are: BAMA, Grilstad, Kolonial.no, Mills, Rema 1000, Nestlé, Norgesgruppen, Norgesmøllene, Nortura, Orkla, TINE, Marked.no, Germann Vervik Eftf., Meum Frukt & Grønt and T.L. Måkestad.

LIFESTYLE RELATED DISEASES ARE EXPECTED TO REPRESENT A GLOBAL CHALLENGE FOR THE FUTURE

THE WHO HAS ESTIMATED THAT:
80% of all heart attacks
90% of people with type 2 diabetes
30% of cancer cases

CAN BE PREVENTED BY:
Better diet
Physical activity
Not smoking

CARDIOVASCULAR DISEASES
Overweight
Diabetes
Osteoporosis

1999:
60% of all deaths
43% of all illnesses

2025:
73% of all deaths
60% of all illnesses

The agreement obliges the parties to work towards the following shared targets:

1. The average intake of added sugar shall be reduced by minimum 12.5% per person by 2021. This implies a reduction to an energy content of close to 11% by 2021. In 2013, sugar intake represented an energy content of 13%.
2. The average intake of saturated fats shall be reduced to an energy content of 13% by 2018. In 2015, saturated fat intake represented an energy content of 14%.
3. The average intake of salt shall be reduced to 8 grams per person per day by 2021. In 2010, salt intake was 10 grams per person.
4. The intake of healthy foods such as fruit, vegetables and fish shall be increased.

Lerøy Seafood Group will focus on items 3 and 4 in the future. We take public health very seriously and we aim to help improve the health of consumers with our products. Recent consumer surveys have indicated a reduction in the consumption of seafood among children and young people.

Salmon facts

Amount of feed (kg) to grow 1 kg	1.2
Energy retention %	27
Protein retention %	24
Water footprint: liters/kg edible meat	1 950
CO2 footprint: kg CO2e/kg edible product	2.5
Agricultural land occupied: m2/kg edible product	3.2
Use of antibiotics	No
Omega 3 content: g, pr 100 g	10.9
Important minerals and vitamins: Selenium, Iodine, Vitamin A, D and E, B6 og B12	
Yield %, from whole fish	68

Lerøy Seafood Group aims to assume more responsibility for the diet and nutrition of this group of people. A focus on diet and exercise is therefore common to all our cooperative projects involving culture and sports. While children in developing countries continue to struggle with malnourishment, an increasing number of children and young people in the more prosperous countries are overweight. Lerøy Seafood Group has entered into a cooperation with Leger Uten Grenser (the Norwegian branch of Médecins Sans Frontières) that focuses on correct nutrition.

The wrong diet can cause various types of illness. The lifestyle diseases now emerging in large parts of the world can be prevented by ensuring a correct diet. All dietary experts recommend that we eat more seafood and less red meat. We are in a unique position to contribute in this area. We therefore take an active role with our partners to encourage people to eat seafood, and to increase knowledge of and access to seafood in different arenas.

Seafood is good for you! Oily fish has a high Omega-3 content and a low Omega-6 content. We tend to focus on Omega-3 in our diets and forget Omega-6. The World Health Organization (WHO) is concerned about the high consumption of Omega-6 in our diets, and recommends that we all reduce the amount of Omega-6 we eat. Seafood often has a high content of Vitamins A, E and D and is rich in the minerals zinc and iodine. Cod is a particularly good source of iodine. The health authorities recommend that we eat more fish and reduce our consumption of red meat. An increase in the consumption of seafood will improve public health. It has been documented that salmon has a positive effect on cardiovascular diseases, and several trials have shown a positive impact on other lifestyle diseases such as dementia, diabetes, depression etc.

In addition to all the important factors above, the fish farming industry and fisheries generate significant income for Norway, create jobs and improved infrastructure for local communities, and lay the foundations for a major supplier industry in different parts of Norway.

SALTPARTNERSKAPET
SALT
SAMMEN FOR FOLKEHELSEN

GREENHOUSE GAS EMISSIONS

Below is a brief summary of the general framework and assumptions made when calculating greenhouse gas emissions for Lerøy Seafood Group in 2016.

The framework selected for calculating emissions includes emissions from combustion processes required for the operation of the Group's fish farming companies and the related processing activities. This is referred to in the following as direct emissions. The Group also wanted to gain an overview of the indirect impact on global warming from the company's activities and has therefore included CO_2 emissions from the production of electricity consumed by the company's fish farming companies in Norway.

Significant sources of greenhouse gas emissions from Lerøy Seafood Group's core activities in Norway have been included in the calculations.

The purchase of products and services such as transport has not been included in the calculations. Lerøy Seafood Group is currently working on obtaining a good basis for calculating the above. The tables provide a summary of consumption of fossil fuels and electricity, and greenhouse gas emissions for our most important segments. In addition, the feed companies have on average emissions of 1.73 CO_2e per kg feed produced for Lerøy Seafood Group. In 2016, Lerøy Seafood Group utilised a total 236.371 tonnes of fish feed.

DIRECT EMISSIONS

Direct emissions of CO_2, CH_4 (methane) and N_2O (nitrogen oxide) are estimated based on the consumption of different fuel sources such as diesel, heating oil, petrol, propane and marine gas oil (MGO). Emissions from the combustion of petrol are assumed to be associated with cars, while emissions from marine gas oil are assumed to be associated with boats.

Methane and nitrogen oxide emissions are converted to CO_2 equivalents by means of their respective global warming potential (GWP), see explanation below.

The emission factors on which the calculation of direct emissions is based have been sourced from the Department for Environment, Food & Rural Affairs in the UK, 2016.

INDIRECT EMISSIONS

Indirect emissions are emissions of CO_2 from purchased electricity. The conversion for these emissions in Norway is based on the emission factor for energy mix in Norway, obtained from the Norwegian Water Resources and Energy Directorate (NVE).

GLOBAL WARMING POTENTIAL (GWP)

GWP is a measurement of the warming effect of different greenhouse gases on the atmosphere. The most significant greenhouse gases are CO_2, methane and nitrogen oxide. GWP allows comparison of the warming potential of these gases, expressed as CO_2 equivalents. Taking a perspective of the next 100 years, for example, emissions of 1 tonne CH_4 will have an equal impact on global warming as emissions of 25 tonnes CO_2.

Emissions caused by Fisheries are managed directly by Havfisk and are not calculated using the same methods as the other three segments. The segment will be incorporated into the Group's routines with effect from 2017.

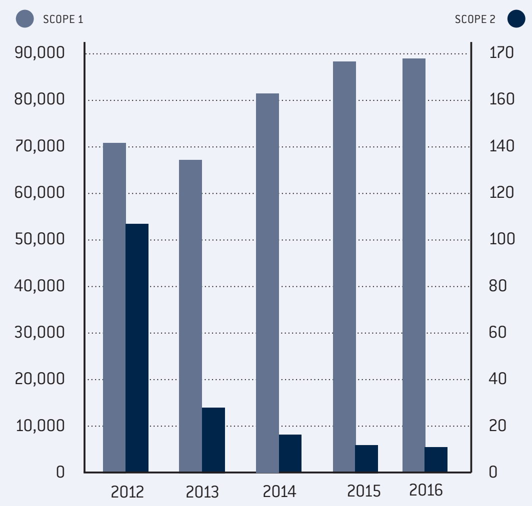
FISHERIES

The analysis is based on the international standard, A Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas (GHG) Protocol Initiative. This is the most commonly applied method worldwide for measuring greenhouse gas emissions. The ISO standard 14064-I is based on this.

The fishing fleet has reduced its greenhouse gas emissions by 25% since 1990

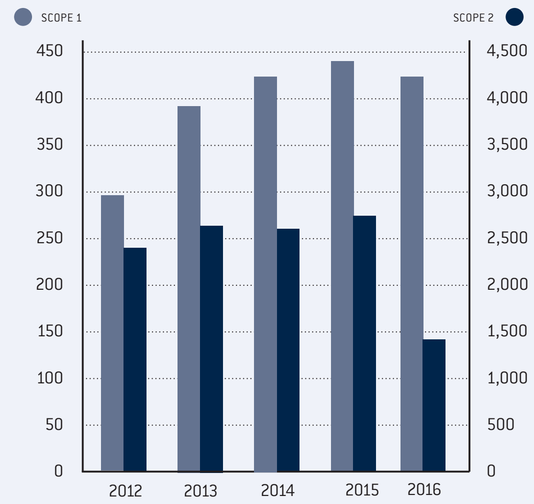
Seafood has a low carbon footprint

TOTAL GREENHOUSE GAS EMISSIONS 2012-2016 (TONNES CO_2E) - FISHERIES

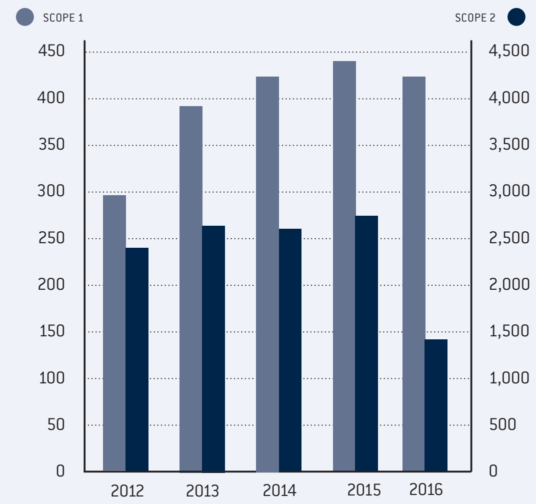


TOTAL GREENHOUSE GAS EMISSIONS 2012-2016 (TONNE CO_2E) - FARMING

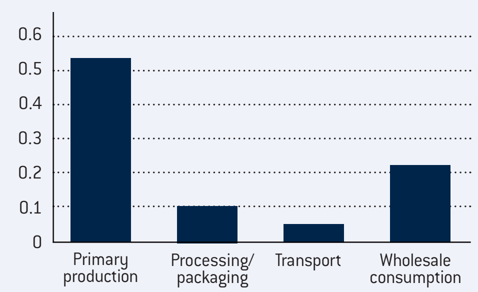
TOTAL GREENHOUSE GAS EMISSIONS 2012-2016 (TONNE CO_2E) - VAP



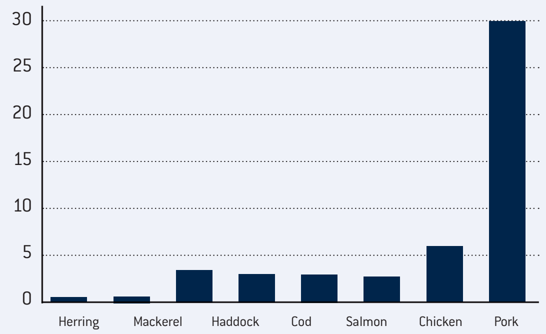
TOTAL GREENHOUSE GAS EMISSIONS 2012-2016 (TONNE CO_2E) - SALES & DISTRIBUTION



GREENHOUSE GAS EMISSIONS (KG CO_2E) PER 227 G FRESH SALMON FILLET FROM FISH FARM IN BRITISH COLUMBIA DELIVERED TO SAN FRANCISCO



GREENHOUSE GAS EMISSIONS (KG CO_2E/KG EDIBLE PART AT TIME OF SLAUGHTER/LANDING)



ETHICS AND SOCIAL RESPONSIBILITY

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

The ethical code of conduct has been divided into two separate areas and comprises the following:
Part 1: Factors relating to companies, suppliers and subcontractors
Part 2: Factors relating to the individual employee.

Key words for the contents of the ethical code of conduct:

- ethical requirements for suppliers and subcontractors
- requirements on regulation of working conditions for employees
- the rights of the company's employees, and employees of suppliers and subcontractors
- factors involving HSE
- forced labour/discrimination
- exploitation of resources and impact on local environment
- corruption
- notification of censurable conditions
- ethical guides for employees representing the company outside the workplace

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

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

Norwegian fisheries and the fish farming industry have been of great importance for Norway as a nation for past generations and will continue to be so in the future. The coast of Norway and its coastal communities would not be the same without fisheries and the fish farming industry. What many do not however realise is the importance of this industry for other municipalities in Norway. For every full-time equivalent within the fisheries and fish farming industry, 1.1 full-time equivalents are created in other industries nationwide. Local communities, previously facing the threat of rural depopulation, can now face the future with optimism. New jobs are being created not only in the fisheries and fish farming industry, but also in local and national businesses that supply products to our industry. Several municipalities are dependent upon the activity and jobs that are created and sustained with the help of the fisheries and fish farming industry. Local kindergartens and schools require teachers and personnel. New roads are built and new technology developed – to mention only a few major factors.

Lerøy Seafood Group reports according to the Global Reporting Initiative (GRI). This report can be downloaded from the company's website, www.lsg.no.

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

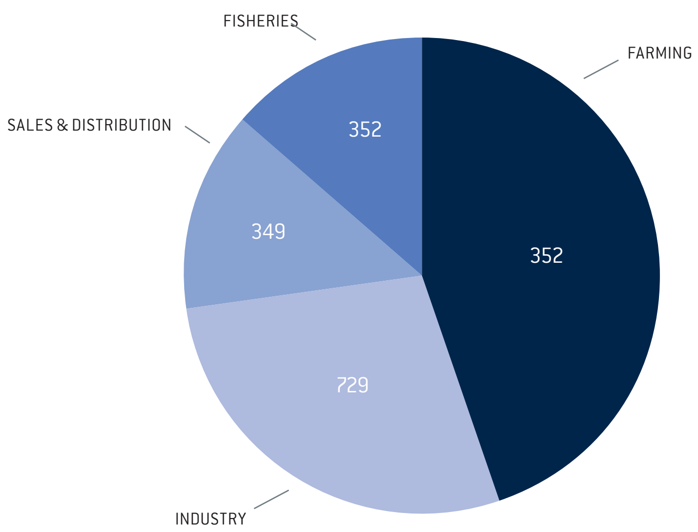
Less than 5% of the protein we eat comes from the sea

Seafood helps prevent cardiovascular diseases

Lerøy Seafood Group is fully committed to developing the local communities where the Group's different facilities are located, and aims to generate increased earnings for these communities by purchasing the highest ratio possible of local goods, equipment and services. Lerøy Seafood Group's companies in Norway purchased goods, equipment and services totalling NOK 11.8 billion in 2016. The figures show that the Group purchased these goods, equipment and services from 286 different municipalities in Norway. In 2016, the Group had facilities located in close to 60 different Norwegian municipalities. Our employees contributed NOK 451 million in income tax to 198 different municipalities. Based on our activities over the past seven years, Lerøy Seafood Group has in total contributed NOK 2.4 billion in tax. As such, we make an important contribution towards sustaining a number of local communities and workplaces in many different parts of Norway.

2016
- Revenue: 17.269.278 (1.000 NOK)
- Pre-tax profit: 2.925.930 (1.000 NOK)
- No. employees in Norway: 2878
- Purchasing, excl. intragroup, in Norway: NOK 11.8 billion
- Purchasing in Norway from 5.269 different suppliers
- Purchasing from suppliers in Norway in 286 different municipalities
- Tax payments by employees in Norway: NOK 451 million
- Total tax payments: NOK 570 million
- Tax payments to 198 different municipalities in Norway

DISTRIBUTION OF FULL-TIME EQUIVALENTS
LERØY SEAFOOD GROUP NORWAY



2016
- 2.593 full-time equivalents in Norway
- Generates 3.112 full-time equivalents in other industries
- NOK 1.021 million paid by the Group and its employees in Norway in taxes and duties
- 969 places in nursing homes and 5.733 children in municipal kindergartens

- When measured in terms of value creation per full-time equivalent, the individual businesses made the following contributions in 2014*:
  - Aquaculture NOK 2.663 million per full-time equivalent
  - Fishing and catches NOK 1.082 million per full-time equivalent
  - Fish processing NOK 1.103 million per full-time equivalent

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

Lerøy Seafood Group Norway	No. full-time equivalents Lerøy Seafood Group 2016	Provides following value creation in other industries:
Fisheries	352	380.86
Farming	1,163	3,097.07
Fish processing	729	804.09

AREA EFFICIENCY

The fish farming industry is an extremely area-efficient producer of protein. The committee established to review the quota system and economic rent within fisheries (Gullestad committee) calculated that the average size of a locality in 2010 was 36.800 m2. An average locality with eight cages can produce approx. 320.000 kg of fish. This implies 8.7 kg of protein per square metre.

Norway has 90.000 square kilometres of sea waters within its maritime boundaries.

*Each job offshore creates two jobs on shore.**

*Each NOK 100 spent on fisheries creates a revenue of NOK 350 in other industries.**

* The figures above are based on own figures and figures obtained from Nofima and SINTEF's ripple effect analyses.

National ripple effects of fish farming industry, Nofima 2013/National importance of the seafood industry, SINTEF 2016

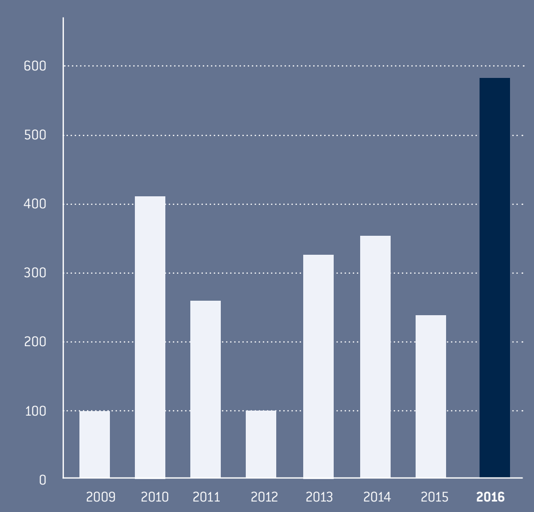
THE SEAFOOD BUSINESS IN LERØY SEAFOOD GROUP IN NORWAY IN 2016 HAD MAJOR RIPPLE EFFECTS FOR SOCIETY SUCH AS:

2.878	6.707.870 *	1.021	969	5.733
JOBS	MILLION VALUE GENERATION	MILLION TAXES AND DUTIES	PLACES IN NURSING HOMES	CHILDREN IN MUNICIPAL KINDERGARTENS

*Subject to prevailing market prices

IN 2016, LERØY SEAFOOD GROUP MADE A NUMBER OF DIFFERENT CONTRIBUTIONS TO LOCAL MUNICIPALITIES AND COMMUNITIES.

LERØY SEAFOOD GROUP HAS PAID A TOTAL OF NOK 2.4 BILLION IN TAX OVER THE PAST YEARS. (TAX PAYABLE 2009-2016)



We had company activities in approx. 60 different Norwegian municipalities

Our employees paid tax income to 198 different Norwegian municipalities at a total value of NOK 451 million

We purchased goods and services amounting to NOK 11.8 billion from 286 different Norwegian municipalities

ECONOMIC VALUE GENERATION AND DISTRIBUTION PER SECTOR IN 2016

From customers
NOK 14.426.792

LERØY

To employees	To suppliers	To the public sector	To financial institutions	To owners
NOK 1.261.118	NOK 11.774.500	NOK 570.498	NOK 167.181	NOK 653.495
Total payments to employees	Purchase of commodities and operating assets	Tax payable and employer's contribution		Dividend payments to owners

BOARD OF DIRECTORS' REPORT 2016

FINANCIAL MATTERS
Lerøy Seafood Group ASA reported revenue in 2016 of NOK 17,269 million, up from NOK 13,451 million in 2015. This is to date the highest revenue ever reported by the Group. The increase in Group revenue is mainly attributed to the extremely high prices for Atlantic salmon and trout, good demand and a good development in the Group's downstream operations. The level of activity in the Group is satisfactory and affords the Group good opportunities to improve its position as a leading producer, processing company and distributor of seafood.

The Group's operating profit before fair value adjustments related to biological assets was NOK 2,843 million in 2016 compared with NOK 1,380 million in 2015. Profit before tax and before fair value adjustments related to biological assets was NOK 2,926 million in 2016 compared with NOK 1,321 million in 2015. Earnings per share when adjusted for fair value adjustments related to biological assets and minority interests, totalled NOK 38.4 compared with NOK 19.4 per share in 2015.

The **Farming** segment reported a record-high operating profit before before fair value adjustments related to biological assets of NOK 2,419 million in 2016. This represents an increase of NOK 1,431 million when compared with the operating profit of NOK 988 million in 2015.

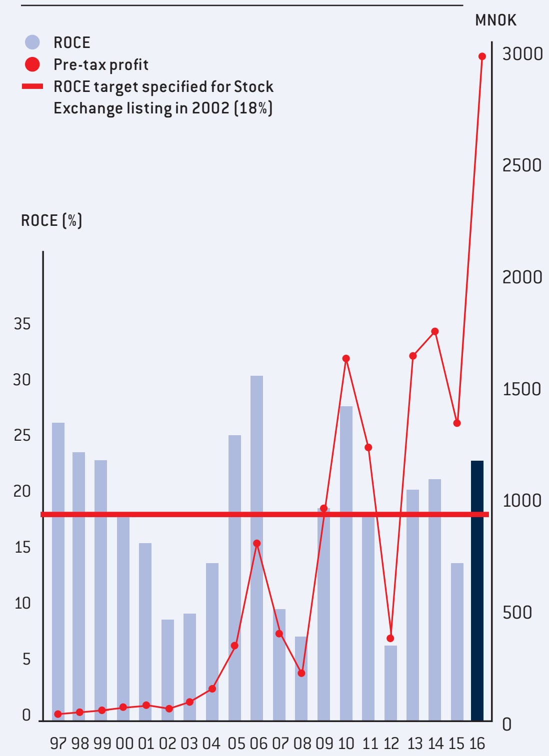
The prices for Atlantic salmon and trout have been very high in 2016, and prices realised for the Group's farming operations involving salmon and trout were up 37% when compared with prices realised in 2015 – despite the Group's 44% share of contracts having a negative impact on prices realised. The Group is the world's largest producer of trout. Import restrictions in Russia and neighbouring countries after 2014 have had a negative impact on prices realised for trout. Trout prices saw a considerable improvement in 2016 and had reached the same price level as salmon by the end of the year. Nonetheless, prices realised for the Group's farming operations for trout remained around NOK 5 lower than for salmon in 2016.

Once again in 2016, the Group and the Norwegian fish farming industry incurred significant costs in some regions of Norway to comply with the regulations on salmon lice. This has had a very negative effect on the volume produced and harvested and on related production costs and release from stock costs. In 2016, the Group harvested 150,000 tonnes of salmon and trout, down from 158,000 tonnes in 2015.

Release from stock costs in 2016 remain at what the Group considers an extraordinarily high level on an historical scale. The most significant cost drivers are higher feed costs combined with very high costs for compliance with salmon lice regulations. The Group has initiated a number of measures and made substantial investments, and expects to see a reduction in production costs in the future.

The **Wild Catch and Whitefish** segment is a new segment, emerging in 2016 as a result of the largest acquisition ever to be made by the Group. On 2 June 2016, the Group entered into an agreement to acquire 64.4% of the shares in **Havfisk ASA** and 73.6% of the shares in **Norway**

DEVELOPMENT IN RETURN ON CAPITAL EMPLOYED AND PROFIT BEFORE TAX AND VALUE ADJUSTMENT FOR FISH IN SEA



Seafoods Group AS. Once the statutory approvals were obtained, the transaction was completed on 31 August 2016. On 16 September 2016, the Group made an offer for all the shares in Havfisk ASA and Norway Seafoods Group AS.

The deadline for acceptance of this offer was in the fourth quarter 2016. On 27 October 2016, Lerøy Seafood Group obtained 100% ownership of both Havfisk ASA and Norway Seafoods Group AS. As a result of this transaction, both companies were consolidated into Lerøy Seafood Group as of 1 September 2016.

The primary business segment for **Havfisk AS** is wild catches of whitefish. Havfisk had nine trawlers in operation in 2016 with 29.6 quota units for cod/haddock. Havfisk has license rights to harvest just above 10% of the total cod quotas in the zone north of 62 degrees latitude, corresponding to more than 30% of the total quota allocated to the trawler fleet.

Norway Seafoods Group AS is the largest purchaser of cod from the coastal fishing fleet in Norway, and has eight processing plants in Norway, five of which are leased from Havfisk.

Significant changes were implemented to the operation of Norway Seafoods Group in Q4 2016. With effect from 1 January 2017, all sales and logistics are coordinated with the Group's marketing department in Bergen as part of the business transfer. Some reorganisation costs are to be expected in 2017 in connection with the transfer, but efforts are well under way to integrate the businesses in order to exploit synergy effects and economies of scale. The business in Denmark has been sold to Seafood International Holding A/S, a corporation in which Lerøy Seafood Group will own 33% of the shares. In 2016, the two acquired businesses, as of the date of consolidation – 1 September – contributed a total operating profit figure of NOK 89 million.

The **VAP** operating profit before fair value adjustments related to biological assets of NOK 73 million in 2016 compared with NOK 106 million in 2015. Group investments in increased capacity in recent years have resulted in an increased level of activity. However, the volatile prices for salmon in particular have presented a major challenge throughout the year, and the Group has a number of active measures to adapt to the expectations of sustained high raw material prices. Revenue was up 14% compared with 2015, while the operating operating margin before fair value adjustments related to biological assets fell 5.5% in 2015 to 3.3% in 2016.

The **Sales & Distribution segment** reported operating profit of NOK 327 million in 2016, compared with NOK 287 million in 2015. The Group has invested heavily in so-called "fish-cuts" in recent years in order to ensure proximity to end customer and to allow the Group to provide customers with quality products and the required level of service, including precise deliveries and flexibility. The Group still has extensive unutilised capacity in several of its fish-cuts and has identified major potential to increase activities and earnings within this part of the value chain in the years ahead. Revenue for this segment was up 24% compared with 2015, while the operating margin was 2.1%, slightly down from 2.3% in 2015.

Prior to before fair value adjustments related to biological assets, the Group's income from associates totalled NOK 214 million in 2016, up NOK 144 million compared with an income of NOK 70 million in 2015. Clearly the most significant contribution to this result and increase in profit was provided by Norskott Havbruk, Scotland's second largest fish farming company and 50% owned by the Group.

The Group's net financial items for 2016 were negative at NOK 131 million compared with a negative figure of NOK 129 million in 2015.

The profit achieved in 2016 corresponds to profit before fair value adjustments related to biological assets of NOK 38.4 per share, compared with NOK 19.4 per share in 2015. The Board of Directors intends to recommend a dividend payment for 2016 of NOK 13.00 per share to the company's annual general meeting in 2017. This recommendation is in line with the company's dividend policy and reflects the Group's financial adequacy, strong financial position and projections for increased profit. The Board also underlines the importance of ensuring continuity and predictability for the company's shareholders.

The return on the Group's capital employed before biomass adjustment in 2016 was 23.9% compared with 14.5% in 2015. The Group is financially sound with book equity of NOK 13.475 million, equivalent to an equity ratio of 54%. In connection with the acquisition of Havfisk AS and Norway Seafoods Group AS, Lerøy Seafood Group carried out a private placement on 2 June 2016, issuing 5.000.000 new shares and selling 300.000 treasury shares at a price of NOK 415 per share. Subsequently and at 31 December 2016, the number of outstanding shares in the company was 59.577.368. The company's treasury shares on the same date totalled 29.776. The Group's net interest-bearing debt at the end of 2016 was NOK 3.433 million compared with NOK 2.595 million at year-end 2015.

Cash flow from operating activities in 2016 was NOK 2.767 million. A total of NOK 665 million has been paid in dividends, in addition to investments in fixed assets of NOK 742 million and tax payments totalling NOK 225 million. The Group has a balance sheet total of NOK 25.079 million as of 31 December 2016 compared with NOK 15.984 million as of year-end 2015. The Group's financial position is strong and shall continue to be utilised to ensure increased value generation through organic growth, new alliances and acquisitions.

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

KEY RISK FACTORS

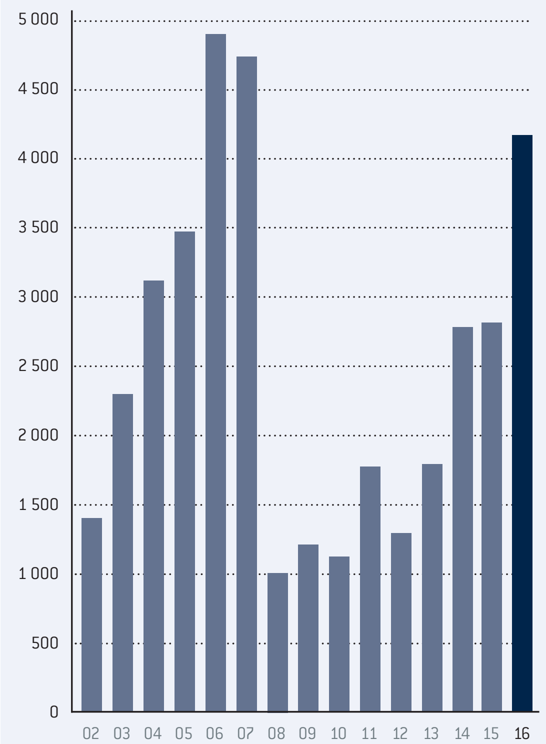
The Group's results are closely linked to developments in the markets for seafood. The price for Atlantic salmon and trout is of particular importance, but also to an increasing degree the price for whitefish and particularly cod. The development in prices for salmon and trout in recent years has been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

After the acquisitions of Havfisk AS and Norway Seafoods Group AS, Lerøy Seafood Group has substantial exposure in relation to catches of wild fish according to Norwegian quotas. The Group faces political risk involving management by the authorities, including framework conditions for aquaculture and licence terms related to the legislation governing fisheries. A number of amendments have recently been proposed that may imply regulations impacting on the activities of the two companies.

In the approval granted by the Ministry of Trade, Industry and Fisheries, Lerøy's ownership of Havfisk AS and Norway Seafoods Group AS is linked to the ownership approved when the application was submitted, thereby requiring approval of any changes in ownership not covered by the exemption granted by the Ministry. The nationality requirement in section 5 of the Act relating to the right to participate in fishing and catches (Participant Act) must also be met. Note 5 in the interim report provides more detailed information on the above.

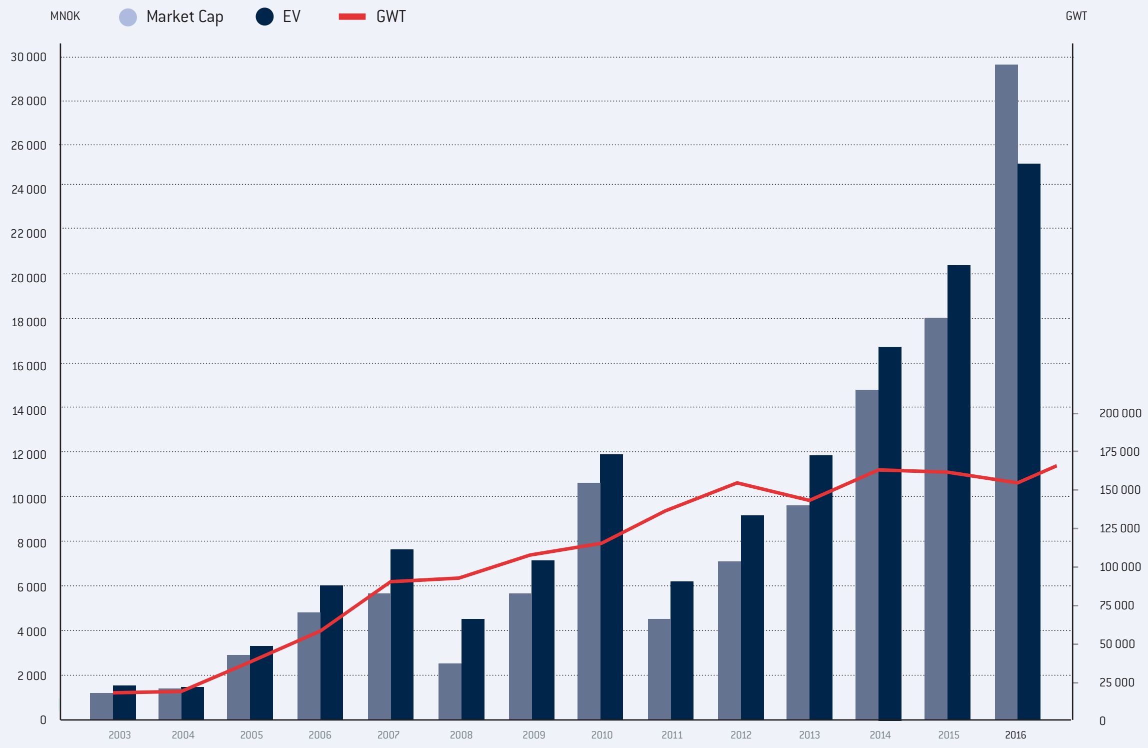
The future development of the Norwegian fish farming industry, including industrial development and employment, is as always entirely dependent upon environmentally and financially sustainable production methods, but also on fact-based, competent and long-term decision-making regarding regulatory regimes.

NUMBER OF SHAREHOLDERS (FIGURES IN 1 000)



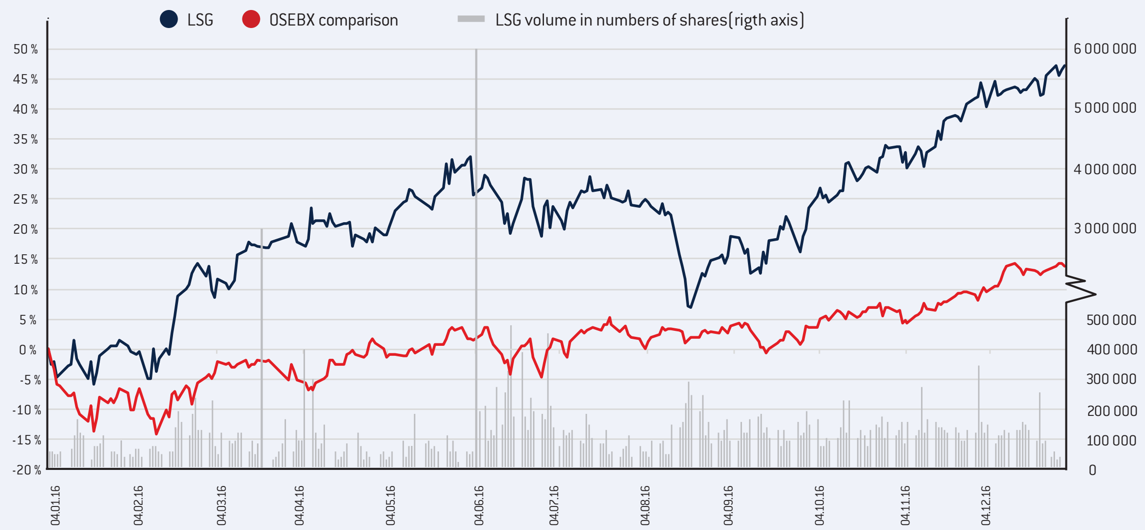
The Board of Directors is concerned about the restrictions placed upon Norwegian salmon production by prevailing framework conditions. In 2016, the industry witnessed a decline in production of 5.1% when compared with 2015. Official reports indicate that the industry has an extremely high potential for long-term growth, and it is important to facilitate such growth. Norwegian politicians and industrial enterprises rely on a close and mutually trusting cooperation in order to facilitate increased value generation in something quite unique – a competitive Norwegian industry on the global food market. Insufficient growth is a considerable risk factor for value generation in Norway in the long term. This

DEVELOPMENT SINCE LISTING ON STOCK EXCHANGE



QUARTERLY PRICE DEVELOPMENT WEEK 1 - 2008 TILL WEEK 6 2017 FRESH ATLANTIC SALMON FCA OSLO (SUPERIOR QUALITY)

LERØY SEAFOOD GROUP AND OSEBX I 2016



applies to both the position of salmon on the market and the competitive strengths of Norwegian producers. Growth is also an essential element for development of and recruitment to the industry.

At the end of 2016, the Group had live fish worth around NOK 6 billion on its balance sheet. Biological risk has been and will continue to be a substantial risk for Group operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

The industry also faces other financial and operational risks, including the development in prices for input factors. The Norwegian seafood industry and the fish processing industry in Norway and the EU have a history of exposure to the risk represented by the constant threat of long-term political trade barriers imposed by the European Commission. The political trade barriers currently imposed on Norwegian salmon and trout regarding exports to Russia and still in practice in China provide an illustration of political risk. This situation represents a short-term obstacle to the Group's marketing goals and value generation. However, the market for high-quality seafood is global and is experiencing strong growth. Over time, this growth has largely compensated for political trade barriers, and this provides grounds for an optimistic outlook, indicating that the Group has the perfect position to sustain positive development. The development of the fish farming and fisheries industry can be substantially obstructed if regulatory conditions are not based on knowledge and facts.

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

STRUCTURAL CONDITIONS

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

Through organic growth and a series of acquisitions carried out since the Group was listed on the Stock Exchange in the summer of 2002, the Group is now one of the world's largest producers of Atlantic salmon and trout. With the acquisitions of Havfisk ASA and Norway Seafoods Group AS, the Group is now the largest supplier of whitefish in Norway, and a major supplier worldwide. In recent years, the Group has also developed and consolidated its position as a central actor in the distribution of seafood in Norway and abroad. The Group plays an active role in developing the value chain for seafood, with an increasingly large global reach.

The acquisitions of Havfisk ASA and Norway Seafoods Group AS were completed in Q4 2016. The Group is confident that these acquisitions will significantly strengthen its position as a global total supplier of seafood by providing access to more than 100,000 tonnes of whitefish. Lerøy Seafood Group's fully integrated value chain for red fish provides substantial potential for increased value generation via the further development of the market for whitefish. This involves boosting the Group's position as a supplier of fresh/"refreshed" seafood with a full range of seafood products. At the time of writing, the Board of Directors has renewed confidence that the acquisitions will generate value for the Group's shareholders. The Norwegian government, under Prime Minister Jens Stoltenberg, published a White Paper in 2013 entitled "The world's foremost seafood nation", discussing the necessity of profitability for the fishing industry – a report Lerøy Seafood Group is very satisfied with. Moreover, a majority of the members of the Norwegian Storting in the 2016 White Paper on the seafood industry highlighted the need for innovation and facilitation for market-oriented production. Subsequent to these two publications, Lerøy Seafood Group is hopeful of a rational approach by politicians when publishing the White Paper on the "cod trawler fleet land-lock obligation system".

The Group's financial position is very strong, and it remains important for the Board that the Group, through its operations, retains the confidence of participants in the various capital markets. The Group's strong balance sheet in conjunction with current earnings enables the Group to continue as a leading participant in the global and national value-generating structural changes within the seafood industry. Lerøy Seafood Group will continue to selectively consider possible investment and merger opportunities, as well as alliances, that could strengthen the basis for further profitable growth and sustainable value generation. This includes investment opportunities both upstream and downstream.

Viewed against the background of the Group's many years of investments in sustainable production methods, developing alliances, quality products, new markets, brands and quality assurance, the Board feels that the outlook for generating increased value is good. In coming years, the Group will continue to work towards sustainable value generation by focusing on strategic commercial developments combined with improvements to the Group's operational efficiency. Based on customer requirements, this work will ensure continuity of supply, quality and cost efficiency and, consequently, increased profitability. Improving operational efficiency at all stages is an ongoing process aimed at further developing the Group's national and international competitiveness.

Being listed on the Stock Exchange affords the company a marketplace for its shares, improved access in the future to venture capital as well as the opportunity to use the company's shares as a payment medium in future acquisitions or business combinations. As of 31 December 2016, the company had 4.211 shareholders against a comparison figure of 2.878 shareholders at the end of December 2015.

EMPLOYEES

The parent company Lerøy Seafood Group ASA has its head office in Bergen, Norway. In addition to the Group CEO, the parent company has 11 employees. All personnel functions are handled administratively via the wholly-owned subsidiary, Hallvard Lerøy AS, which changed its name to Lerøy Seafood AS on 28 December 2016. At year-end the Group had 3.783 employees, with 1.265 women and 2.518 men, compared with a total of 2.527 employees at year-end 2015. The ratio of female employees is up from 33.1% in 2015 to 33.4% in 2016. Of the Group's total number of employees, 2878 work in Norway and 905 abroad.

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

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

The Board of Directors would like to take this opportunity to praise the employees' efforts, their understanding of the need for a results-oriented operational focus and for their willingness to adapt to change throughout the organisation. The Board of Directors would like to thank all employees for their hard work in 2016.

HEALTH, SAFETY AND THE ENVIRONMENT

In 2016, the Group reported only minor injuries among the employees.

Sick leave totalled 4.4%, slightly down from 5.8% in 2015. Sick leave comprises 1.8% long-term sick leave and 2.6% short-term sick leave. The Board is pleased to observe that sick leave is on the decline, and that the Group works actively to keep sick leave low. The organisations in the individual subsidiaries are continuously being developed to ensure that they can deal with new challenges and changes in framework conditions. The working environment and cooperative atmosphere are good.

EXTERNAL ENVIRONMENT

From a global perspective, the Board is of the opinion that its production of Atlantic salmon and trout is one of the most sustainable and environmentally-friendly forms of food production to be found. At the same time, the Board and Group maintain a high focus on potential challenges relating to point source pollution. This type of pollution is monitored by means of continuous investigations at the company's localities. The Group's operations are closely linked to natural conditions in Norwegian and international fresh and salt waters. The Group's operations rely on access to clean fresh and sea waters. The Board and Group are confident that operations in 2016 have been sustainable, and have compiled a comprehensive report on the environment as part of the consolidated financial statements, available at www.lsg.no. In addition, the Group documents its sustainability in several national and international reports on fish farming and fisheries. The Group invests in minimising its impact on the external environment, and continuously works hard to encourage both management and employees to maintain a proactive approach towards environmental protection.

Lightly salted cod with chili oil.

RESULT AND ALLOCATIONS, LERØY SEAFOOD GROUP ASA

In 2016, Lerøy Seafood Group ASA reported an annual profit after tax of NOK 1.503 million, against a comparative amount of NOK 853 million in 2015. The company and the Group's financial statements are submitted on assumption of going concern.

The Board proposes the following allocation of the 2016 annual profit (NOK 1.000):

Dividend (NOK 13.00 per share):	774.506
Transferred to other equity:	728.630
Total allocations:	1.503.136

The Group's parent company is financially sound with an equity ratio of 70.3% and has satisfactory financing compatible with the Group's strategy and operational plans.

MARKET AND OUTLOOK

It is of decisive importance that the Group, the Norwegian fisheries industry and the Norwegian fish farming industry uphold the capacity for environmental and financial sustainability in the future. The industry and society are mutually reliant on trusting and proper dialogue. The authorities and the industry must collaborate to ensure that future framework conditions are based on fact-based knowledge, so that such conditions in turn afford the potential for growth, improved competitive strengths and increased value generation. It is important that the industry, bureaucracy and political premise setters acknowledge their responsibility and do their utmost to ensure that the fisheries and fish farming industry can exploit its potential for a lasting increase in value generation and increased employment. This is based on the naturally and environmentally sustainable premises in Norway for the production of seafood along the coast and catches at sea. It is crucial for Lerøy Seafood Group and the industry to continue to solve current challenges, but of equal importance is the willingness among both local and national politicians to take a long-term perspective towards decision-making and framework development in order to allow the industry to realise its major potential.

The regulatory authorities must base their decisions on professional and objective impact analyses and put an end to over-hasty introduction of regulations founded on misinformation and undocumented claims about the activities of our industry.

In our opinion, proper framework conditions for fish farming, fisheries and the fishing industry provide an excellent opportunity to sustain and increase employment, thereby ensuring settlement in areas close to the coast. The global supply of Atlantic salmon fell by as much as 6.7% in 2016. This is a substantial change from 2015, when a growth of 4% in supply was reported. At the time of writing, the global supply of Atlantic salmon is expected to show a slight increase in 2017. Norwegian production has not achieved growth since 2012, and the Board is concerned about the long-term effect this will have on value generation in Norway.

For a number of years now, the Board of Directors and management have clearly stated their views on the need for changes to regulations in Norway. The Board of Directors is of the opinion that a growth in demand over time is perhaps the most important driver for global competitiveness and increased value generation. From a long-term market perspective, the Norwegian fish farming industry is in a challenging situation at the start of 2017, as lack of growth in volume has resulted in very high prices. Framework conditions that allow more flexibility in relation to the harvesting of fish throughout the year would boost the potential for industrial operations and most probably minimise the risk of substantial fluctuations in prices throughout the year. As such, re-establishing predictability in framework conditions for the industry is more important than ever. A 5 to 10-year time frame is required to secure future global competitiveness. Framework conditions of this nature must be based on knowledge of environmental sustainability and value generation. Future competition to win global consumers will leave no room for non-essential costs, or taxes or charges particular to Norway.

In the short term however, projections of limited growth in global production and the weak Norwegian krone allow for an optimistic outlook to prices for Atlantic salmon and trout.

In their report from 2015, the Board of Directors described how the ban on imports of Norwegian salmon and trout to Russia, introduced on 7 August 2014, had been particularly negative for prices realised for Norwegian trout. The Group, as the world's largest producer of trout, implemented a number of measures to improve the situation, and the Board expected that the measures implemented to improve prices realised for trout would result in trout prices close to the salmon price in 2016. The Board's expectations were met. The spot prices for trout have seen a substantial improvement, particularly throughout the second half of 2016, but remained in total significantly lower than prices realised for salmon for the year.

In Q4 2016, the Group became the sole owner of both Havfisk AS and Norway Seafoods Group AS. Lerøy Seafood Group has been a driver towards the end market via its fully integrated value chain, product development, increased traceability and availability, particularly for salmon. The Group has also launched equivalent products for whitefish, and has identified similar trends for whitefish as for salmon and trout. The Board and management are confident that there is considerable value generation potential in further developing the whitefish market, including increasing capacity utilisation in Lerøy Seafood Group's downstream activities. The investments in Havfisk AS and Norway Seafoods Group AS are important to achieve the Group's vision of being the leading and most profitable global supplier of quality sustainable seafood.

In line with its market strategy, the Group exported a broad range of seafood products from Norway to a large number of countries in 2016, the most significant market being the EU. It is satisfying to observe the positive developments generated by our efforts related to distribution of fish in the Nordic countries and Europe, and how these strengthen our own and our customers' position on this important seafood market. There is a healthy demand for the Group's products. Competition on the international food markets requires the Group to constantly seek more cost-efficient and market-oriented solutions in its efforts to satisfy its customers. This will in turn ensure profitable growth in the future. The Board of Directors is confident that the Group's strategic business development in recent years, together with underlying developments in productivity and market-oriented organisation, will help reinforce the platform for future earnings for the Group.

Cost developments per produced kilo of salmon and trout in recent years have caused concern regarding the industry's competitiveness in relation to other food products, and regarding the Norwegian fish farming industry's competitiveness in relation to other fish farming nations. We have underlined that feed prices and the management of regulatory factors involving salmon lice have driven up costs. The Group is in a transitional phase within production of salmon and trout, with extraordinarily high direct and indirect treatment costs, combined with increasing costs for prevention. The Group has made substantial investments in a number of measures including the use of cleaner fish, which is proving successful. Nonetheless, the Group acknowledges that the farming of lumpfish is still in its start-up phase and that provisions must be made for unforeseen events. The Board of Directors is confident of improvements both in the production and the use of lumpfish and other wrasse, which will gradually have positive effects on the production of salmon and trout. The Group is also investing in other tools to optimise production, for example substantially increased capacity for mechanical cleaning and freshwater treatment in well boats.

Prevention costs are expected to increase in 2017, while costs related to treatment are expected to fall. There is a considerable potential for a reduction in treatment costs. The Group has a clearly defined strategy and goal to realise this potential, while acknowledging that it is difficult to specify a timeline for such a development.

With the current situation, measures and investments will over time provide cost reductions, although the costs for fish farming are expected to be higher than considered normal in the present year.

The Group currently estimates a total harvest volume of 180,000 GWT from fish farming for 2017, including Lerøy Seafood Group's share of volume from associates. In view of the potential for improved productivity and the positive market outlook, the Board of Directors and management currently expect the Group's profit in 2017 to be high.

Bergen, 21 April 2017

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We declare, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 are prepared in conformance with current, applicable accounting standards, and give a good and fair view of the company's and the Group's assets, liabilities, financial position and profit or loss as a whole. We also declare that the annual report gives a fair view of the company's and the Group's development and position, together with a description of the principal risks and uncertainties facing the entity and the Group.

Bergen, 21 April 2017

Helge Singelstad
Chairman

Henning Beltestad
Group CEO

Marianne Møgster
Board Member

Hege Charlotte Bakken
Board Member

Britt Kathrine Drivenes
Board Member

Arne Møgster
Board Member

Didrik Munch
Board Member

Hans Petter Vestre
Employee's representative

INCOME STATEMENT

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

LERØY SEAFOOD GROUP CONSOLIDATED	Notes	2016	2015
OPERATING REVENUE AND EXPENSES			
Operating revenue	4/24	**17 269 278**	13 450 725
Other gains and losses	4	**457**	34 206
Cost of materials	22/24	**10 561 407**	9 278 374
Change in inventories		**-296 387**	-465 960
Salaries and other personnel costs	15/21	**1 785 537**	1 411 024
Other operating expenses	21	**1 864 088**	1 447 625
EBITDA before fair value adjustments related to biological assets		**3 355 089**	1 813 869
Depreciation	6/7	**511 621**	433 916
Operating profit before fair value adjustments related to biological assets		**2 843 468**	1 379 953
Fair value adjustments related to biological assets	9	**1 470 561**	188 508
Operating profit (EBIT)		**4 314 030**	1 568 461
ASSOCIATES AND NET FINANCIAL ITEMS			
Income from associates	4/8	**262 783**	61 376
Net financial items	12/22/23	**-131 491**	-128 728
Profit before tax		**4 445 321**	1 501 110
Taxation	16	**-926 691**	-268 226
Annual profit		**3 518 630**	1 232 883
Of which controlling interests		**3 224 143**	1 179 718
Of which non-controlling interests		**294 488**	53 165
Earnings per share	18	**56.49**	21.62
Diluted earnings per share	18	**56.49**	21.62

COMPREHENSIVE INCOME

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

LERØY SEAFOOD GROUP CONSOLIDATED		2016	2015
The year's result to equity		**3 518 630**	1 232 883
Items that will not be reclassified subsequently to profit or loss			
Estimate differences pension plans (including associates)	8/15	**4 346**	1 502
Conversion differences that are reclassified to profit and loss in the period	23	**0**	3 929
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Translation differences related to subsidiaries	23	**-59 095**	38 162
Translation differences from associates	23	**-97 957**	58 749
Change in value of financial instruments (cash flow hedges)	12	**40 934**	4 829
Change in value from associates	8	**-2 842**	-2
COMPREHENSIVE INCOME		**3 404 016**	1 340 052
Of which controlling interests		**3 115 688**	1 274 774
Of which non-controlling interests		**288 328**	65 278

The items included in comprehensive income are after tax.

Note regarding accounting policies and notes 1-26 are an integral part of the consolidated financial statements.

BALANCE SHEET

All figures in NOK 1 000

LERØY SEAFOOD GROUP CONSOLIDATED	Notes	31.12.16	31.12.15
NON-CURRENT ASSETS			
Deferred tax asset	16	**31 059**	41 536
Licences, rights and goodwill	6/13	**8 018 448**	4 349 916
Buildings, real estate, operating accessories	7/13/14	**4 209 108**	2 899 633
Shares in associates	4/8/13	**730 875**	670 952
Shares held for sale	8/12	**8 019**	7 293
Long-term receivables	11	**76 679**	17 246
TOTAL NON-CURRENT ASSETS		**13 074 188**	7 986 576
CURRENT ASSETS			
Biological assets	9/13	**6 418 313**	4 320 830
Other inventories	10/13	**721 803**	552 065
Trade receivables	11/12/13	**2 209 281**	1 568 820
Other receivables	11/12/13	**421 302**	307 798
Cash and cash equivalents	12/13	**2 233 700**	1 247 614
TOTAL CURRENT ASSETS		**12 004 399**	7 997 127
TOTAL ASSETS		**25 078 587**	15 983 703

Note regarding accounting policies and notes 1-26 are an integral part of the consolidated financial statements

BALANCE SHEET

All figures in NOK 1 000

LERØY SEAFOOD GROUP CONSOLIDATED	Notes	31.12.16	31.12.15
EQUITY			
Share capital	20	**59 577**	54 577
Treasury shares	20	**-30**	-330
Share premium reserve		**4 778 346**	2 731 690
Total paid-in capital		**4 837 893**	2 785 937
Retained earnings		**7 702 055**	5 099 758
Non-controlling interests		**935 478**	878 357
TOTAL EQUITY		**13 475 426**	8 764 052
LONG-TERM LIABILITIES			
Long-term interest-bearing debt	12/13/14	**4 541 276**	2 377 123
Deferred tax	16	**2 802 271**	1 567 973
Pension liabilities	15	**5 219**	3 765
Other long-term liabilities	12	**121 958**	126 674
Total long-term liabilities		**7 470 724**	4 075 535
SHORT-TERM LIABILITIES			
Trade payables	12	**1 366 634**	915 981
Short-term loans	12/13	**1 094 089**	1 465 144
Public duties payable		**263 991**	123 457
Tax payable	16	**477 842**	200 151
Other short-term liabilities	12/13/17	**929 880**	439 383
Total short-term liabilities		**4 132 437**	3 144 116
TOTAL LIABILITIES		**11 603 161**	7 219 651
SUM EQUITY AND LIABILITIES		**25 078 587**	15 983 703

Note regarding accounting policies and notes 1-26 are an integral part of the consolidated financial statements

Bergen, 21 April 2017
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Styrets leder

Marianne Møgster

Arne Møgster

Didrik Oskar Munch

Britt Kathrine Drivenes

Hege Charlotte Bakken

Hans Petter Vestre
Ansattes representant

Henning Beltestad
Konsernleder

STATEMENT OF CASH FLOWS

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

LERØY SEAFOOD GROUP CONSOLIDATED	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4 445 321**	1 501 110
Taxes paid during the period		**-224 573**	-376 423
Other gains and losses		**0**	-34 206
Depreciation	6/7	**511 621**	433 916
Profit impact associates	8	**-262 783**	-61 376
Change in fair value adjustments related to biological assets	9	**-1 470 561**	-186 524
Change in inventories/biological assets	9/10	**-283 775**	-465 960
Change in trade receivables	11	**-390 159**	-114 825
Change in trade payables		**346 337**	-150 131
Change in net pension liabilities	15	**1 454**	-3 113
Net financial items classified as financing activities	22	**131 490**	128 728
Change in other accruals		**-37 280**	95 357
Net cash flow from operating activities		**2 767 093**	766 552
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	7	**27 746**	85 336
Payments for acquisitions of fixed assets	7	**-769 841**	-651 548
Payments for acquisitions of intangible assets	6	**-534**	-10 053
Proceeds from sale of shares in associates and other businesses	8	**22 081**	899
Payments for acquisitions of shares in associates and other businesses	8	**-15 000**	-61 690
Dividend payments received from associates	4/24	**103 800**	49 000
Payments for acquisition of Group companies and redemption of minorities	5	**-3 376 208**	-87 950
Cash and cash equivalents from business combinations	3/5	**288 311**	8 254
Proceeds/payments on other loans (short and long-term)		**-9 121**	11 021
Net cash flow from investing activities		**-3 728 766**	-656 731
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in short-term interest-bearing debt		**-328 151**	637 765
Proceeds from establishing new long-term debt		**1 634 884**	356 098
Downpayments of long-term debt		**-727 300**	-408 261
Interest payments received		**18 539**	12 169
Interest paid and other financial expenses		**-159 675**	-139 925
Equity contributions		**2 174 289**	973
Dividends paid	19	**-664 828**	-680 325
Net cash flow from financing activities		**1 947 758**	-221 506
Net cash flow in the accounting period		**986 085**	-111 685
Cash and cash equivalents at start of period		**1 247 614**	1 360 272
Currency translation differences		**0**	-972
Cash and cash equivalents at end of period		**2 233 700**	1 247 614
This consists of:			
Bank deposits, etc.		**2 233 700**	1 247 614
Of which restricted funds		**95 135**	57 257
Unutilised overdraft facilities		**1 684 982**	1 170 952

Due to the business combination, not all cash flows will be directly comparable with the change in the balance sheet statement. The effect from the acquisition balance is excluded from the cash flow/change. For information about which balance sheet items this involves, see the note on business combinations.

CHANGE IN EQUITY

All figures in NOK 1 000

LERØY SEAFOOD GROUP CONSOLIDATED	Share capital	Treasury shares	Premium reserve	Currency translation differences	Cash flow hedges	Other equity	Non-controlling interests*	Total equity
Equity 31.12.2014	**54 577**	**-330**	**2 731 690**	**50 402**	**-95 662**	**4 521 638**	**817 282**	**8 079 596**
Annual profit 2015				3 929	-2 489	1 178 277	53 165	1 232 883
Comprehensive income for the year				84 799	4 829	5 428	12 113	107 169
Total profit/loss for 2015	**0**	**0**	**0**	**88 728**	**2 340**	**1 183 705**	**65 278**	**1 340 052**
TRANSACTIONS WITH SHAREHOLDERS								
Dividend payments						-654 928	-29 354	-684 282
Dividend paid on treasury shares						3 957		3 957
Business combinations							24 020	24 020
New equity in connection with establishment of new subsidiary							973	973
Other changes						-422	158	-264
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-651 393**	**-4 203**	**-655 596**
Equity 31.12.15	**54 577**	**-330**	**2 731 690**	**139 130**	**-93 321**	**5 053 950**	**878 357**	**8 764 052**
Annual profit 2016				0	17 822	3 206 322	294 488	3 518 631
Comprehensive income for the year				-150 892	40 934	1 503	-6 160	-114 615
Total profit/loss 2016	**0**	**0**	**0**	**-150 892**	**58 756**	**3 207 825**	**288 328**	**3 404 016**
TRANSACTIONS WITH SHAREHOLDERS								
Dividend payments						-654 928	-13 857	-668 785
Dividend paid on treasury shares						3 957		3 957
Sale of treasury shares		300				122 332		122 632
New equity from capital increase	5 000		2 046 656					2 051 656
Business combinations				0	-31 008	31 008	1 028 312	1 028 312
Redemption of non-controlling interests				35 080		-19 834	-1 245 663	-1 230 417
Total transactions with shareholders	**5 000**	**300**	**2 046 656**	**35 080**	**-31 008**	**-517 464**	**-231 208**	**1 307 357**
Equity 31.12.16	**59 577**	**-30**	**4 778 346**	**23 318**	**-65 574**	**7 744 311**	**935 478**	**13 475 426**

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

Business combinations and redemption of non-controlling interests: The business combinations and redemtion on non-controlling interests are described in more detail in the note on business combinations.

Treasury shares: Lerøy Seafood Group ASA owns 29,776 treasury shares of a total number of 59,577,368 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where the nominal value of treasury shares is included in "paid-in capital" (NOK -30,000), and the purchase price exceeding nominal value of treasury shares (NOK -2,389,000) is included in "other equity". The average purchase price for treasury shares is NOK 81.24 per share. During the period, 300,000 treasury shares were sold at a price of NOK 408.78 per share net after charges. The gain from the transaction was NOK 104,572,000. The gain is recognised as an equity transaction.

OVERVIEW OF NOTES

NOTE1 LERØY SEAFOOD GROUP CONSOLIDATED 2016

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 2016 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 21 April 2017.

(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 related to biological assets, Fish Pool contracts, other assets, other shares, forward contracts and interest rate swaps.

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

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

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

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

The consolidated financial statements are drawn up in accordance with IFRS, while the financial statements for the Norwegian subsidiaries are prepared according to Norwegian Generally Accepted Accounting Principles (NGAAP). 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 step acquisitions, the Group's shareholding from former acquisitions will be revalued at fair value on the control date. Any change in value is recognised on the accounting line for other gains and losses.

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

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

The companies that are part of the Group are specified in the note on consolidated companies and allocation to operating segment.

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

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

(E) REPORTING BY SEGMENT

Operating segments are reported at a more aggregated level than for internal reporting to the corporate management due to similar economic characteristics such as organisational structure and commercial risk. The Group's operating segments comprise the following: (1) Wild Catch and Whitefish, (2) Farming, (3) Value-added Processing (VAP) and (4) Sales & Distribution.

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

Wild Catch and Whitefish is reported as one operating segment. The unit comprises the two sub-groups Havfisk AS and Norway Seafoods Group 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 Norway Seafoods Group. 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 group, and (3) the West Norway region (also known as Lerøy Sjøtroll), comprising Lerøy Vest AS, Sjøtroll Havbruk AS and Norsk Oppdrettsservice AS. These units all operate in the same branch, have the same customers, similar commercial risk and similar processes. Their only distinguishing factor is geography. It has therefore been deemed appropriate to merge these into one operating segment.

Value-added Processing (VAP) comprises the cash-generating units Rode and other VAP companies (Lerøy Fossen AS, Lerøy Smøgen Seafood AB and Bulandet Fiskeindustri AS). These are merged into one operating segment due to similarities such as same branch, commercial risk and uniform processes.

Sales & Distribution comprises Lerøy Seafood AS, Lerøy Sverige AB (group) with the exception of Lerøy Smøgen Seafood AB, Lerøy Alfheim AS, Lerøy Portugal Lda, Lerøy & Strudshavn AS, SAS Hallvard Lerøy, SAS Fish Cut, SAS Eurosalmon, Lerøy Processing Spain S.L., Lerøy Quality Group AS, Lerøy Trondheim AS, Lerøy Delico AS (group), Lerøy Nord AS, Sjømathuset AS, Lerøy Sjømatgruppen AS, Lerøy Finland OY, Lerøy Turkey and Lerøy Germany GmbH. These are also merged into one operating segment due to similarities such as same branch, commercial risk and uniform processes.

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

(F) CURRENCY

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

(G) INTANGIBLE ASSETS

Goodwill

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

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

Licences/rights

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

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

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

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

(H) FIXED ASSETS

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

The estimated useful life of operating assets is estimated as:

* Buildings and real estate	20 - 25 years
* Vessels	10 - 30 years
* Machinery, fixtures, equipment, etc	2.5 - 15 years
* Land	Lasting value

(I) BIOLOGICAL ASSETS, ONEROUS CONTRACTS AND MORTALITY EXPENSES

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

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

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

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

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

On 17 November 2015, the Financial Supervisory Authority of Norway published a report on thematic supervision of fish-farming companies involving inspection of six listed fish-farming companies, including Lerøy Seafood Group. Two subjects were discussed involving biological assets. One of these was how the fish-farming companies recorded mortality, and the second was calculation of fair value. The Financial Supervisory Authority concluded that there were greater differences in practice between the companies than indicated in their annual reports. Differences of this nature impair intercompany comparability. The full report is available on the Financial Supervisory Authority's website. The Authority did not conclude that there were errors in the reported figures for the companies it investigated. However, the Authority encouraged the industry to try to develop common principles for reporting mortality and a common valuation model in order to increase comparability in future reporting. Since its directive in 2011, the Financial Supervisory Authority has encouraged the industry to make the transition to a cash flow model (present value model) for calculating fair value. According to IFRS 13, implemented in 2013, this is also the preferred alternative. The companies concerned have therefore joined forces in a cross-industry group to address the issues highlighted by the Financial Supervisory Authority. The period of time from when the Authority's report was complete until the end of 2015 was, however, too short for the industry to implement any major changes. As a result, a target was stated in the financial statements for 2015 to implement the necessary adaptations in 2016. The cross-industry group reached an agreement in the autumn of 2016 to replace the old growth model with a present value model. By the end of the year, the group participants had agreed on the main elements of the new calculation model.

Lerøy Seafood Group has applied the new calculation model with effect from financial year 2016. Due to early implementation and taking into account the industry's common goal to achieve optimal uniformity in relation to calculation and parameters, adaptations to the model and parameters are naturally to be expected in 2017 as part of the efforts to reach this goal.

Changes to the model involve calculation techniques and do not therefore represent a change in accounting policies. The impact of the change has therefore been recorded as a change in estimates in line with IAS 8 and recorded through profit or loss in 2016. The impact of the transition on the financial statements is presented in the note on biological assets.

With the old calculation model, estimated profit was recognised on a straight-line basis in parallel with the biological development, and historical carried expenses added. As a result, the fair value was affected by company-specific factors, including the method of recording mortality. This theoretical weak point was criticised by the Financial Supervisory Authority.

The new model is a cash flow-based present value model, which 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 slaughter. The estimated future profit, taking into account all price adjustments and payable fees for completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial.

Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for slaughter, a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money. Please refer to the note on significant accounting estimates and assessments for more detailed information on discounts, and sensitivity analysis.

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

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

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

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

(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. The Statement of Cash Flows specifies how much of liquid assets are 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 24% (or local rates in other countries) on the basis of the temporary differences that exist between accounting and taxable values, as well as the tax loss carryforward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences which reverse or may reverse the figures in the same period and within the same tax regime are offset and booked at net value.

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

P) INTEREST-BEARING LOANS AND CREDITS

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

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

(Q) DIVIDENDS

Dividends are booked when adopted by the annual general 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.

Currency risk

The Group has international operations requiring a number of currencies, and is thus exposed to currency risk. Forward contracts, together with negative and positive balances on multi-currency accounts, are used to hedge, as far as possible, against the currency risk on trade receivables and executed sales contracts, as well as ongoing contract negotiations. Receivables, debts, deposits, forward contracts and sales contracts are booked at the exchange rate on the balance sheet date. The company seeks to keep the net exposure associated with monetary assets and liabilities in foreign currency on an acceptable level by buying and selling foreign currency at day-rates whenever necessary to counter any short-term imbalances. Currency derivatives are traded to hedge future incoming payments in accordance with the Group's strategy for currency risk management. An overview of currency derivatives as per 31 December is shown in the note on financial instruments.

Interest risk

The Group's long-term debt is mainly based upon agreements for floating rates of interest, representing exposure to increases in the market interest rate. However, the Group has made use of long-term interest rate swaps to eliminate interest risk for a share of the Group's long-term debt. The interest rate swaps are reported as cash flow hedging. An overview of such agreements is provided in the note on financial instruments.

Price risk

The developments in global salmon and trout prices have a considerable impact on the results achieved by the Group. The Group seeks to reduce this risk factor by ensuring that a certain proportion of revenue comes from contract sales.

Liquidity risk

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

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

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

Credit risk

Credit risk is managed at corporate level. Credit risk occurs in transactions involving derivatives, deposits with banks and financial institutions in addition to transactions with wholesalers and customers, including outstanding receivables and fixed agreements. Procedures have been established to ensure that the Group companies only sell products to customers with satisfactory credit rating. A credit assessment is performed based on the customer's financial position, history and any other factors of relevance. Individual limits are set for risk exposure, based on internal and external assessments of creditworthiness and guidelines from the Board of Directors. The Group has established procedures for the use of credit limits and compliance with procedures is regularly monitored. All but an insignificant part of the Group's trade receivables is covered by credit insurance. Sales to end users are paid for by cash. The counterparties to derivative contracts and financial placements may only be financial institutions with a high credit rating and other parties who can provide reliable security. See note on receivables for further information on credit risk.

(V) DERIVATIVES

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

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

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

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

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

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 adjusted for real value related to biological assets. 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 (more production volume) subsequent to politically adopted allocation rounds. The current Maximum Allowable Biomass is 780 tonnes of salmon or trout per licence. For Troms and Finnmark counties (North Norway region) however, the Maximum Allowable Biomass is 945 tonnes of salmon or trout per licence. There are also some licences that, for historical reasons, have a MAB limit different from 780 tonnes. LSG with its subsidiaries has a sufficient number of localities (locality MAB) in the different regions to achieve a satisfactory exploitation of the Group's total MAB. All commercial licences are currently operational.

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

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

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 (waiting 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.

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

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

Costs related to licences

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

The costs of maintaining aquaculture licences in Norway are insignificant. There are no annual fees or other types of duties linked to the actual licence. However, there are certain fees to be paid for inspection and control of the licences. Fees also have to be paid to establish new localities and/or to extend/amend localities. As a main rule, an amount of NOK 12,000 is paid per licence covered by an application for amendment at locality level, cf. section 2 of the Regulation relating to fees and duties for aquaculture activities. All fees and costs are immediately recognised as an operating expense.

Assessment of economic life

According to past and present legislation and the general interpretation and practice in the industry, Norwegian fish farming licences are not a time-limited right, and licences should therefore not be subject to amortisation. Where time-limited R&D licences are concerned, these are awarded free of charge so amortisation is not relevant.

Grow-out licences and juvenile fish licences

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

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

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

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

Parent fish licences

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

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

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

be an integral part of LSG's value chain, and as such this requirement will be met.
b) the entity can document fulfilment of the licence conditions,

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

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

(Y) NEW AND AMENDED STANDARDS IMPLEMENTED BY THE GROUP

(a) New and amended standards implemented in 2016

The company has implemented the following new or amended IFRS standards or IFRIC interpretations with effect from 1 January 2016:

- Amendment to IFRS 11 regarding accounting for the acquisition of an interest in a joint operation.
- Amendment to IAS 16 and IAS 38 regarding acceptable methods of depreciation and amortisation.
- Annual improvements to the IFRS 2012-2014 cycle, and
- Amendment to IAS 1 according to IASB's Disclosure Initiative.

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

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

Several new standards and amendments to standards and interpretations have been published, but are not obligatory for the financial year ending 31 December 2016.

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

NOTE 2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

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

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

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

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

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

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

(3) Volume

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

(4) Discounts

Every time a fish is slaughtered and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality.
The cash flow is allocated to the month when slaughter is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the sea on the 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 2016 is estimated to be 6% per month. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) risk adjustment, (2) licence lease and (3) time value.

4.1. Risk adjustment

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

4.2. Hypothetical licence lease

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

4.3 Time value

Finally, a discount must be made for the time value of the tied-up capital linked to the share of the present value of the cash flow allocated to the biomass. It has to be assumed that a hypothetical buyer would claim compensation for the alternative cost of investing funds in live fish rather than some other type of investment. The production cycle for salmon in the sea currently takes up to 18 months. The cash flow will therefore extend over a similar period.

Assuming a constant sales price throughout the period, the cash flow would decrease for each month, as costs are incurred to farm the fish to slaughter weight. The costs increase for every month the fish are in the sea. As such, the effect of deferred cash flow is lower than would be the case if the cash flow had been constant. This component is however deemed important due to the major values the stock of fish represents.

Sensitivity analysis

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

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

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

Sensitivity analysis for weighted average price and expected normal slaughter weight

Sensitivity analysis for fair value of biological assets

		Projected slaughter weight per kg gwe				
		3.5	**3.75**	**4.0**	**4.25**	**4.5**
		Change in projected slaughter weight per kg gwe				
Average price per kg (NOK)	**Change in price per kg**	**-0.50**	**-0.25**	**-**	**0.25**	**0.50**
56.9	**-5.00**	4 751 137	5 129 143	5 507 149	5 885 155	6 263 161
59.9	**-2.00**	5 088 667	5 486 287	5 883 907	6 281 527	6 679 146
60.9	**-1.00**	5 201 177	5 605 335	6 009 493	6 413 650	6 817 808
61.9	**-**	5 313 687	5 724 383	**6 135 079**	6 545 774	6 956 470
62.9	**1.00**	5 426 198	5 843 431	6 260 665	6 677 898	7 095 132
63.9	**2.00**	5 538 708	5 962 479	6 386 251	6 810 022	7 233 794
66.9	**5.00**	5 876 238	6 319 623	6 763 008	7 206 394	7 649 779

The table shows changes in estimated fair value (present value) before provision for onerous contracts for the parameters price per kg and projected slaughter weight per kg gutted weight. For projected slaughter weight. the table shows changes in fair value when there is an increase in projected slaughter weight of 250 and 500 grams respectively. and for a corresponding reduction. For price. the change is per NOK gutted weight after adjustment for transport. quality. size and exporter margin.

Sensitivity analysis for weighted average price and monthly discount rate applied

Sensitivity analysis for fair value of biological assets

Average price per kg (NOK)	Change in price per kg	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%**
56.9	**-5.00**	6 173 565	5 824 193	5 507 149	5 218 743	4 955 766
59.9	**-2.00**	6 606 517	6 227 551	5 883 907	5 571 533	5 286 908
60.9	**-1.00**	6 750 834	6 362 004	6 009 493	5 689 129	5 397 289
61.9	**-**	6 895 152	6 496 457	**6 135 079**	5 806 726	5 507 670
62.9	**1.00**	7 039 469	6 630 910	6 260 665	5 924 322	5 618 051
63.9	**2.00**	7 183 787	6 765 363	6 386 251	6 041 919	5 728 431
66.9	**5.00**	7 616 739	7 168 721	6 763 008	6 394 709	6 059 574

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

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

Sensitivity analysis for fair value of biological assets

Average price per kg (NOK)	Change in price per kg	Number of fish in stock (million fish) 50.1	51.7	52.8	53.8	56.5
		Change in number of fish in stock				
		-5%	**-2%**	**0%**	**2%**	**5%**
56.9	**-5.00**	5 143 851	5 361 830	5 507 149	5 652 468	5 870 447
59.9	**-2.00**	5 501 771	5 731 053	5 883 907	6 036 761	6 266 042
60.9	**-1.00**	5 621 078	5 854 127	6 009 493	6 164 859	6 397 908
61.9	**-**	5 740 385	5 977 201	**6 135 079**	6 292 956	6 529 773
62.9	**1.00**	5 859 691	6 100 275	6 260 665	6 421 054	6 661 638
63.9	**2.00**	5 978 998	6 223 350	6 386 251	6 549 152	6 793 503
66.9	**5.00**	6 336 918	6 592 572	6 763 008	6 933 445	7 189 099

The table shows changes in estimated fair value (present value) before provision for onerous 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.

(b) Estimated impairment of goodwill and other intangible assets

The Group performs tests to assess impairment of goodwill and other intangible assets. see note 2. The tests are based on the Group's expected future earnings as a cash-generating unit. as well as on the synergies that may be realised in the Group. Negative changes in market conditions may lead to reduced estimates of future earnings. and may therefore generate a need for write-downs.

NOTE 3 CONSOLIDATED COMPANIES AND ALLOCATION TO OPERATING SEGMENT

(All figures in NOK 1,000)

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

Company	Operating segment	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12
Wild Catch and Whitefish VAP							
Aker Seafoods AS	Wild Catch and Whitefish	Havfisk AS	Norway	Ålesund	2016	0%	100% [1]
Havfisk Stamsund AS	Wild Catch and Whitefish	Havfisk AS	Norway	Vestvågøy	2016	0%	100% [1]
Havfisk Melbu AS	Wild Catch and Whitefish	Havfisk AS	Norway	Hadsel	2016	0%	100% [1]
Nordland Havfiske AS	Wild Catch and Whitefish	Havfisk Stamsund AS	Norway	Vestvågøy	2016	0%	53% [1]
Nordland Havfiske AS	Wild Catch and Whitefish	Havfisk Melbu AS	Norway	Vestvågøy	2016	0%	47% [1]
Havfisk Finnmark AS	Wild Catch and Whitefish	Havfisk AS	Norway	Hammerfest	2016	0%	100% [1]
Havfisk Båtsfjord AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Båtsfjord	2016	0%	100% [1]
Havfisk Nordkyn AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Lebesby	2016	0%	100% [1]
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	0%	78% [1]
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Båtsfjord AS	Norway	Hammerfest	2016	0%	13% [1]
Finnmark Havfiske AS	Wild Catch and Whitefish	Havfisk Nordkyn AS	Norway	Hammerfest	2016	0%	6% [1]
Hammerfest Industrifiske AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	0%	60% [1]
Havfisk Management AS	Wild Catch and Whitefish	Havfisk Finnmark AS	Norway	Hammerfest	2016	0%	100% [1]
Havfisk AS ***	Wild Catch and Whitefish	Lerøy Seafood Group ASA	Norway	Ålesund	2016	0%	100% [1] [2]
Norway Seafoods Group AS	Wild Catch and Whitefish	Lerøy Seafood Group ASA	Norway	Oslo	2016	0%	100% [1] [2]
Melbu Fryselager AS	Wild Catch and Whitefish	Norway Seafoods Group AS	Norway	Hadsel	2016	0%	67% [1]
Norway Seafoods AS	Wild Catch and Whitefish	Norway Seafoods Group AS	Norway	Båtsfjord	2016	0%	100% [1]
Sørvær Kystfiskeinvest AS	Wild Catch and Whitefish	Norway Seafoods AS	Norway	Hasvik	2016	0%	51% [1]
A/S Norway Seafoods	Wild Catch and Whitefish	Norway Seafoods Group AS	Denmark	Grenå	2016	0%	100% [1]
SAS Norway Seafoods	Wild Catch and Whitefish	Norway Seafoods Group AS	France		2016	0%	100% [1]
SAS Norway Seafoods Boulogne	Wild Catch and Whitefish	SAS Norway Seafoods	France		2016	0%	100% [1]

Company	Operating segment	Ownership	Country	Registered business premises	Year of acqui-sition	Share 01.01	Share 31.12
Farming							
Lerøy Aurora AS	North Norway	Lerøy Seafood Group ASA	Norway	Tromsø	2005	100%	100%
Lerøy Midt AS	Central Norway	Lerøy Seafood Group ASA	Norway	Hitra	2003	100%	100%
Lerøy Vest AS	West Norway	Lerøy Seafood Group ASA	Norway	Bergen	2007	100%	100%
Sjøtroll Havbruk AS	West Norway	Lerøy Seafood Group ASA	Norway	Austevoll	2010	51%	51%
Lerøy Laksefjord AS	North Norway	Lerøy Aurora AS	Norway	Lebesby	2005	100%	100%
Senja Akva-kultursenter AS	North Norway	Lerøy Aurora AS	Norway	Tromsø	2015	100%	100%
Lerøy Aakvik Rogn og Stamfisk AS	Central Norway	Lerøy Midt AS	Norway	Halsa	2006	100%	100%
Norsk Oppdretts-service AS	West Norway	Lerøy Seafood Group ASA	Norway	Flekkefjord	2015	51%	51%
Norsk Oppdretts-service Molde AS	West Norway	Norsk Oppdretts-service AS	Norway	Molde	2015	100%	0% [7]
Value-added Processing (VAP)							
Rode Beheer BV	VAP	Lerøy Seafood Group ASA	Netherlands	Urk	2012	50%	100% [2]
Lerøy Fossen AS	VAP	Lerøy Seafood Group ASA	Norway	Bergen	2006	100%	100%
Lerøy Smøgen Seafood AB	VAP	Lerøy Sverige AB	Sweden	Smøgen	2002	100%	100%
Bulandet Fiskeindustri AS	VAP	Lerøy Seafood AS	Norway	Askvoll	2005	76%	76%
Rode Vis International AS	VAP	Rode Beheer B.V.	Norway	Bergen	2012	100%	100%
Rode Vis B.V.	VAP	Rode Beheer B.V.	Norway	Urk	2012	100%	100%
Rode Vaestgoed BV	VAP	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
Royal Frozen Seafood BV	VAP	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
Rode Retail B.V.	VAP	Rode Beheer B.V.	Netherlands	Urk	2012	100%	100%
Leroy Culinair BV	VAP	Rode Retail B.V.	Netherlands	Urk	2012	50%	100% [4]
Leroy Germany Gmbh	VAP	Rode Beheer B.V.	Germany		2015	50%	50% [3]

Company	Operating segment	Ownership	Country	Registered business premises	Year of acqui-sition	Share 01.01	Share 31.12
Sales & Distribution (S&D)							
Lerøy Seafood AS **	S&D	Lerøy Seafood Group ASA	Norway	Bergen	1939 *	100%	100%
Lerøy Alfheim AS	S&D	Lerøy Seafood Group ASA	Norway	Bergen	2005	100%	100%
Sjømathuset AS	S&D	Lerøy Seafood Group ASA	Norway	Oslo	2006	100%	100%
Lerøy Delico AS	S&D	Lerøy Seafood Group ASA	Norway	Stavanger	2006	100%	100%
Lerøy Trondheim AS	S&D	Lerøy Seafood Group ASA	Norway	Trondheim	2006	100%	100%
Lerøy Sverige AB	S&D	Lerøy Seafood Group ASA	Sweden	Gothenburg	2001	100%	100%
Lerøy Finland OY	S&D	Lerøy Seafood Group ASA	Finland	Turku	2011	100%	100%
Lerøy Portugal Lda	S&D	Lerøy Seafood Group ASA	Portugal		2005	60%	100% [2]
Lerøy Turkey	S&D	Lerøy Seafood Group ASA	Turkey	Istanbul	2015	100%	100%
Lerøy Process-ing Spain SL	S&D	Lerøy Seafood Group ASA	Spain	Madrid	2012	100%	100%
Lerøy Nord AS	S&D	Lerøy Seafood Group ASA	Norway	Tromsø	2015	51%	51%
Lerøy Alt i Fisk AB	S&D	Lerøy Sverige AB	Sweden	Gothenburg	2001	100%	100%
Lerøy Stockholm AB	S&D	Lerøy Sverige AB	Sweden	Stockholm	2001	100%	100%
Lerøy Nordhav AB	S&D	Lerøy Sverige AB	Sweden		2001	100%	100%
Sirevaag AS	S&D	Lerøy Delico AS	Norway	Hå	2006	100%	100%
Lerøy Quality Group AS	S&D	Lerøy Seafood AS	Norway	Bergen	2006	100%	100%
Hallvard Lerøy USA Inc	S&D	Lerøy Seafood AS	USA		2016	0%	100% [3]
SAS Hallvard Lerøy	S&D	Lerøy Seafood AS	France		2008	100%	100%
SAS Eurosalmon	S&D	SAS Hallvard Lerøy	France		2008	100%	100%
SAS Fishcut	S&D	SAS Hallvard Lerøy	France		2008	100%	100%
Lerøy Sjømat-gruppen AS	S&D	Lerøy Seafood AS	Norway	Bergen	2006	100%	0% [4],[5]
Lerøy Sjømat-gruppen AS	S&D	Lerøy Delico AS	Norway	Bergen	2006	0%	18% [4],[5]
Lerøy Sjømat-gruppen AS	S&D	Lerøy Alfheim AS	Norway	Bergen	2006	0%	24% [4],[5]
Lerøy Sjømat-gruppen AS	S&D	Lerøy Trondheim AS	Norway	Bergen	2006	0%	8% [4],[5]
Lerøy Sjømat-gruppen AS	S&D	Lerøy Nord AS	Norway	Bergen	2015	0%	3% [4],[5]
Leroy Culinair BV	S&D	Lerøy Seafood AS	Netherlands	Urk	2012	50%	0% [4]
Leroy Germany Gmbh	S&D	Lerøy Seafood AS	Germany		2016	50%	50% [3]
Lerøy & Strudshavn AS	S&D	Lerøy Seafood Group ASA	Norway	Bergen	1927 *	100%	100%

Company	Operating segment	Ownership	Country	Registered business premises	Year of acqui-sition	Share 01.01	Share 31.12
Not allocated							
Lerøy Seafood Group ASA	ASA / Other / Elim.	See note on shareholder information		Bergen	1995		
Preline Fish-farming Sys. AS	ASA / Other / Elim.	Lerøy Seafood Group ASA	Norway	Skien	2015	91%	96% [6]

COMMENTS ON CHANGES:

[1] Business combination
[2] Redemption of non-controlling interests
[3] Foundation of new company
[4] Intragroup purchase/sale of company/shareholding
[5] Sale of shares to external non-controlling interests
[6] Private placement (with change in shareholding)
[7] Parent–subsidiary business combination

[*] Foundation date. The companies were part of "the old Lerøy group" before Lerøy Seafood Group ASA was founded in 1995
[**] Hallvard Lerøy AS has changed its name to Lerøy Seafood AS.
[***] At the time Havfisk AS was acquired, it was listed on Oslo Stock Exchange under the name Havfisk ASA. After the acquisition, the company was delisted and thus changed from an ASA to an AS.

NOTE 4 OPERATING REVENUES/SEGMENT INFORMATION

(All figures in NOK 1 000)

Operating revenue	**2016**	**2015**
Sale of goods and services	**17 221 829**	13 418 024
Lease income	**2 507**	773
Damages received	**706**	9 446
Other operating revenue	**44 236**	22 482
Total operating revenue	**17 269 278**	**13 450 725**

Other gains and losses	**2016**	**2015**
Gain from disposal of fixed assets	**457**	21 956
Gain from re-measurement related to business combination *	**0**	12 250
Total other gains	**457**	**34 206**

[*] Gains from re-measurement related to business combinations (2015) are related to Lerøy Turkey

OPERATING SEGMENTS

The Group has the following segments: (1) Wild Catch and Whitefish, (2) Farming, (3) VAP, (4) Sales & Distribution (S&D). Lerøy Seafood Group ASA and Preline Fishfarming System AS are not allocated to any of these segments, and are included in the elimination segment. With the exception of Farming, each business segment is also an operating segment. Farming is divided into three individual operating segments (regions): (A) North, (B) Central and (C) West (Lerøy Sjøtroll).

The Wild Catch and Whitefish segment is new, and was included in connection with the acquisition of Havfisk AS and Norway Seafoods Group AS on 31 August 2016.

Further details regarding the different companies in the groups, allocation to segment and level of aggregation are presented in note 4 and in the description of accounting policies (E).

2015	**Farming**	**VAP**	**Sales & distribution**	**Elimination / unallocated**	**Group**
External operating revenue	441 306	982 239	12 025 782	1 398	13 450 725
Internal operating revenue	5 709 816	939 255	532 963	-7 182 034	0
Total operating revenue	6 151 122	1 921 494	12 558 745	-7 180 636	13 450 725
Other gains and losses	0	854	286	33 066	34 206
Operating expenses	5 163 437	1 816 033	12 271 885	-7 146 376	12 104 979
Operating profit (EBIT) before fair value adjustments related to biological assets	**987 685**	**106 315**	**287 146**	**-1 194**	**1 379 953**
Change in fair value adjustment of fish in sea	186 524				186 524
Change in fair value of onerous contracts					0
Change in fair value of Fish Pool contracts	540	1 444			1 984
Total fair value adjustments related to biological assets	187 064	1 444	0	0	188 508
Operating profit	**1 174 749**	**107 759**	**287 146**	**-1 194**	**1 568 461**
Income from associates	45 811	0	364	15 201	61 376
Net financial items	-79 704	-7 647	-8 657	-32 719	-128 728
Profit before tax	1 140 856	100 112	278 853	-18 712	1 501 110
Tax cost					-268 226
Profit for the year					1 232 883
Operating margin before fair value adjustments	16.1%	5.5%	2.3%	0.0%	10.3%
Assets (excluding associates)	12 118 214	1 148 667	2 277 764	-231 894	15 312 751
Associates	666 435	0	4 517	0	670 952
Total assets	**12 784 649**	**1 148 667**	**2 282 281**	**-231 894**	**15 983 703**
Total liabilities	**5 830 128**	**443 250**	**1 826 120**	**-879 847**	**7 219 651**
Net investments in intangibles and fixed assets	546 506	44 149	21 187	-35 577	576 265
Depreciation	366 114	37 068	30 384	350	433 916

2016	Wild Catch and whitefish *	Farming	VAP	Sales & dis-tribution	Elimination / unallocated	Group
External operating revenue	810 298	523 683	1 091 003	14 844 620	-326	17 269 278
Internal operating revenue	35 800	7 814 221	1 099 475	765 615	-9 715 111	0
Total operating revenue	846 098	8 337 904	2 190 478	15 610 235	-9 715 437	17 269 278
Other gains and losses	0	27	373	58	0	457
Operating expenses	757 463	5 918 850	2 118 123	15 283 792	-9 651 961	14 426 267
Operating profit (EBIT) before fair value adjustments related to biological assets	**88 635**	**2 419 081**	**72 728**	**326 500**	**-63 476**	**2 843 468**
Change in fair value adjustment of fish in sea		1 730 028				1 730 028
Change in fair value of onerous contracts		-284 381				-284 381
Change in fair value of Fish Pool contracts			24 914			24 914
Total fair value adjustments related to biological assets	0	1 445 647	24 914	0	0	1 470 561
Operating profit	**88 635**	**3 864 728**	**97 642**	**326 500**	**-63 476**	**4 314 030**
Profit from associates	-2 409	262 899	0	2 293	0	262 783
Net financial items	-17 638	-74 491	-3 655	-10 477	-25 230	-131 491
Profit before tax	68 588	4 053 136	93 987	318 316	-88 706	4 445 321
Tax cost						-926 691
The year's result						3 518 630
Operating margin before fair value adjustments	10.5%	29.0%	3.3%	2.1%	0.7%	16.5%
Assets (excluding associates)	6 060 308	15 340 307	1 178 324	2 998 444	-1 229 670	24 347 712
Associates	20 333	703 995		6 548	0	730 875
Total assets	**6 080 640**	**16 044 301**	**1 178 324**	**3 004 992**	**-1 229 670**	**25 078 587**
Total liabilities	**2 578 068**	**7 406 861**	**452 170**	**2 471 199**	**-1 305 137**	**11 603 161**
Net investments in intangibles and fixed assets	38 943	640 288	29 943	35 569	-2 570	742 173
Depreciation	41 908	397 370	39 051	33 291	0	511 621

*) *Purchases and sales between companies in this operating segment are eliminated.*

SPECIFICATION PER OPERATING SEGMENT WITHIN FARMING

2015	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region* (Lerøy Sjøtroll)	Elimination (intercompany purchases / sales)	Total Farming
External operating revenue	172 468	32 241	236 598		441 306
Internal operating revenue	1 236 371	2 831 202	2 006 839	-364 597	5 709 816
Total operating revenue	1 408 839	2 863 443	2 243 437	-364 597	6 151 122
Other gains and losses	0	0	0	0	0
Operating expenses	958 752	2 396 947	2 172 335	-364 597	5 163 437
Operating profit (EBIT) before fair value adjustments related to biological assets	**450 087**	**466 496**	**71 102**	**0**	**987 685**
Volume salmon (GWT)****	29 204	71 442	35 581		136 227
Volume trout (GWT)			21 470		21 470
Total volume	29 204	71 442	57 051		157 697
EBIT/kg ***	**15.4**	**6.5**	**1.2**	**-**	**6.3**

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

*) Purchases and sales between the companies in this operating segment are eliminated
**) The amount presented as EBIT before fair value adjustments in the elimination segment is the elimination of intercompany profit on sales between operating segments
***) Before fair value adjustments related to biological assets
****) GWT = Gutted weight in tonnes

INFORMATION ON PRODUCT AREA

Operating revenue	2016	%	2015	%
Whole salmon	**7 046 983**	40.8	5 464 814	40.6
Processed salmon	**5 031 636**	29.1	4 878 212	36.3
Whitefish	**1 790 147**	10.4	930 413	6.9
Trout	**2 164 155**	12.5	1 105 910	8.2
Shellfish	**560 024**	3.2	454 701	3.4
Pelagic	**63 638**	0.4	112 357	0.8
Other	**612 694**	3.5	504 318	3.7
Total operating revenue	**17 269 278**	**100.0**	**13 450 725**	**100.0**

INFORMATION ON CURRENCY

Operating revenue in NOK by currency

Operating revenue	2016	%	2015	%
NOK	**4 519 603**	26.2	4 052 219	30.1
SEK	**1 577 852**	9.1	948 841	7.1
GBP	**554 503**	3.2	494 398	3.7
EUR	**6 951 132**	40.3	5 333 048	39.6
USD	**2 448 054**	14.2	1 890 953	14.1
JPY	**842 736**	4.9	553 957	4.1
Other currency	**375 397**	2.2	177 309	1.3
Total operating revenue	**17 269 278**	**100.0**	**13 450 725**	**100.0**

Sales in foreign currency from Group companies in Norway normally take place at an approximate transaction rate (week rates). Sales from foreign Group companies in foreign currency are in principle translated to NOK on the basis of the accumulated monthly average exchange rate in the accounting period. Significant individual transactions are translated at transaction date rate.

INFORMATION ON GEOGRAPHICAL AREAS

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

Operating revenue	2016	%	2015	%
EU	**10 214 306**	59.1	7 790 018	57.9
Norway	**2 770 069**	16.0	2 288 277	17.0
Asia	**2 296 659**	13.3	1 597 257	11.9
USA & Canada	**1 030 674**	6.0	989 357	7.4
Rest of Europe	**685 537**	4.0	567 130	4.2
Other	**272 033**	1.6	218 687	1.6
Total operating revenue	**17 269 278**	**100.0**	**13 450 725**	**100.0**

Assets	2016	%	2015	%
Norway *	**23 317 809**	**93.0**	14 440 493	90.3
EU	**1 716 091**	**6.8**	1 465 432	9.2
Other countries	**44 687**	**0.2**	77 778	0.5
Total assets	**25 078 587**	**100.0**	**15 983 703**	**100.0**

* Most of the trade receivables in the subsidiary Lerøy Seafood AS are from customers abroad. At year-end. this amounted to NOK 1.004.945 out of NOK 1.228.125 (NOK 739.401 out of NOK 849.887 previous year). Trade receivables are covered by credit insurance.

Net investments	2016	%	2015	%
Norway	**699 118**	**94.2**	537 601	93.3
EU	**41 454**	**5.6**	38 664	6.7
Other countries	**1 601**	**0.2**	0	0.0
Total net investments	**742 173**	**100.0**	**576 265**	**100.0**

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

NOTE 5 BUSINESS COMBINATIONS AND REDEMPTION OF NON-CONTROLLING INTERESTS

(All figures in NOK 1 000)

Acquisition of Havfisk ASA and Norway Seafoods Group AS

On 2 June 2016, Lerøy Seafood Group ASA signed an agreement with Aker Capital AS and Aker Capital II for the acquisition of 53,501,793 shares in Havfisk ASA, and 62,293,254 shares in Norway Seafoods Group AS. Lerøy Seafood Group ASA has also committed to the acquisition of a further 1,026,632 shares in Havfisk ASA from Fausken Invest AS. These acquisitions represented 64.4% and 73.6% of the total share capital in Havfisk ASA and Norway Seafoods Group AS respectively. One condition for execution of the agreement was that the Ministry of Trade, Industry and Fisheries and relevant competition authorities approved the transaction. The purchase prices agreed upon were NOK 36.50 per share in Havfisk ASA and NOK 1.00 per share in Norway Seafoods Group AS.

The final requisite statutory approval was obtained at the end of August, and the shares were transferred to Lerøy Seafood Group on 31 August 2016. This date represents the control date. Consequently, only results earned by the acquired enterprises from and including September 2016 will be included in Lerøy Seafood Group's profit figures. If the consolidation had taken place with effect from 1 January 2016, the Group's income would have been higher by NOK 2.3 billion and the Group's operating profit would have been higher by NOK 0.2 billion.

On the date of consolidation, 67.4% of the shares in Havfisk ASA and 73.6% of the shares in Norway Seafoods Group AS had been acquired. Completion triggered a mandatory offer of NOK 36.50 per share for the outstanding shares in Havfisk ASA. Lerøy Seafood Group ASA also made a voluntary offer of NOK 1.00 per share for the remaining outstanding shares in Norway Seafoods Group AS. Once the deadline for acceptance had expired on 17 October 2016, Lerøy Seafood Group ASA had acquired a sufficient number of shares to implement compulsory redemption. The legal resolution to enforce redemption was adopted and the shareholders notified, such that 100% control of both companies was achieved effective 27 October 2016. The price per share was the same as for the voluntary offer. The total consideration for 100% of the shares in the two companies was NOK 3.2 billion. As part of the financing for the transactions, Lerøy Seafood Group ASA sold 300,000 treasury shares in June 2016 and carried out a private placement involving the issue of 5,000,000 new shares. The two transactions generated NOK 2.2 billion in extra cash for the Group in Q2 2016. Further financing of NOK 1 billion for the redemption of non-controlling interests was established by taking out a loan with a bank in the fourth quarter.

The cost of the share issue and expenses related to the sale of treasury shares in connection with the equity funding of the acquisition – totalling NOK 25 million after tax – are classified as a reduction in equity. Other acquisition costs are charged to profit.

The acquisitions have provided a substantial boost to Lerøy Seafood Group's position within the European whitefish segment, and ensured access to more than 100,000 tonnes of whitefish raw material. Thanks to Lerøy Seafood Group's well-established integrated value chain for salmon, there is significant potential for future value generation by means of further developing the market for whitefish, and thereby achieving the position of leading supplier of fresh/"refreshed" seafood with a full range of seafood products.

Lerøy Seafood Group perceives the two acquired enterprises plus their subsidiaries to be so closely integrated with each other that they must be considered as one in relation to the business combination. Havfisk's licences come with certain commitments. One condition for the use of the licences is that Havfisk fulfils certain commitments related to the onshore plants in North Norway operated by Norway Seafoods Group. These commitments cover supply, operations and processing. See note 25 regarding proposed liquidation of these commitments for further information.

Havfisk ASA – and Norway Seafoods Group AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act)*. The Participant Act stipulates inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of Lerøy Seafood Group ASA's acquisition of the majority shareholding in Havfisk ASA 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 ASA Lerøy Seafood Group ASA and Austevoll Seafood ASA provided that Lerøy Seafood Group ASA continues to own minimum 60% of the shares in Havfisk ASA 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.

* Please note that the translation of the title of and extract from "Lov om retten til å delta i fiske og fangst (Deltakerloven)" (Act relating to the right to participate in fishing (Participant Act)) is not official. No official translation of this Act exists.

The acquisition analysis is provisional because of the ongoing political process on balance sheet date and during the subsequent period. This process has involved trawling licences and related obligations, and its outcome maybe material for the value of the acquired licences. The outcome of the process had not however been clarified by the date the financial statements were presented. We refer to the note on events after balance sheet date for more detailed information. It should also be noted that the period between the date of the business combination and balance sheet date is limited.

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

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

Preliminary acquisition analysis	CI*	NCI**	100%
Recognised equity	705 211	340 394	1 045 604
Effect from eliminations between the two acquired companies	13 284	6 691	19 975
Net identified added value	1 425 558	681 228	2 106 786
Net identified value	**2 144 053**	**1 028 312**	**3 172 365**

* Controlling interests
** Non-controlling interests

Calculation of goodwill	CI*	NCI**	100%
Total consideration	2 144 053	1 028 312	3 172 365
Net identified value	2 144 053	1 028 312	3 172 365
Goodwill calculated	**0**	**0**	**0**

The tables below illustrate the total effect of the business combination and the subsequent redemption of non-controlling interests allocated to (1) purchase price and (2) change in equity attributed to non-controlling interests

Allocation of purchase price per entity	Business combinations	Redemption of NCI	Total purchase price paid
Havfisk AS	2 081 761	1 007 717	3 089 478
Norway Seafoods Group AS	62 293	22 471	84 764
Rode Beheer BV		196 799	196 799
Others		5 166	5 166
Total	**2 144 053**	**1 232 154**	**3 376 207**

The impact on the balance sheet item "non-controlling interests" from business combinations and redemption of NCI	NCI's share of identified value on business combination date	NCI's share of book equity on redemption date	Net annual effect on NCI's share of equity in balance sheet
Havfisk AS	1 006 007	1 007 705	-1 698
Norway Seafoods Group AS	22 305	29 047	-6 742
Rode Beheer BV		207 207	-207 207
Others		1 704	-1 704
Total	**1 028 312**	**1 245 663**	**-217 351**

NOTE 6 INTANGIBLE ASSETS

(All figures in NOK 1,000)

RECONCILIATION CARRYING VALUE, GROSS VALUE AND LIFE

2015	Goodwill	Licences	Other rights	Total
AS OF 1 JANUARY 2015				
Acquisition cost	2 082 705	2 108 102	71 361	4 262 168
Accumulated amortisation			-27 777	-27 777
Carrying value as of 01.01.15	**2 082 705**	**2 108 102**	**43 584**	**4 234 391**
FINANCIAL YEAR 2015				
Carrying value as of 01.01.2015	2 082 705	2 108 102	43 584	4 234 391
Translation differences	7 865		96	7 961
Additions from business combinations	42 469	60 000	51	102 520
Acquisition of intangible assets		10 000	53	10 053
Amortisation for the year			-5 009	-5 009
Carrying value as of 31.12.2015	**2 133 039**	**2 178 102**	**38 775**	**4 349 916**
AS OF 31 DECEMBER 2015				
Acquisition cost	2 133 039	2 178 102	71 590	4 382 731
Accumulated amortisation			-32 815	-32 815
Carrying value as of 31.12.2015	**2 133 039**	**2 178 102**	**38 775**	**4 349 916**
Assets with unlimited useful life	2 133 039	2 178 102	2 000	4 313 141
Assets with limited useful life			36 775	36 775
Carrying value as of 31.12.2015	**2 133 039**	**2 178 102**	**38 775**	**4 349 916**

2016	Goodwill	Licences	Other rights	Total
FINANCIAL YEAR 2016				
Carrying value as of 01.01.2016	2 133 039	2 178 102	38 775	4 349 916
Translation differences	-13 721	0	-99	-13 820
Additions from business combinations	0	3 695 465	0	3 695 465
Acquisition of intangible assets		0	534	534
Amortisation for the year		-9 466	-4 181	-13 647
Carrying value as of 31.12.2016	**2 119 318**	**5 864 101**	**35 029**	**8 018 448**
AS OF 31 DECEMBER 2016				
Acquisition cost	2 119 318	5 873 567	71 997	8 064 882
Accumulated amortisation		-9 466	-36 968	-46 434
Carrying value as of 31.12.2016	**2 119 318**	**5 864 101**	**35 029**	**8 018 448**
Assets with unlimited useful life	2 119 318	5 459 503	2 000	7 580 821
Assets with limited useful life		404 598	33 029	437 627
Carrying value as of 31.12.2016	**2 119 318**	**5 864 101**	**35 029**	**8 018 448**

SPECIFICATION OF INTANGIBLE ASSETS PER ACQUISITION, PER SEGMENT

31.12.15	Region	Acquisition year	Goodwill	Licences	Other rights	Total
FARMING						
Lerøy Midt AS Group	Central	2003, 2006[1]	956 509	644 100		1 600 609
Lerøy Aurora AS Group	North	2005, 2014[2]	134 567	312 771	2 000	449 338
Lerøy Vest AS	West	2007	535 001	507 718	18 724	1 061 443
Sjøtroll Havbruk AS	West	2010	205 954	673 513	[3]	879 467
Norsk Oppdrettsservice AS Group	West	2015	13 295	40 000		53 295
Total Farming segment			**1 845 326**	**2 178 102**	**20 724**	**4 044 151**
VAP						
Lerøy Smøgen Seafood AB		2002, 2003	15 612			15 612
Lerøy Fossen AS		2006	23 976			23 976
Rode Beheer BV Group		2012	135 972			135 972
Total VAP segment			**175 560**	**0**	**0**	**175 560**
Total Sales & distribution segment			112 153	0	18 051	130 204
Total			**2 133 039**	**2 178 102**	**38 775**	**4 349 916**

31.12.16	Region	Acquisition year	Goodwill	Licences	Other rights	Total
FARMING						
Lerøy Midt AS Group	Central	2003, 2006[1]	956 509	644 100		1 600 609
Lerøy Aurora AS Group	North	2005, 2014[2]	134 567	312 771	2 000	449 338
Lerøy Vest AS	West	2007	535 001	507 718	17 685	1 060 404
Sjøtroll Havbruk AS	West	2010	205 954	673 513	[3]	879 467
Norsk Oppdrettsservice AS Group	West	2015	13 295	40 000		53 295
Total Farming segment			**1 845 326**	**2 178 102**	**19 685**	**4 043 112**
WILD CATCH AND WHITEFISH						
Havfisk AS and Norway Seafoods Group AS (both groups)		2016[5]		3 685 999		3 685 999
Total Wild catch and whitefish segment			**0**	**3 685 999**	**0**	**3 685 999**
VAP						
Lerøy Smøgen Seafood AB		2002, 2003	15 612			15 612
Lerøy Fossen AS		2006	23 976			23 976
Rode Beheer BV Group		2012[4]	128 490			128 490
Total VAP segment			**168 078**	**0**	**0**	**168 078**
Total Sales & distribution segment		[4]	105 915	0	15 344	121 259
Total			**2 119 318**	**5 864 101**	**35 029[3]**	**8 018 448**

[1] Consists of the Midnor acquisition from 2003 and the Hydrotech acquisition from 2006. The companies are now merged.
[2] Consists of the Aurora acquisition from 2005 and the Lerøy Finnmark (Villa) acquisition from 2014. The companies are now merged.
[3] Rights with a definite useful life and are subject to amortisation.
[4] The change in goodwill in 2016 comes from the currency translation differences related to foreign subsidiaries to NOK (IAS 21).
[5] The change in licences in 2016 comes from the acquisition of Havfisk AS (business combination).
[6] A certain part of the total value of licences acquired from business combination (Havfisk AS) has a definite useful life, and is subject to amortisation.

Licences

Licences in the Farming segment

The net book value of licences in the Farming segment is NOK 2.178.102. Below is a list of the licences owned by LSG at the end of the financial year according to type. number and volume. The list is based on data registered in the Aquaculture Register.

	Norsk Oppdretts-service		Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total	
Salmon and trout licences	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**	**Number**	**Volume (GWT)**
Grow-out licences			57	44 980	53	41 340	25	23 625	135	109 945
Slaughter cage licences			2	1 030	1	780	1	900	4	2 710
R&D licences *			2	1 560					2	1 560
Green farming licences			1	780					1	780
Demonstration licences			0	0	1	780	1	780	2	1 560
Parent fish licences			2	1 560	3	2 340	0	0	5	3 900
Total number and volume	**0**	**0**	**64**	**49 910**	**58**	**45 240**	**27**	**25 305**	**149**	**120 455**
Licence equivalents (number of licences communicated to the market)										
Slaughter cage licences (without own production)			-2		-1		-1		-4	
Adjustment for one licence with double volume			1						1	
Total number of licence equivalents			**63**		**57**		**26**		**146**	

*) The R&D licences were granted for free in 2015. and have a limited life time of 3 years (until 2018)

	Norsk Oppdretts-service		Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total	
Other farming licences	**Number**	**Volume (million indivi-duals)**	**Number**	**Volume (million indivi-duals)**	**Number**	**Volume (million indivi-duals)**	**Number**	**Volume (million indivi-duals)**	**Number**	**Volume (million indivi-duals)**
Juvenile fish licences			14	41.9	7	27.5	1	11.5	22	80.9
Cleaner fish licences	2	4.0	1	2.5	2	5.0	1	2.0	6	13.5
Total	**2**	**4.0**	**15**	**44.4**	**9**	**32.5**	**2**	**13.5**	**28**	**94.4**

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

Licences in the Wild catch and whitefish segment

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

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

At the end of the financial year, the Havfisk group owned 29.6 cod and haddock trawling licences, 31.9 saithe trawling licences, 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 2016, each vessel was permitted up to four licence units. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". In 2016, one cod licence entitled the holder to fish for 1,491 tonnes of cod, 578 tonnes of haddock and 366 tonnes of saithe in the zone north of 62 degrees latitude. When compared with 2015, this is an increase of 1% for cod, 26% for haddock and 12% for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

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

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

Licences (quotas) in the Wild catch and whitefish segment	NBV* in acquired company on date of acquisition	Excess value identified in PPA, and allocated	Amortisation (01.09.16 - 31.12.16)	NBV as of 31.12.2016
Basic quotas for cod, shrimp and greater silver	339 807	2 941 594		3 281 401
Structural quotas, cod trawling	414 064		-9 466	404 598
Total	**753 871**	**2 941 594**	**-9 466**	**3 685 999**

* NBV = Net book value

Other rights

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

	Water rights		Delivery		
	Time indefinite	Limited	contracts	Other assets	Total
Book value 31.12.2016					
Total Farming segment	2 000	17 685			**19 685**
Wild catch and whitefish					**0**
Total VAP segment					**0**
Total Sales & Distribution segment			13 250	2 094	**15 344**
Total	**2 000**	**17 685**	**13 250**	**2 094**	**35 029**
Accumulated acquisition cost	2 000	44 973	20 000	5 024	**71 997**
Accumulated amortisation	0	-27 288	-6 750	-2 930	**-36 968**
Total	**2 000**	**17 685**	**13 250**	**2 094**	**35 029**
Life	No time limitation	25 years	7 to 10 years	3-5 years	
Amortisation method	none	straight line	straight line	straight line	

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 on the next page 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 on the next page 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".

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

The region for West Norway has two units – Lerøy Vest AS and Sjøtroll Havbruk 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.

Wild catch and whitefish

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

VAP

As described above, the significant amount of goodwill in this segment is allocated to the Rode sub-group. In order to simplify matters and by requirement, the impairment test of goodwill is summarised below for Rode and the other CGUs in the segment respectively.

Sales & Distribution

In order to simplify matters and by requirement, the impairment test of goodwill is summarised for the segment in total.

Book value of intangible assets per CGU	Goodwill	Licences	Other rights	Total
Lerøy Aurora	134 567	312 771	2 000	449 338
Lerøy Midt	956 509	644 100	-	1 600 609
Lerøy Vest AS and Sjøtroll Havbruk AS	740 955	1 181 231	17 685 1)	1 939 871
Norsk Oppdrettsservice AS	13 295	40 000	-	53 295
Havfisk AS and Norway Seafoods Group AS	-	3 685 999 2)		3 685 999
Rode Beheer BV Group	128 490	-	-	128 490
Other VAP companies	39 588	-	-	39 588
Sales & Distribution	105 915	-	15 344 1)	121 259
Total	**2 119 318**	**5 864 101**	**35 029**	**8 018 448**

Book value of intangible assets that are amortised:	437 627
Book value of intangible assets that are not amortised but tested for impairment:	7 580 821
Total	**8 018 448**

1) Rights with definite useful life and subject to amortisation.
2) Structual quotas included in this amount have a definite economic life time and are subject to amortisation.

Tests of possible impairment loss

The impairment test for cash-generating units is based on estimated present values of future cash flows. The present value is compared with the book value per cash-generating unit. The present value is calculated on the basis of discounted cash flows over the next five years. The analysis is based on the budget for the next year and the estimated profit/loss over the 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 2016. The management's calculations show that this conclusion is robust in the face of reasonable changes in conditions in the future. Historically until 2012. the Group has experienced a significant production growth per licence in Norway. From 2012 and until today. there has been practically no growth in production at all. However. with the new green licences granted recently. together with new R&D licences. the probability of future growth has increased. The model is based on an assumption of zero growth in volume. which is a very conservative projection in a long-term perspective. It is probable that such a low growth rate would result in a margin expansion. a condition which is barely covered by the model.

The critical value for the required rate of return on total assets before tax is between 8.7% and 181.0%. The cash-generating unit (CGU) Norsk Oppdrettsservice AS Group. which was acquired in 2015. 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 remaining CGUs in the Farming segment have a critical value between 25.6% and 60.4%. 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.

The Farming segment requires an EBIT in the terminal element of an amount from NOK - 2.7 to NOK 0.4 per kg. This amount corresponds by a good margin with the historical figures reported. The management has also carried out tests of sensitivity related to price. cost and volume. With the implemented WACC and best estimate for the terminal element. the tests show that this value is also robust in the face of changes in these parameters.

For the Wild Catch and Whitefish segment. an impairment test has been performed for the assets with an unlimited useful life (basic quotas) in connection with the preparation of the provisional acquisition analysis. This test indicated values corresponding to those on which the provisional acquisition analysis was based. see note 5. 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. The required rate of return applied after tax is 7.22%. Any negative change in these premises would naturally have resulted in a write-down. as the values allocated in the acquisition analysis correspond to fair value reflected via the acquisition.

Key premises and sensitivity estimates

Key premises:	2016	2015
Discount rate (WACC) before tax	**7.5%**	7.7%
Discount rate (WACC) after tax	**5.7%**	5.8%
Nominal rate of growth	**2.0%**	2.5%
Projected inflation	**1.0%**	2.5%
Projected real growth	**1.0%**	0.0%

For the Wild Catch and Whitefish segment. no events have occurred after the acquisition that would indicate impairment. The acquisition analysis is still provisional and is not final. As a result. a new impairment test of quotas with indefinite life has not been performed after the acquisition.

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	Imple- mented WACC	Critical value in the terminal element (with WACC implemented)	Critical WACC
Lerøy Aurora	449 338	7.5%	-2.7 [3]	60.4%
Lerøy Midt	1 600 609	7.5%	0.4 [3]	26.0%
Lerøy Vest AS and Sjøtroll Havbruk AS	1 922 186	7.5%	0.3 [3]	25.6%
Total for Farming segment. exclusive Norsk Oppdrettsservice	**3 972 132**	**7.5%**	**-0.3** [3]	**30.7%**
Norsk Oppdrettsservice (NOS)	53 295	7.5%	9.5% [4]	8.7%
Rode Beheer BV Group	128 490	7.5%	0.2% [4]	25.9%
Other VAP companies	39 588	7.5%	1.4% [4]	11.9%
Total for VAP segment	**168 078**	**7.5%**	**0.8%** [4]	**18.8%**
Sales & Distribution	**105 915**	**7.5%**	**-0.5%** [4]	**181.0%**
Total	**4 299 420**	**7.5%**		

[3] The terminal value for Farming. excluding Norsk Oppdrettsservice AS. is estimated on the basis of EBIT/kg.

[4] The terminal value for Norsk Oppdrettsservice AS. VAP and Sales & Distribution is estimated on the basis of the profit margin.

Book value of intagibles tested for impairment	Sum
Book value on intangible assets tested in the sensitivity analysis above	4 299 420
Book value on intangible assets tested during the business combination	3 281 401
Total	7 580 821

NOTE 7 FIXED ASSETS

(All figures in NOK 1 000)

2015	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
1 JANUARY 2015					
Acquisition cost	73 974	1 241 280		3 541 784	4 857 038
Accumulated depreciation	0	-281 406		-1 858 474	-2 139 880
Accumulated impairment loss	-1 192	-15 750		-23 500	-40 442
Carrying value 01.01.15	**72 782**	**944 124**	**0**	**1 659 810**	**2 676 716**
FINANCIAL YEAR 2015					
Carrying value 01.01.15	72 782	944 124		1 659 810	2 676 716
Foreign currency translation differences	1 022	14 547		5 801	21 370
Operating assets acquired	71 358	59 387		520 803	651 548
Operating assets acquired via business combinations	20 196	4 654		17 436	42 285
Disposal	-40 270	-13 640		-9 469	-63 379
Depreciation for the year	0	-60 094		-368 814	-428 907
Carrying value 31.12.15	**125 088**	**948 978**	**0**	**1 825 567**	**2 899 633**
31 DECEMBER 2015					
Acquisition cost	125 088	1 275 479		4 071 951	5 472 518
Accumulated depreciation	0	-310 703		-2 222 884	-2 533 587
Accumulated impairment loss	0	-15 798		-23 500	-39 298
Carrying value 31.12.15	**125 088**	**948 978**	**0**	**1 825 567**	**2 899 633**

2016	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
ACCOUNTING YEAR 2016					
Carrying value 01.01.16	125 088	948 978	0	1 825 567	2 899 633
Foreign currency translation differences	-1 683	-15 379	0	-9 243	-26 305
Operating assets acquired	15 884	140 025	14 525	599 858	770 292
Operating assets acquired via business combinations	3 922	22 228	1 014 818	50 688	1 091 656
Disposal	-1 720	-9 589		-16 886	-28 195
Depreciation for the year	0	-72 274	-25 731	-399 968	-497 973
Carrying value 31.12.16	**141 491**	**1 013 989**	**1 003 612**	**2 050 016**	**4 209 108**
31 DECEMBER 2016					
Acquisition cost	141 491	1 407 305	1 029 343	4 659 543	7 237 682
Accumulated depreciation	0	-377 562	-25 731	-2 586 027	-2 989 320
Accumulated impairment loss	0	-15 754	0	-23 500	-39 254
Carrying value 31.12.16	**141 491**	**1 013 989**	**1 003 612**	**2 050 016**	**4 209 108**

In 2016 (and in 2015) fixed assets acquired do not include any capitalized interests.

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

NOTE 8 ASSOCIATES AND OTHER INVESTMENTS

(All figures in NOK 1 000)

The associated companies in the group are listed in the table below, and each company is allocated to 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	Owner-ship / voting-share 01.01	Ownership / voting share 31.12	Net book value 31.12
Associates considered as material							
Norskott Havbruk AS - group	LSG ASA	Farming	Norway	Bergen	50%	50%	611 985
Seistar Holding AS - group	LSG ASA	Farming	Norway	Austevoll	50%	50%	86 485
Total							698 469
Other associates							
Lerøy Sommarøy AS	LSG ASA	Wild catch, whitefish	Norway	Tromsø	0%	50%	12 591
Nesset Kystfiske AS	Sørvær Kystfiskeinvest AS	Wild catch, whitefish	Norway	Hasvik	0%	34%	10
Holmen Fiske AS	Sørvær Kystfiskeinvest AS	Wild catch, whitefish	Norway	Hasvik	0%	34%	10
Itub AS	Norway Seafoods Group AS	Wild catch, whitefish	Norway	Ålesund	0%	22%	2 000
Finnmark Kystfiske AS	Havfisk AS	Wild catch, whitefish	Norway	Hammer-fest	0%	48%	3 225
Vestvågøy Kystrederi AS	Havfisk AS	Wild catch, whitefish	Norway	Vestvågøy	0%	50%	2 497
Ocean Forest	LSG ASA	Farming	Norway	Bergen	50%	50%	103
Kirkenes Processing AS	Lerøy Aurora AS	Farming	Norway	Kirkenes	50%	50%	4 055
Romsdal Processing AS	Lerøy Aurora AS	Farming	Norway	Midsund	50%	50%	1 367
Norway Salmon AS	Lerøy Midt AS	Farming	Norway	Rørvik	50%	50%	1
Sørsmolt AS	Lerøy Vest AS	Farming	Norway	Sannidal	49%	0%	0
Lerøy Schlie	LSG ASA	S&D	Denmark	Hirtshals	50%	50%	6 415
The Seafood Innovation Cluster AS	LSG ASA	S&D	Norway	Bergen	20%	20%	133
Total							32 406
Total for all associates							**730 875**

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

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

Company	Owner (associate)	Operating segment	Country	Ownership / voting share 01.01	Ownership / voting share 31.12
Scottish Seafarms Ltd	Norskott Havbruk AS	Farming	Scotland	100%	100%
Terregles Salmon Company Ltd	Scottish Seafarms Ltd	Farming	Scotland	100%	100%
Orkney Sea Farms Ltd	Terregles Salmon Company Ltd	Farming	Scotland	100%	100%
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%

2016	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
Reconciliation of changes in book value in 2016				
Opening balance 01.01.16	**76 000**	**574 502**	**20 450**	**670 952**
Change from business combination			7 742	7 742
Companies acquired			15 000	15 000
Companies sold			-7 393	-7 393
Share of this year's profit	13 485	238 804	-3 114	249 175
Dividend distributed	-3 000	-100 800		-103 800
Currency translation differences *		-97 678	-279	-97 957
Other changes over equity		-2 843		-2 843
Closing balance as of 31.12.16	**86 485**	**611 985**	**32 405**	**730 875**

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

This year's profit from associated companies is as follows				
Share of this year's profit	13 485	238 804	-3 114	249 175
Gain from disposal of associate (Sørsmolt AS)			13 607	13 607
Income from associates	**13 485**	**238 804**	**10 493**	**262 783**
Fair value adjustments related to biological assets (after tax) from associates		-48 830		-48 830
Income from associates, before fair value adjustments related to biological assets	**13 485**	**189 974**	**10 493**	**213 952**

Information on the investments in associates considered material to the Group		
Country	Norway	Norway
Municipality	Austevoll	Bergen
Acquisition year	2015	2001
Owner and voting rights	50%	50%
Acquisition cost	**61 500**	**163 273**

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

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

Companies	Seistar Holding AS		Norskott Havbruk AS	
Consolidated figures	**2016**	**2015**	**2016**	**2015**
Revenue	104 518	111 503	1 720 555	1 498 486
Pre-tax profit	27 515	38 166	581 759	90 418
Annual profit	26 970	35 000	477 608	82 816
Comprehensive income	0	0	-5 686	-3
Fixed assets	367 509	135 115	875 983	880 285
Current assets	81 584	71 423	1 130 419	1 036 335
Total assets	449 093	206 538	2 006 402	1 916 620
Long-term debt	295 003	74 141	479 810	552 783
Short-term debt	23 420	22 697	302 622	214 833
Total debt	318 423	96 838	782 432	767 616
Net interest-bearing debt	221 752	12 934	267 323	481 977
Equity	130 670	109 701	1 223 970	1 149 004

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

Fair value adjustment related to biological assets in the balance sheet	**2016**		**2015**	
Ownership	100%	50%	100%	50%
Fair value adjustment as of 01.01	50 399	25 200	74 284	37 142
Fair value adjustment of biological assets through profit or loss	127 838	63 919	-23 885	-11 943
Fair value adjustment as of 31.12	178 237	89 119	50 399	25 200
Cost price of biological assets	737 402	368 701	853 445	426 723
Carrying value of biological assets 31.12	**915 640**	**457 820**	**903 845**	**451 922**
Total fish in sea (LWT)	18 409	9 205	17 499	8 750

Fair value adjustment related to biological assets in the income statement	**2016**		**2015**	
Ownership	100%	50%	100%	50%
Tax rate applied during the accounting period (for calculation of tax cost)	25%	25%	27%	27%
Tax rate applied for future periods (for calculation of deferred tax)	24%	24%	25%	25%
Profit and loss impact before tax	127 838	63 919	-23 885	-11 943
Tax cost before effect of change in tax rate	-31 960	-15 980	6 449	3 224
Effect of change in tax rate (change in deferred tax in the balance sheet)	1 782	891	1 008	504
Net effect of the fair value adjustment of biological assets, after tax*	**97 661**	**48 830**	**-16 428**	**-8 214**

*) 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.
Since income from associates (share of this year`s profit) is after tax, the fair value adjustment of own biological assets must also be after tax in the same APM.

Total harvest volume in the period (GWT):	28 043	14 022	27 032	13 516

Shares held for sale	**Place of business**	**Owneship/ voting right**	**Cost price**	**Fair value**
DNB Private Equity II (IS) AS	Oslo	1.11%	5 012	5 012
Bulandet Eiendom AS	Bulandet	12.67%	680	680
Other minor shareholdings			2 327	2 327
Total shares held for sale			**8 019**	**8 019**

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)

LSG recognises and measures biological assets at fair value. The Group recognises and measures biological assets (fish in sea) at fair value. For roe. fry. smolt and cleaner fish. historical cost provides the best estimate of fair value. For salmon and trout. including parent fish. a present value model is applied to estimate fair value. A present value model is applied. where the fair value of fish in the sea is estimated as a function of the estimated biomass at the time of release from stock. multiplied by the estimated sales price. For fish not ready for slaughter. a deduction is made to cover estimated residual costs to grow the fish to slaughter weight. The cash flow is discounted monthly by a discount rate. Please refer to note (I) on accounting policies for more detailed information.

The present value model now applied replaces the former growth model. Any impact on the financial statements is recognised as a change in accounting estimates. Compared with the former growth model. the transition to the new calculation model has resulted in an increase in stock value of NOK 658 million. The net effect on the income statement – minus the increase in liabilities for loss-making (onerous) contracts – is NOK 374 million.

Fair value adjustment recognised in the period related to biological assets comprises: (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. 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	**2016**	**2015**
Fish in sea at historical cost *	3 433 980	3 105 795
Roe. fry. smolt and cleaner fish at cost *	283 234	243 966
Total biological assets before fair value adjustment	3 717 214	3 349 760
Fair value adjustment of biological assets	2 701 099	971 070
Total biological assets	**6 418 313**	**4 320 830**
Fish in sea at fair value	6 135 079	4 076 864
Roe. fry. smolt and cleaner fish at fair value	283 234	243 966
Total biological assets	**6 418 313**	**4 320 830**

* Historical cost minus expensed mortality

Carrying amount of onerous contracts	2016	2015
Fair value of onerous contracts on the balance sheet at 31.12	284 381	0

Recognised fair value adjustment related to biological assets	2016	2015
Change in fair value adjustment of biological assets (fish in sea)	**1 730 028**	186 524
Change in fair value of onerous contracts	**-284 381**	0
Change in fair value of Fish Pool contracts	**24 914**	1 984
Fair value adjustments related to biological assets	**1 470 561**	**188 508**

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 01.01.2015	**202 584**	**2 694 863**	**784 546**	**3 681 993**
Changes in 2015				
Increase from biological transformation (released and net growth)	573 379	5 284 801		5 858 180
Increase from business combination (acquisition)	4 033	0		4 033
Reduction due to sale (smolt and cleaner fish)	-33 488	0		-33 488
Reduction due to harvest (salmon and trout)	-502 542	-4 757 576		-5 260 118
Reduction due to incident-based mortality	0	-107 986		-107 986
Reduction due to accidental release	0	-8 308		-8 308
Net change in fair value (fish in sea)	0	0	186 525	186 525
Biological assets 31.12.2015	**243 966**	**3 105 795**	**971 070**	**4 320 830**
Changes in 2016				
Increase from biological transformation (released and net growth)	635 882	5 187 375		5 823 258
Reduction due to sale (smolt and cleaner fish)	-596 614	0		-596 614
Reduction due to harvest (salmon and trout)	0	-4 673 280		-4 673 280
Reduction due to incident-based mortality	0	-180 974		-180 974
Reduction due to accidental release	0	-4 936		-4 936
Net change in fair value (fish in sea)	0	0	1 730 028	1 730 028
Biological assets 31.12.2016	**283 234**	**3 433 980**	**2 701 099**	**6 418 313**

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

Reconciliation of volume (LWT) for stock of fish in sea	2016	2015
Live weight of fish in sea at 01.01 (tonnes)	108 270	107 504
Changes through the year		
Increase from biological transformation (released and net growth)	186 151	191 322
Reduction due to harvesting	-179 700	-186 371
Reduction due to incident-based mortality	-6 111	-3 853
Reduction due to accidental release	-196	-332
Live weight of fish in sea at 31.12 (tonnes)	**108 413**	**108 270**

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)

Distribution by live weight	2016	2015
Fish in sea. 0-1 kg	11 823	11 167
Fish in sea. 1-2 kg	14 098	13 690
Fish in sea. 2-3 kg	17 229	11 865
Fish in sea. 3-4 kg	23 329	39 862
Fish in sea. more than 4 kg	41 933	31 686
Fish in sea. total salmon and trout	108 413	108 270

Distribution according to ready for slaughter or not. and by salmon and trout	2016	2015
Fish ready for slaughter (fish with live weight > 4.8 kg)	15 786	11 348
- Salmon	15 786	10 180
- Trout	0	1 168
Fish not ready for slaughter (fish with live weight < 4.8 kg)	92 627	96 922
- Salmon	78 858	73 727
- Trout	13 769	23 195
Total volume:	108 413	108 270
- Salmon	94 644	83 907
- Trout	13 769	24 363

Number of individuals		
Number of individuals. all groups (in 1.000)	52 768	53 884

Parameters applied for calculation of fair value

Parameters applied in 2015 for calculation of fair value	2015
Spot price applied for salmon. 31.12.2015	57.44
Spot price applied for trout. 31.12.2015	40.60
Share of contracts. salmon. included in calculation of fair value	33%
Share of contracts. trout. included in calculation of fair value	13%
Average price applied when calculating fair value for salmon. all sizes *	52.83
Average price applied when calculating fair value for trout. all sizes *	40.92

* Price before adjustment for quality downgrades and transport costs

The technical calculation model was amended on 1 January 2016. and the parameters applied are therefore different. Please refer to the description in item (I) in the note on accounting policies and in the introduction to this note for more detailed information.

Parameters applied in 2016 for calculation of fair value

Price parameters	Forward price *	Exporter fee	Clearing cost	Net forward price
Q1 2017	73.52	-0.75	-0.185	72.58
Q2 2017	72.05	-0.75	-0.185	71.12
Q3 2017	64.83	-0.75	-0.185	63.90
Q4 2017	64.80	-0.75	-0.185	63.87
Q1 2018	64.10	-0.75	-0.185	63.17
Q2 2018	63.90	-0.75	-0.185	62.97

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

Adjustments are also made for:

• Price premium (+/-) for trout	0.00
• Reduction for quality differences	-0.25
• Reduction for size differences	-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 slaughter weight.

Estimated average net price. all sizes (NOK/kg)	61.87

Other parameters

• Projected mortality in relation to number of individuals per month in North Norway	0.50%
• Projected mortality in relation to number of individuals per month in other regions	1.00%
• Projected slaughter weight (live weight)	4.8 kg
• Discount rate (monthly)	6%

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

Accidental release in 2016
For the Group, all accidental release is taken seriously, and the Group's target is zero accidental release. Accidental release may however occur randomly due to unforeseen incidents. In 2016, the Group reported three accidental releases, all involving trout. In February, 50,000 individual fish with a total weight of 196 tonnes were accidentally released when a net was damaged creating a hole. The cost price for these fish totalled approx. NOK 5 million, and the fair value is estimated to have been around NOK 8 million. It cost the Group NOK 2 million to recapture the fish. 61% of the accidentally released trout were recaptured. In April, 20 individuals were accidentally released in connection with an accident when unloading a well boat. Measured in weight and value, this incident is insignificant. In October, 300 individuals were accidentally released from a juvenile fish plant when a container overflowed. These were small individuals with an average weight of 20 grams. 172 individuals were recaptured (57%). The accident was insignificant in terms of weight and value. All accidental releases are reported to the Directorate of Fisheries, irrespective of the scope of the accident.

Incident-based mortality
The increase in incident-based mortality in 2016 must be seen in light of the significantly more stringent routines introduced by the Group for identifying mortality as abnormal. From and including 2016, the Group defines mortality as abnormal when more than 1.5% of the total number of fish die in the space of one month. For more detailed information, see the note on biological assets (I).

Abnormal mortality is defined as incident-based mortality, and is charged to the income statement in the period in which it occurs. In 2016, incident-based mortality mainly related to lice treatment. The Group is required by the authorities to carry out these treatments in order to comply with the limits established for salmon lice. Norway has the most stringent regulations worldwide for lice limits, and the Group remains in a transitional phase where the focus is on combating salmon lice by prevention rather than treatment. As the Group gradually gains success with prevention, and treatment technology is further developed, the Group expects incident-based mortality to decrease.

Other incidents
During certain periods of the year, the Group struggles to comply with the salmon lice limits imposed by the authorities. This does not necessarily result in mortality. However, due to stringent requirements on measures to be taken for lice infestation, the Group incurs major extra costs. These costs may either involve increased treatment costs – resulting in higher cost price for the fish – or higher costs for early slaughter. Although the slaughtering cost does not necessarily rise in total, the cost will still increase per kg due to the reduction in size. Fish harvested with a low weight represent a significantly higher cost per kg than fish ready for slaughter. At the same time, the price paid per kg for fish with low weight is lower. In addition, the cash flow may be affected by price reductions resulting from quality downgrades. The Group always makes use of best estimate, taking into account these factors, when calculating cash flow in the fair value assessment.

NOTE 10 ANDRE VARER

(All figures in NOK 1 000)

Other inventories consist of	2016	2015
Feed, packaging materials, auxiliary and other raw materials	282 771	240 919
Finished goods / goods for sale	443 194	315 363
Write-down of inventories re obsolescence	-4 162	-4 217
Total other inventories	**721 803**	552 065

NOTE 11 RECEIVABLES

(All figures in NOK 1 000)

Trade receivables	2016	2015
Nominal value	2 236 412	1 599 242
Provision for bad debts	-27 131	-30 422
Total trade receivables	**2 209 281**	1 568 820

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 2017, 96.3% of trade receivables (nominal value) had been collected, compared with 95% in the previous year. This represents 97.5% of book value, against 97% in the previous year.

Trade receivables 31.12 - overdue, no provision	2016	2015
0 to 3 months	319 089	300 192
3 to 6 months	7 474	6 472
More than 6 months	29 096	16 600
Total	**355 659**	323 264

Trade receivables 31.12 - overdue, provision	2016	2015
0 to 3 months	2 167	2 328
3 to 6 months	465	420
More than 6 months	14 690	13 766
Total	**17 321**	16 514

Bad debt, including change in provision, amounted to NOK - 8 814 in 2016, compared with NOK 4 695 in 2015.

Trade receivables in currency	2016	2015
NOK	741 792	401 184
SEK	167 417	206 042
GBP	59 085	59 324
EUR	943 706	676 135
USD	194 681	164 182
JPY	33 905	27 214
Other currencies	68 695	34 740
Total trade receivables	2 209 281	1 568 820

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 receivables	2016	2015
VAT to be refunded	252 287	169 025
Pre-payments	56 436	41 349
Currency futures and impacts of fair value hedging	57 570	0
Other	55 009	97 424
Total other receivables	421 302	307 798

Non-current receivables	2016	2015
Loan to associates	17 481	3 530
Prepayment for vessel under contruction (delivery in 2018)	32 378	0
Deposits (mainly Norges Råfisklag)	11 206	490
Loans to fishermen	8 102	0
Loans to employees	1 618	12 230
Other receivables and periodisations	5 894	996
Total	76 679	13 716

NOTE 12 FINANCIAL INSTRUMENTS

(All figures in NOK 1,000)

INTEREST RATE SWAPS

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

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

At year-end, the Group had the following interest rate swaps:

Agreements maturing after more than one year:

- Agreement from 2011: NOK 500,000, Start date when agreement was signed, Duration 10 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 2013: NOK 601,835, Start date when agreement was signed. Duration 2 years, Terminates 05.10.2018, Interest rate 3.33%, Havfisk AS (new, re. acquisition)
- Agreement from 2016: NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.01%, Havfisk AS (new, re. acquisition)
- Agreement from 2016: NOK 323,500, Start 05.10.2018. Duration 2.5 years, Terminates 06.04.2021, Interest rate 1.02%, Havfisk AS (new, re. acquisition)

Agreements maturing within one year:

- Agreement from 2016: NOK 50,000, Start date when agreement was signed. Duration 10 years, Terminates 04.06.2022, Interest rate 2.96%, Norway Seafoods Group AS (new, re. acquisition). This agreement has an option for termination in the first half of 2017. The Group plans to exercise this option. In connection with the acquisition of Norway Seafoods Group AS, this agreement was classified as short-term.

	Agreements maturing after more than one year	Agreements maturing within one year	Total of all interest rate swaps
Book value 01.01.2015			
Nominal amount 01.01.2015	1 000 000		1 000 000
Fair value of interest rate swaps at 01.01.2015	-131 044		-131 044
Deferred tax asset related to interest rate swaps, 27%	35 382		35 382
Net value (negative) after tax 01.01.2015	-95 662	0	-95 662
Changes in 2015			
Changes charged to equity			
Change in value of interest rate swaps in 2015	6 615		6 615
Change in deferred tax related to change in value during the period, 27%	-1 786		-1 786
Total changes charged to equity (cash flow hedging)	4 829	0	4 829
Changes through profit or loss			
Effect of change in tax rate from 27% to 25% recorded through profit or loss (change in estimate)	-2 489		-2 489
Total changes recorded through profit or loss	-2 489	0	-2 489
Book value 31.12.2015			
Nominal amount 31.12.2015	1 000 000		1 000 000
Fair value of interest rate swaps 31.12.2015	-124 429		-124 429
Deferred tax asset related to interest rate swaps, 25%	31 107		31 107
Net value (negative) after tax 31.12.2015	-93 322	0	-93 322
Interest charged in 2015 related to interest rate swaps:	20 806		20 806
Changes in 2016			
Changes from business combinations			
Nominal amount on acquired agreements	1 248 835	50 000	1 298 835
Fair value of interest rate swaps from acquisitions	-29 705	-2 026	-31 731
Deferred tax related to interest rate swaps from acquisitions	7 426	507	7 933
Net value of interest rate swaps from acquisitions	-22 279	-1 520	-23 798
Changes charged to equity			
Change in value of interest rate swaps in 2016	37 830	695	38 525
Change in deferred tax related to change in value during the period, 25%	-9 457	-174	-9 631
Total changes charged to equity (cash flow hedging)	28 372	521	28 894
Changes through profit or loss			
Effect of change in tax rate from 25% to 24% recorded through profit or loss (change in estimate)	-1 163	-13	-1 176
Sum changes recorded through profit or loss	-1 163	-13	-1 176
Book value 31.12.2016			
Nominal amount	2 248 835	50 000	2 298 835
Fair value of interest rate swaps at 31.12.2016	-116 304	-1 331	-117 635
Deferred tax asset related to interest rate swaps, 24%	27 913	319	28 232
Net value (negative) after tax 31.12.2016	-88 391	-1 012	-89 403
Interest charged in 2016 related to interest rate swaps:	26 286	82	26 368

CURRENCY FORWARD CONTRACTS

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

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

Overview of currency forward contracts at 31.12.2015	Currency amount, future	Forward exchange rate, currency	Forward amount, NOK	Rate 31.12.15	Estimated fair value currency forward contracts 31.12.15 NOK
EURO	97 224	9.22	896 430	9.62	-38 437
USD	34 370	8.66	297 555	8.80	-4 853
GBP	15 203	12.82	194 963	13.05	-3 436
SEK	223 400	99.58	222 459	104.67	-11 374
JPY	6 767 715	0.0712	481 561	0.0731	-13 172
AUD	5 168	6.01	31 047	6.43	-2 199
CHF	900	8.70	7 831	8.90	-176
DKK	46 000	126.12	58 016	128.86	-1 260
Total					**-74 908**

Overview of currency forward contracts at 31.12.2016	Currency amount, future	Forward exchange rate, currency	Amount in NOK	Rate 31.12.16	Estimated fair value currency forward contracts 31.12.16 NOK
EURO	132 202	9.09	1 201 801	9.09	545
USD	34 190	8.55	292 268	8.65	-3 326
GBP	18 223	10.71	195 105	10.61	1 759
SEK	189 900	97.11	184 421	94.84	4 320
JPY	7 303 249	0.0769	561 618	0.0739	22 273
AUD	5 020	6.30	31 619	6.24	286
CHF	350	8.48	2 969	8.45	11
DKK	22 100	122.80	27 139	122.23	126
Total					**25 994**

The effect of currency forward contracts is a net positive market value of NOK 26 million at 31.12.16. The fair value of currency forward contracts is classified as other short-term receivables at 31.12.16 (other short-term debt 31.12.2015), while non-realised gain is classified as other short-term debt. At 31.12.16, non-realised gain totalled NOK 12.1 million, and related to added value on currency forward contracts offset against binding commitments not entered in the accounts. The effect of realised currency forward contracts during the year is charged to cost of goods in the income statement.

FINANCIAL PURCHASE AND SALES CONTRACTS FOR SALMON (FISH POOL CONTRACTS)

At the end of 2016, Lerøy Seafood Group has open financial purchase contracts for salmon (Fish Pool contracts). The fair value of these contracts is NOK 24.9 million at 31 December 2016. At the end of 2015, the Group had no open contracts.

The contracts expire within one year. The fair value of Fish Pool contracts is classified as other short-term receivables.

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 2016 is NOK 24.9 million. The corresponding figure in 2015 was NOK 2.0 million. The effect is charged to cost of goods when realised.

BUNKER DERIVATIVES

At the end of 2016, Lerøy Seafood Group has open financial purchase contracts for bunkers (bunker derivatives). The fair value of these contracts is NOK 6.6 million at 31 December 2016. The derivatives were acquired in connection with the acquisition of Havfisk AS. The Group has not previously had such contracts.

The majority of the contracts expire within one year. The fair value of the bunker derivatives (gross liability) is carried under the item for "other short-term receivables".

The effective share of the change in value of the derivatives is recorded through other comprehensive income (cash flow hedging). The gross liability carried is a taxable temporary difference. The change in deferred tax caused by the change in gross carrying amount is also recorded through other comprehensive income, and is therefore not included in the tax cost for the year in the income statement.

FINANCIAL INSTRUMENTS BY CATEGORY

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

As of 31.12.2015 - Assets	Loans, receivables and cash	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets held for sale	Total
Shares held for sale				7 293	7 293
Trade receivables and other receivables *	1 666 244				1 666 244
Cash and cash equivalents	1 247 614				1 247 614
Total	**2 913 858**	**0**	**0**	**7 293**	**2 921 151**

As of 31.12.2015 – Liabilities	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedg-ing	Other finan-cial liabilities	Total
Derivatives, cash flow hedging (interest rate swaps)			124 429		124 429
Loans (excl. finance leases)	2 538 535				2 538 535
Finance leases	532 244				532 244
Overdraft facility	771 488				771 488
Trade payables and other debt **			74 908	1 123 224	1 198 132
Total	**3 842 267**	**0**	**199 337**	**1 123 224**	**5 164 828**

As of 31.12.2016 – Assets	Loans, re-ceivables and cash	Assets at fair value through profit or loss	Derivatives used for hedg-ing	Financial as-sets held for sale	Total
Shares available for sale				8 019	8 019
Trade receivables and other receivables *	2 264 291		57 570		2 321 861
Cash and cash equivalents	2 233 700				2 233 700
Total	**4 497 991**	**0**	**57 570**	**8 019**	**4 563 580**

As of 31.12.2016 – Liabilities	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedg-ing	Other finan-cial liabilities	Total
Long-term liabilities (interest rate swaps)			116 304		116 304
Loans (excl. finance leases)	4 495 319				4 495 319
Finance leases	609 679				609 679
Overdraft facility	530 368				530 368
Trade payables and other debt **	65 355		1 331	1 673 235	1 739 921
Total	**5 700 721**	**0**	**117 635**	**1 673 235**	**7 491 591**

*) Trade receivables and other receivables excl. advance payments and receivable public duties.

**) Trade payables and other debt, excl. statutory liabilities.

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 31.12.2016 – Assets	Level 1	Level 2	Level 3
Financial assets held for sale			
– Shares			8 019
Derivatives used for hedging			
– Currency forward contracts (fair value hedging)		25 994	
– Fish Pool contracts (fair value hedging)		24 914	
– Bunker derivatives (cash flow hedging)		6 551	
Total		**57 570**	**8 019**

As of 31.12.2016 – Liabilities	Level 1	Level 2	Level 3
Derivatives used for hedging			
– Interest rate swaps (cash flow hedging)		117 635	
Total		**117 635**	

NOTE 13 LOANS, MORTGAGES AND GUARANTEES

(All figures in NOK 1 000)

NET INTEREST-BEARING DEBT	2016	2015
Specification		
Long-term interest-bearing debt	4 541 277	2 377 123
Short-term interest-bearing debt	1 159 444	1 465 144
Long-term interest-bearing receivables	33 534	0
Short-term interest-bearing receivables	0	0
Bank deposits	2 233 700	1 247 614
Net interest-bearing debt 31.12	3 433 487	2 594 653
Reconciliation of change in net interest-bearing debt		
EBITDA before fair value adjustments related to biological assets	3 355 089	1 813 869
Taxes paid during the period	-224 573	-376 423
Change in capital employed	-329 690	-662 437
Other changes	-33 733	-8 456
Net cash flow from operating activities	2 767 093	766 552
Acquisitions and redemption of non-controlling interests	-3 376 208	-87 950
Net investment in intangibles and fixed assets	-742 629	-576 265
Dividends received from associates	103 800	49 000
Other changes in non-current assets	-1 970	-49 770
Net cash flow from investing activities	-4 017 007	-664 985
Net financial expenses	-141 135	-127 756
Net payments from new equity	2 174 289	973
Payment of dividends (including to non-controlling interests in subsidiaries)	-664 828	-680 325
Net cash flow from financing activities	1 368 326	-807 108
Change in net interest-bearing debt from business combination	-985 386	-6 186
Other changes (currency exchange effects)	28 140	-6 805
Total other changes	-957 246	-12 991
Net interest-bearing debt 01.01	2 594 653	1 876 121
Changes during the year	838 834	718 532
Net interest-bearing debt 31.12	3 433 487	2 594 653

INTEREST-BEARING DEBT	2016	2015
Long-term interest-bearing debt		
Debt to credit institutions, etc.	4 486 760	2 538 535
Leasing liabilities	609 679	532 244
Other long-term debt	8 559	0
Next year's instalments on long-term debt	-563 721	-693 656
Total long-term interest-bearing debt 31.12	4 541 277	2 377 123
Short-term interest-bearing debt		
Debt to credit institutions (multi-currency credit)	530 368	771 488
Factoring agreement with DNB	65 355	0
Next year's instalments on long-term liabilities	563 721	693 656
Total short-term interest-bearing debt 31.12	1 159 444	1 465 144
Total interest-bearing debt 31.12	5 700 721	3 842 267
Interest-bearing debt specified by currency		
NOK	5 261 141	3 489 902
SEK	85 480	230 988
EUR	349 886	118 630
Other currencies	4 214	2 747
Total	5 700 721	3 842 267

LOANS SECURED BY MORTGAGES	2016	2015
Long-term debt to credit institutions, etc.	4 486 760	2 538 535
Short-term debt to credit institutions (multi-currency credit)	530 368	771 488
Factoring agreement with DNB	65 355	0
Other long-term interest-bearing debt	8 559	0
Leasing liabilities	609 679	532 244
Total liabilities secured by mortgages 31.12	5 700 721	3 842 267

MORTGAGED ASSETS	2016	2015
Trade and other receivables	844 031	675 863
Shares in associates (Norskott Havbruk AS)	611 984	574 502
Biological assets and other goods	6 978 457	4 742 889
Buildings and other fixed assets	3 920 718	2 699 923
Licences *	644 100	644 100
Total	12 999 290	9 337 277

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

PAYMENT PROFILE FINANCIAL LIABILITIES	2017	2018	2019	2020	2021	After 2021	Sum
Instalment profile long-term debt							
Instalments on debt to credit institutions	430 809	428 052	573 521	444 198	1 337 892	1 272 290	4 486 761
Instalments on leasing debt	131 474	113 653	95 416	74 616	59 544	134 976	609 679
Instalments on other long-term interest-bearing debt	1 437	1 477	1 518	1 560	1 489	1 077	8 559
Total instalments on long-term debt	**563 721**	**543 182**	**670 455**	**520 373**	**1 398 925**	**1 408 343**	**5 104 999**
Interest payment profile long-term debt							
Interest on debt to credit institutions	128 676	118 311	106 507	94 502	74 668	166 723	689 387
Interest on leasing debt	15 716	12 175	9 155	6 698	4 760	44 400	92 904
Interest on other long-term interest-bearing debt							
Total	**144 392**	**130 486**	**115 662**	**101 200**	**79 428**	**211 123**	**782 291**
Other short-term financial liabilities							
Overdraft	530 368						530 368
Factoring agreement with DNB	65 355						65 355
Accrued interests	7 925						7 925
Total	**603 648**	**0**	**0**	**0**	**0**	**0**	**603 648**
Grand total	**1 311 761**	**673 668**	**786 117**	**621 573**	**1 478 353**	**1 619 466**	**6 490 938**

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	2017	2018	2019	2020	2021	2022	Later
Interest-bearing debt per 01.01	5 700 721	4 541 277	3 998 095	3 327 640	2 807 267	1 408 342	603 794
Instalments	-1 159 444	-543 182	-670 455	-520 373	-1 398 925	-804 548	-603 794
Interest-bearing debt per 31.12	4 541 277	3 998 095	3 327 640	2 807 267	1 408 342	603 794	
Interest-bearing debt secured with fixed interest *							
NOK 500 mill, until 16.01.2022	500 000	500 000	500 000	500 000	500 000	20 833	
NOK 500 mill, until 16.11.2021	500 000	500 000	500 000	500 000	437 500		
NOK 323.5 mill, 05.10.2018 - 06.04.2021		80 875	323 500	323 500	80 875		
NOK 323.5 mill, 05.10.2018 - 06.04.2021		80 875	323 500	323 500	80 875		
NOK 601.8 mill, until 05.10.2018	601 835	451 376					
NOK 50 mill, until 30.06.2017	25 000						
Secured interest-bearing debt	**1 626 835**	**1 613 126**	**1 647 000**	**1 647 000**	**1 099 250**	**20 833**	
Unsecured interest-bearing debt	**2 914 442**	**2 384 969**	**1 680 640**	**1 160 267**	**309 092**	**582 961**	
Total interest-bearing debt (NIBD)	**4 541 277**	**3 998 095**	**3 327 640**	**2 807 267**	**1 408 342**	**603 794**	
Portion of NIBD exposed to interest rate changes	64%	60%	51%	41%	22%	97%	100%

* The hedged amount in the last period is calculated on the basis of expiry date in the interest rate swap.

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 34 942 for 2017. Average interest-bearing debt according to the payment profile above has been used as the base for this calculation. NOK 1.6 billion of total interest-bearing debt will not be impacted by a potential change in the interest level due to the interest rate swaps.

Lånevilkår ("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 2016. However, Lerøy Seafood Group acquired a company - Norway Seafoods Group AS - during the year that was already in breach of its covenants. The sub group Norway Seafoods Group AS has separate covenants, based on minimum equity, EBITDA and investment. The sub group is in breach of the covenant related to EBITDA as of 31.12. The creditor has been informed, and a waiver has been approved.

NOTE 14 LEASING

(All figures in NOK 1 000)

Leased assets booked in the consolidated financial statements as finance leases:	2016	2015
Book value of leasing debt (present value)	609 679	532 244
Book value of leased assets:	600 398	681 094
- Buildings	14 266	16 404
- Production equipment and other operating assets	586 132	664 690
Minimum rent, financial leasing:		
0-1 year	143 271	127 072
1-5 years	374 337	343 435
5 years -	143 804	105 743
Total	661 412	576 251
Interest costs, finance leases:		
0-1 year	10 849	9 851
1-5 years	26 526	24 334
5 years -	14 357	9 821
Total	51 732	44 006
Future minimum lease payments		
0-1 year	132 422	117 221
1-5 years	347 811	319 101
5 years -	129 447	95 922
Total	609 679	532 244

Specification of operating lease commitments	2016	2015
Minimum rent, operating lease:		
0-1 year	25 795	6 585
1-5 years	66 298	13 879
5 years -	5 680	
Total	97 773	20 464
Net present value of future minimum rent		
0-1 year	25 232	6 449
1-5 years	62 142	13 026
5 years -	4 500	
Total	91 874	19 475

NOTE 15 PENSIONS

(All figures in NOK 1 000)

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

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

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

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

Defined benefit plans	2016	2015
Present value of future pension liabilities	27 587	16 665
Fair value of pension funds	-22 368	-12 900
Net pension liabilities	5 219	3 765

Change in capitalised liabilities	2016	2015
Carrying value as of 01.01	3 765	6 878
Costs booked during the year	826	1 383
Estimate differences recognised through comprehensive income (before tax)	-5 795	-2 058
Pension payments and payments of pension premiums	-702	-2 438
Change in liability from business combination	7 124	0
Carrying value at 31.12. defined benefit plans	5 219	3 765

Total pension cost through profit or loss	2016	2015
Net pension cost, defined contribution plans	64 044	57 641
Net pension cost, defined benefit plans	826	1 383
Total	64 870	59 024

Total pension cost through comprehensive income	2016	2015
Net pension cost (before tax) from benefit plans - comprehensive income	-5 795	-2 058
Total pension cost through comprehensive income	-5 795	-2 058

NOTE 16 TAXATION

(All figures in NOK 1 000)

Tax cost	2016	2015
Tax payable	**516 792**	241 261
Change in deferred tax	**409 899**	26 965
Total tax cost	**926 691**	**268 226**

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:

	2016	2015
Pre-tax profit/loss	**4 445 321**	1 501 108
Tax based on tax rates in the various countries	**1 112 601**	405 299
Effect on deferred tax of changed tax rate	**-115 399**	-123 695
Tax effect of change in US positions not booked on accounts	**-13 287**	0
25% / 27% of net permanent differences etc.	**2 486**	-2 012
25% / 27% of recycled translation differences	**0**	-1 061
25% / 27% of gain related to withdrawal from associate etc.	**-3 589**	-7 040
25% / 27% of share of profit/loss from associate	**-36 156**	-3 266
25% / 27% of other differences	**-19 965**	0
Tax cost	**926 691**	**268 226**
Effective tax rate	**20,8%**	17,9%

Change in book value of deferred tax	2016	2015
Capitalised value 01.01	**1 526 438**	1 488 999
Business combination	**818 230**	8 075
Tax effect through total profit/loss (equity)	**16 645**	2 401
Recognised change	**409 899**	26 965
Net capitalised value 31.12	**2 771 212**	**1 526 438**
Capitalised deferred tax asset *)	**-31 059**	-41 536
Capitalised deferred tax	**2 802 271**	1 567 973

*) 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	Receiv-ables	Other differences	Total
01.01.2015	494 451	67 995	980 439			1 542 885
Business combination	16 200	4 342				20 542
Recognised in the period	-48 528	-29 828	82 903			4 547
31.12.15	**462 123**	**42 509**	**1 063 342**	**0**	**0**	**1 567 974**
Business combination (25%)	863 570	-45 559	0	9 445	56 431	883 887
Recognised in the period	-62 458	3 547	475 197	-9 445	-56 431	350 410
31.12.16	**1 263 235**	**497**	**1 538 539**	**0**	**0**	**2 802 271**

Deferred tax assets (-)	Loss car-ryforward	Operating assets and leases	Goods/ biological assets	Receiv-ables	Other differences	Total
01.01.2015	-3 348	0		-17 436	-33 103	-53 888
Business combination				-1 000	-11 468	-12 468
Recognised in the period	-22 153	-5 730		11 623	38 679	22 418
Deferred tax on records through other comprehensive income					2 401	2 401
31.12.15	**-25 501**	**-5 730**	**0**	**-6 813**	**-3 491**	**-41 536**
Business combination (25%)	-58 772	-6 314	-571			-65 657
Recognised in the period	83 200	-3 172	571	1 877	-22 988	59 489
Deferred tax on records through other comprehensive income					16 645	16 645
31.12.16	**-1 073**	**-15 216**	**0**	**-4 936**	**-9 834**	**-31 059**

Deferred tax	31.12.16	31.12.15
Deferred tax on positive temporary differences 31.12.	**2 802 271**	1 567 974
Deferred tax on negative temporary differences 31.12.	**-31 059**	-41 536
Net	**2 771 212**	**1 526 438**
Short-term tax positions	**1 533 603**	1 056 529
Long-term tax positions	**1 237 609**	469 909
Total	**2 771 212**	**1 526 438**

NOTE 17 OTHER SHORT-TERM DEBT

(All figures in NOK 1 000)

Other short-term debt	**2016**	2015
Onerous contracts (related to fair value adjustment of biological assets)	**284 381**	0
Accrued wages and holiday pay	**272 322**	157 231
Other accruals	**148 553**	93 764
Factoring, DNB	**65 355**	0
Accrued customer discounts	**63 907**	71 306
Prepayments from customers	**56 996**	26 295
Accrued interest costs	**21 522**	6 434
Other short-term debt	**15 513**	9 445
Impacts of fair value hedging from interest rate swaps	**1 331**	0
Impacts of fair value hedging from currency forward contracts	**0**	74 908
Total other short-term debt	**929 880**	**439 383**

NOTE 18 EARNINGS PER SHARE

	2016	2015
This year's earnings to LSG shareholders (NOK 1,000)	**3 224 143**	1 179 718
No. of shares on balance sheet date (NOK 1,000)	**59 577**	54 577
Average number of shares (NOK 1,000)	**57 077**	54 577
Average number of shares with dilution (NOK 1,000)	**57 077**	54 577
Earnings per share	**56.49**	**21.62**
Diluted earnings per share	**56.49**	21.62

NOTE 19 DIVIDEND PER SHARE

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

Distributed dividend in current financial year

Distributed dividend in 2016. based on 2015 profit. was NOK 12.00 per share. This amounts to NOK 654 928.

Recommended dividend

Based on the 2016 profit. a corresponding dividend of NOK 13.00 per share is recommended for distribution in 2017. This amounts to NOK 774 506. A final decision will be made by the general meeting on 23 May 2017.

YEAR	Number of shares 31.12	Recommended dividend per share	Recommended dividend	Share of profit for the year to LSG shareholders	Earnings per share	Recommended dividend relative to profit	Share of profit for the year to LSG shareholders, before fair value adjustments *	Earnings per share, before fair value adjustments *	Recommended dividend relative to profit, before fair value adjustments *
2016	**59 577**	**13.00**	**774 506**	**3 224 143**	**56.49**	**24%**	**2 192 909**	**38.42**	**35%**
2015	54 577	12.00	654 928	1 179 718	21.62	56%	1 057 767	19.38	62%
2014	54 577	12.00	654 928	1 055 916	19.35	62%	1 312 258	24.04	50%
2013	54 577	10.00	545 774	1 733 352	31.76	31%	1 152 700	21.12	47%
2012	54 577	7.00	382 042	480 797	8.81	79%	278 958	5.11	137%
2011	54 577	7.00	382 042	382 705	7.01	100%	825 625	15.13	46%
2010	54 577	10.00	545 774	1 419 507	26.25	38%	1 193 765	22.08	46%
2009	53 577	7.00	375 042	729 488	13.62	51%	685 940	12.80	55%
2008	53 577	2.80	150 017	124 730	2.33	120%	151 416	2.83	99%
2007	53 577	1.80	96 439	277 014	5.75	35%	279 611	5.80	34%
2006	42 777	5.01	214 309	651 516	15.86	33%	575 141	14.00	37%
2005	39 377	1.80	70 879	319 312	8.65	22%	248 443	6.73	29%
2004	34 441	0.88	30 308	83 402	2.42	36%	82 216	2.42	37%
2003	34 441	0.60	20 664	30 518	1.15	68%	30 518	1.15	68%
2002	29 441	0.60	17 664	25 650	1.13	69%	25 650	1.13	69%
Sum		**91.49**	**4 915 316**	**11 717 767**		**42%**	**10 092 917**		**49%**

* Alternative Performance Measures. The profit amounts are adjusted by the fair value adjustment related to biological assets. The adjustment is after tax. Included in the adjustment is also the Groups' share of such adjustments from associates (after tax).

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of	Number	Nominal value	Book value
Share capital 01.01.2016	54 577 368	1.00	54 577 368
Share issue in June 2016	5 000 000	1.00	5 000 000
Share capital 31.12.2016	**59 577 368**	**1.00**	**59 577 368**

Lerøy Seafood Group ASA had 4 211 shareholders at 31.12.16. The corresponding number at year end 2015 was 2 809. All shares confer the same rights in the company. The Group had 521 foreign shareholders at the end of 2016. They owned 15 263 830 shares in total. representing 25.62% of the total capital.

Overview of the 20 largest shareholders at 31.12	2016		2015	
	No. of shares	Ownership	No. of shares	Ownership
AUSTEVOLL SEAFOOD ASA	**31 394 281**	**52.69%**	34 144 281	62.56%
FOLKETRYGDFONDET	**2 529 844**	**4.25%**	2 298 041	4.21%
STATE STREET BANK & TRUST CO. OM80	**1 444 254**	**2.42%**	943 986	1.73%
DANSKE INVEST NORSKE INSTIT. II.	**670 853**	**1.13%**	494 146	0.91%
JPMORGAN CHASE BANK. N.A.. LONDON . JPMCB RE HB SWED FUNDS LEND AC	**635 121**	**1.07%**		
PARETO AKSJE NORGE	**628 845**	**1.06%**	830 690	1.52%
CLEARSTREAM BANKING S.A.	**605 780**	**1.02%**		
FERD AS	**600 000**	**1.01%**		
STATE STREET BANK & TRUST CO. OM06	**562 438**	**0.94%**	592 655	1.09%
SKANDINAVISKA ENSKILDA BANKEN AB	**502 352**	**0.84%**	298 531	0.55%
STATE STREET BANK AND TRUST COMP REF:OM08	**459 653**	**0.77%**		
VERDIPAPIRFONDET ALFRED BERG GAMBA	**343 484**	**0.58%**	244 129	0.45%
PICTET & CIE (EUROPE) S.A.	**340 095**	**0.57%**	255 201	0.47%
VPF NORDEA KAPITAL	**331 623**	**0.56%**	294 751	0.54%
DANSKE INVEST NORSKE AKSJER INST	**310 192**	**0.52%**	246 592	0.45%
KONTRARI AS	**300 000**	**0.50%**		
JPMORGAN CHASE BANK. N.A.. LONDON. A/C VANGUARD BBH LENDING ACCOUNT	**298 913**	**0.50%**		
JP MORGAN BANK LUXEMBOURG S.A JPML SA RE CLT ASSETS LUX RES LEND	**296 567**	**0.50%**	252 472	0.46%
STATE STREET BANK AND TRUST CO A/C WEST NON-TREATY ACCOUNT	**286 172**	**0.48%**		
VPF NORDEA NORGE VERDI C/O JPMORGAN EU-ROPE LTD. OSLO BR.	**282 879**	**0.47%**		
JP MORGAN CHASE BANK. NA			451 800	0.83%
JP MORGAN CHASE BANK. NA. LONDON			392 329	0.72%
LERØY SEAFOOD GROUP ASA			329 776	0.60%
STATE TEACHERS RETIREM SYST OHIO			288 185	0.53%
PARETO AS			246 000	0.45%
STATE STREET BANK AND TRUST CO. FDOY59			236 711	0.43%
BLACKROCK RES/COM.STRATEGY TR			235 731	0.43%
VERDIPAPIRFONDET DNB NORGE SELEKTI			235 514	0.43%
Total 20 largest shareholders	**42 823 346**	**71.88%**	**43 311 521**	**79.36%**
Others	16 754 022	28.12%	11 265 847	20.64%
Total share capital	**59 577 368**	**100.00%**	**54 577 368**	**100.00%**

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

Board member (employees' representative) Hans Petter Vestre owns 120 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	2016	2015
Salary	**1 426 584**	1 083 196
Employer's national insurance contribution	**154 403**	138 647
Hired personnel	**83 975**	88 452
Pension costs	**64 870**	59 024
Other remuneration	**11 934**	9 326
Other personnel expenses	**43 770**	32 379
Total	**1 785 537**	**1 411 024**

Number of employees	2016	2015
Men	**2 518**	1 690
Women	**1 265**	837
Total	**3 783**	**2 527**
Percentage of women	**33.4%**	33.1%

Remuneration of senior executives	CEO		CFO		EVP Farming	
	2016	2015	2016	2015	2016	2015
Salary	**2 971**	2 968	**2 134**	1 979	**2 325**	2 258
Bonus including extraordinary bonus	**1 700**	3 200	**893**	893	**1 200**	1 200
Premium recognised for defined contribution plan	**113**	63	**111**	61	**112**	62
Other remuneration	**38**	36	**27**	32	**100**	125

No remuneration with mandatory reporting is paid to the Chairman of the Board. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees from the Group's ultimate parent company, Laco AS, where the Chairman of the Board is an employee. Remuneration of other board members totalled NOK 1 200 in 2016 (equally distributed), the same as in 2015. The number of Board members is also the same as it was in 2015.

Remuneration of the nomination committee is unchanged compared to the previous year, and amounts to NOK 105 in 2016. As for the members of the Board, the remuneration is equally distributed.

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

Mandates granted to the Board of Directors

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

The first time the Board was authorised to acquire the company's own shares was at the annual general meeting on 12 May 2000. This mandate has subsequently been renewed, most recently at the annual general meeting on 24 May 2016, and is to remain valid for 18 months from the date on which the resolution was adopted. The mandate has not been exercised in 2016. Renewal of the mandate will be recommended to the general meeting on 23 May 2017.

The Board has authority to increase the share capital by up to NOK 5,000,000 by issuing up to 5,000,000 shares in Lerøy Seafood Group ASA, each with a nominal value of NOK 1, through one or more private placings with the company's shareholders and/or external investors. This type of mandate was first established by the annual general meeting of 4 May 1999 and subsequently renewed by the annual general meeting on 24 May 2016, and is to remain valid for 24 months from the date on which the resolution was adopted. The mandate was exercised in 2016. It will be recommended that an equivalent mandate be approved by the annual general meeting on 23 May 2017.

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

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

Auditor
The Group auditor is PricewaterhouseCoopers AS. Fees invoiced from the Group auditor also include the law firm PricewaterhouseCoopers AS and other PricewaterhouseCoopers companies abroad. The auditing fee for the Group's auditor specified below is the agreed fee for the audit of the present year. Other fees concern services received during 2016, and have been as follows:

Fees to auditor	2016	2015
Auditing fees Group auditor	4 576	3 186
Auditing fees other auditors	2 013	992
Tax advice Group auditor	319	337
Tax advice other auditors	437	38
Other certification services Group auditor	303	201
Other services Group auditor	1 925	1 883
Other services other auditors	758	311
Total	**10 331**	**6 948**

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

NOTE 22 ITEMS THAT ARE COMBINED IN THE FINANCIAL STATEMENTS

(All figures in NOK 1 000)

Financial revenue		2016	2015
Other interest revenue		18 539	12 169
Currency gain	1)	7 640	0
Other financial revenue		925	329
Total financial revenue		**27 104**	12 498

Financial costs		2016	2015
Other interest costs		150 670	126 295
Currency loss	1)	0	8 632
Other financial costs		7 925	6 299
Total financial costs		**158 595**	141 226
Net financial items		**-131 491**	-128 728

Capitalised interests	2016	2015
Capitalised interests relate to fixed assets (production plants)	0	0

[1] Currency gains and losses related to purchases and sales are presented as a part of the accounting line for cost of materials. Net currency gain in 2016 is NOK 54.4 million. In 2015, net gain was NOK 29.9 million.

NOTE 23 CURRENCY TRANSLATION DIFFERENCES

(All figures in NOK 1 000)

Assets and liabilities in foreign enterprises are translated to Norwegian krone according to the exchange rate on balance sheet date. Revenues and expenses from foreign enterprises are translated 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 01.01.15	**50 402**	**29 128**	**79 530**
Currency translation differences 2015	84 799	12 113	96 911
Reversed accumulated negative currency translation in 2015	3 929	0	3 929
Accumulated currency translation differences as of 31.12.15	**139 130**	**41 240**	**180 370**
Accumulated currency translation differences as of 01.01.16	**139 130**	**41 240**	**180 370**
Currency translation differences 2016	-150 892	-6 160	-157 052
Redemption of foreign non-controlling interests	35 080	-35 080	0
Accumulated currency translation differences as of 31.12.16	**23 318**	**0**	**23 318**

NOTE 24 RELATED PARTIES

(All figures in NOK 1,000)

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

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

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

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

2015	Ownership	Sales	Purchases	Receivables	Debt
Transactions with parent company and its related parties:					
Laco AS	"Ultimate parent"	0	3 658	0	0
Fitjar Mekansike Verksted AS	Laco AS (100%)	0	28 794	0	87
Pelagia AS	Laco AS (50%)	0	0	0	0
Austevoll Seafood ASA	Laco AS (62,56%)	0	0	0	0
Hordafor AS	Pelagia AS (50%)	42 723	12 026	1 302	698
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)	192 934	306 683	44 051	73 460
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries:					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50%)	-51	0	63	0
Scottish Seafarms	Norskott Havbruk AS (100%)	610	215 324	-610	18 954
Seistar Holding AS corporation	Lerøy Seafood Group ASA (50%)	2 277	30 230	24	3 919
Lerøy Schlie	Lerøy Seafood Group ASA (50%)	30 902	480	4 230	-205
Ocean Forest AS	Lerøy Seafood Group ASA (50%)	667	0	0	28
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20%)	0	438	0	0
Norway Salmon AS	Lerøy Midt AS (20%)	0	0	2 000	0
Sørsmolt AS	Lerøy Vest AS (49%)	2 345	40	204	0
Romsdal Processing AS	Lerøy Aurora AS (50%)	7	28 751	1 530	3 139
Kirkenes Processing AS	Lerøy Aurora AS (50%)	717	18 223	9 736	10
NCIs in subsidiaries		0	0	2 087	0
Total transactions and intercompany accounts with all identified related parties		**273 131**	**644 647**	**64 616**	**100 089**

Dividend received from Norskott Havbruk AS in 2015 was NOK 46,000.
Dividend received from Seistar Holding AS in 2015 was NOK 3,000.

2016	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties:					
Laco AS	"Ultimate parent"	0	4 469	0	0
Fitjar Mekaniske Verksted AS	Laco AS (100%)	0	12 292	0	1 729
Pelagia AS	Laco AS (50%)	0	1 349	0	0
Austevoll Seafood ASA	Laco AS (55.55%)	0	0	0	0
Hordafor AS	Pelagia AS (50%)	42 100	29 060	6 399	2 161
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)	242 499	90 684	36 285	11 207
Brødrene Birkeland AS	Austevoll Seafood ASA (49.99%)	0	0	40	0
Kobbevik og Furuholmen Oppdrett AS	Brødrene Birkeland AS (100%)	0	387 112	0	98 553
Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries:					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50%)	85	0	0	0
Scottish Seafarms	Norskott Havbruk AS (100%)	0	34 930	591	9 648
Seistar Holding AS konsern	Lerøy Seafood Group ASA (50%)	0	53 198	0	1 463
Lerøy Schlie	Lerøy Seafood Group ASA (50%)	60 909	354	6 215	205
Lerøy Sommarøy AS	Lerøy Seafood Group ASA (50%)	0	10 832	0	68
Ocean Forrest AS	Lerøy Seafood Group ASA (50%)	143	3 000	1 186	0
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20%)	0	459	0	0
Norway Salmon AS	Lerøy Midt AS (20%)	0	0	0	0
Romsdal Processing AS	Lerøy Aurora AS (50%)	13	27 842	1 534	2 376
Kirkenes Processing AS	Lerøy Aurora AS (50%)	345	21 901	7 463	0
Nesset Kystfiske AS *	Sørvær Kystfiskeinvest AS (34%)	0	0	0	0
Holmen Fiske AS *	Sørvær Kystfiskeinvest AS (34%)	0	0	0	0
Itub AS *	Norway Seafoods Group AS (22,3%)	0	84	0	0
Vestvågøy Kystrederi AS *	Havfisk AS (49,6%)	0	0	0	0
Finnmark Kystfiske AS *	Havfisk AS (48%)	0	0	11 483	0
NCIs in subsidiaries		0	0	2 330	0
Total transactions and intercompany accounts with all identified related parties		**346 094**	**677 565**	**73 526**	**127 409**

*) Sale and purchase of goods from and including 01.09.2016

Dividend received from Norskott Havbruk AS in 2016 was NOK 100,800.
Dividend received from Seistar Holding AS in 2016 was NOK 3,000.

NOTE 25 EVENTS AFTER BALANCE SHEET DATE

On 17th of March 2017 the Government announced a proposal that would imply in part significant changes to the regulatory framework for the fishing industry. Should the Storting adopt the proposed changes, this will have an impact on operations for Lerøy Seafood Group ASA's subsidiaries, Havfisk AS and Norway Seafoods Group AS. The proposal is the result of a consultation process in which Lerøy also provided input. The main elements in the proposal are that the Government proposes to remove the so-called trawler fleet land-lock obligation system partly in return for payment of financial compensation and partly a reduction in the company's basic quota of 20%.

Lerøy is not satisfied with the Government's proposal, which implies a reduction of the Group's basic quota. It is our opinion that it is essential for the Group to sustain its raw material basis in order to substantiate the Group's long-term industrial investments both at sea and on land. The company plans to study the proposal in detail and assess it in its entirety, including the legal aspects. Lerøy is satisfied that the Government has understood the need for modernisation of the framework conditions, and hopes that the company's input to further political discussions will be heard, so that the final resolution provides the best possible grounds for the future development of our sector.

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

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

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

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

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

The fair value of the interest rate swaps is presented as debt on the balance sheet. The effective part of the change in value is recorded through other comprehensive income (FVOCI).

A significant share of the Group's revenue is generated in currencies other than the functional currency, which is NOK. The Group seeks to minimise currency risk by hedging cash sales with currency forward contracts (on a one-to-one basis). Currency forward contracts are recorded at fair value through profit or loss (FVPL).

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

In connection with the acquisition of Havfisk AS, the Group has recognised purchase contracts for bunkers (bunker derivatives). The effective share of the change in value of the derivatives is recorded through other comprehensive income (FVOCI).
In the Group's assessment, the regulations introduced with IFRS 9 will not have a material impact on the accounting treatment of the Group's financial instruments. The amendments to the regulations governing hedge accounting may however imply a modification in the requirement for hedging documentation, thereby increasing the number of hedging instruments that qualify for hedge accounting.

The regulations relating to impairment do not represent any material amendment for the Group, as the regulations have merely been transferred from IAS 39 without being changed.

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

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

The Group has decided not to implement the standard until 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB has published a new standard for recognising revenue. The new standard replaces the current IAS 11 Construction Contracts and IAS 18 Revenue.

The IASB has cooperated with the American Financial Accounting Standards Board (FASB, US GAAP) to compile the new standard. The purpose of this cooperation was to create a standard for recognising revenue that provides comparable top lines for enterprises that report according to both IFRS and US GAAP.

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

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

The Group's revenue is principally generated from the following areas:
- Production of Atlantic salmon and trout for consumers,
- Fishing for whitefish (cod, haddock, saithe etc.) for consumers, and
- Processing of the above-mentioned species

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

1. Identify contracts with customers:
One fundamental premise in the new standard is the existence of a legally binding agreement (contract) between two or more parties. The contract does not need to be in writing, but must meet specially defined legal criteria. All the Group's deliveries to customers are made in accordance with contracts, and the revenue flows are consequently governed by the new standard.

2. Identify separate performance obligations in the contracts:
The standard requires the identification of separable performance obligations in the contracts, which are to be recorded separately. In order to identify a performance obligation as separate, the customer must be able to make use of the goods or service irrespective of other goods or services in the contract. The management and Board consider that the major share of the contracts entered into with customers do not contain performances that are separable. It is however possible that the performance obligations in the contracts may be met at different points in time, by means of part deliveries. Nonetheless, the Group does not consider that this implies a change to the current accounting treatment.
3. Determine the transaction price:
The transaction price is presented in the contracts and, in most instances, is a function of volume and price (e.g. price per kg). Variable elements may appear in the contracts, e.g. discounts and refunds. In most cases, the discounts will be a known factor when control is transferred to the customer, and require only a minor degree of assessment in the accounts. Refunds also occur, e.g. as a result of a quality nonconformance. The Group currently makes provisions for refunds based on historical data and specific information related to the respective deliveries. The Group mainly supplies fresh goods, and refunds will therefore as a rule be notified quickly after the customer has taken over control of the goods. It is the Group's assessment, therefore, that the new standard does not imply any significant changes in relation to the accounting treatment of variable elements.

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

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

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

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

The Group has decided not to implement the standard until 1 January 2018.

IFRS 16 Leases

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

Accounting for the lessor will in essence remain the same.

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

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

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

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

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

INCOME STATEMENT

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

LERØY SEAFOOD GROUP ASA	Notes	2016	2015
OPERATING REVENUE AND COSTS			
Operating revenue		**33**	53
Wages and other personnel costs	10	**32 614**	27 484
Loss on disposal of fixed assets	4	**0**	20 244
Other operating costs	10	**22 449**	9 586
Depreciation	4	**0**	350
Total operating costs		55 063	**57 664**
Operating profit		**-55 030**	**-57 611**
FINANCIAL REVENUE AND COSTS			
Income from investments in subsidiaries	3	**1 909 206**	1 152 258
Income from associates	3	**103 800**	49 000
Change in fair value of financial instruments at fair value	8	**11 596**	-58 906
Other financial items, net	11	**-26 443**	-26 955
Profit before tax		**1 943 129**	**1 057 786**
Total tax cost (-)	9	**-439 993**	-204 582
The year's profit		**1 503 136**	**853 205**
INFORMATION REGARDING:			
Transferred to (+) / from (-) other equity		**728 630**	198 276
Allocated to dividend		**774 506**	654 928

BALANCE SHEET

All figures in NOK 1 000

LERØY SEAFOOD GROUP ASA	Notes	31.12.16	31.12.15
NON-CURRENT ASSETS			
Intangibles			
Deferred tax assets	9	**27 502**	31 107
Total intangibles		**27 502**	**31 107**
Fixed assets			
Buildings and real estate	4	**1 695**	4 265
Total fixed assets		**1 695**	**4 265**
Financial assets			
Shares in subsidiaries	5	**7 582 536**	3 956 631
Shares in associates	6	**243 612**	228 612
Shares in other companies	6	**5 262**	5 965
Loans to subsidiaries	3	**56 762**	58 126
Other long-term receivables		**3 833**	0
Total non-current financial assets		**7 892 006**	**4 249 334**
TOTAL NON-CURRENT ASSETS		**7 921 203**	**4 284 706**
CURRENT ASSETS			
Receivables			
Receivables from Group companies	3	**1 799 634**	905 452
Other receivables		**12 684**	8 823
Total receivables		**1 812 318**	**914 275**
Cash and cash equivalents	7	**351 969**	**670 849**
TOTAL CURRENT ASSETS		**2 164 287**	**1 585 124**
TOTAL ASSETS		**10 085 490**	**5 869 830**

BALANCE SHEET

All figures in NOK 1 000

LERØY SEAFOOD GROUP ASA	Notes	31.12.16	31.12.15
EQUITY			
Share capital	2	59 577	54 577
Treasury shares	2	-30	-330
Share premium reserve	2	4 778 346	2 731 690
Other paid in capital	2	104 573	0
Total paid in capital		4 942 467	2 785 937
Other equity	2	2 149 110	1 388 963
Total retained earnings		2 149 110	1 388 963
TOTAL EQUITY		7 091 577	4 174 900
LONG-TERM LIABILITIES			
Other long-term liabilities	8	99 765	124 429
Total long-term liabilities		99 765	124 429
LONG-TERM DEBT			
Mortgage debt	7	1 435 995	568 832
Total long-term debt		1 435 995	568 832
SHORT-TERM DEBT			
Trade payables		3 156	3 122
Taxes payable	9	351 767	174 728
Public duties payable		1 871	1 801
Allocated to dividend	2	774 506	654 928
Short-term Group debt	3	310 017	157 439
Other short-term debt		16 836	9 651
Total short-term debt		1 458 153	1 001 669
TOTAL DEBT		2 993 913	1 694 930
TOTAL EQUITY AND DEBT		10 085 490	5 869 830

Bergen, 21 April 2017
Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad
Styrets leder

Marianne Møgster

Arne Møgster

Didrik Oskar Munch

Britt Kathrine Drivenes

Hege Charlotte Bakken

Hans Petter Vestre
Ansattes representant

Henning Beltestad
Konsernleder

STATEMENT OF CASH FLOWS

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

LERØY SEAFOOD GROUP ASA	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Pre-tax result	1 943 129	1 057 786
Taxes paid during the period	-179 616	-307 749
Loss/gain on disposal of fixed assets	0	20 244
Depreciation	0	350
Change in trade receivables	0	-6 051
Change in trade payables	34	-10 832
Effect from currency rate changes	-11 741	3 109
Items classified as investing activities	-2 013 006	-1 152 258
Change in financial instruments recognised at fair value	-11 596	58 906
Other items classified as financing activities	36 089	26 520
Change in other accruals	6 740	-67 633
Net cash flow from operating activities	-229 967	-377 608
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	2 583	1 728
Payments for acquisitions of fixed assets	-13	-11 697
Proceeds from disposal of Group companies and associates	0	46 312
Payments for acquisitions of Group companies and associates	-3 408 732	-147 078
Proceeds from sale of shares in other companies	703	725
Proceeds from previous year's accrual of group contributions and dividends	1 000 122	1 476 668
Payment for previous year's accrual of group contribution to subsidiaries	-156 449	-17 695
Proceeds from dividends received during the year from associates	103 800	49 000
Proceeds/payments for long-term intragroup receivables	1 364	-5 756
Proceeds/payments for other long-term loans	-3 833	0
Net cash flow from investing activities	-2 460 456	1 392 207
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from establishing new long-term debt	1 282 240	65 250
Instalments paid on long-term liabilities	-403 336	-120 773
Proceeds/payments on sale/purchase of treasury shares	122 632	0
Increase in paid-in equity	2 051 656	0
Net interest paid and financial expenses	-30 679	-26 520
Payment of dividends	-654 928	-654 928
Proceeds from dividends on treasury shares	3 957	3 957
Net cash flow from financing activities	2 371 543	-733 014
Net cash flow for the accounting period	-318 880	281 585
Cash and cash equivalents at the start of the period	670 849	389 264
Cash and cash equivalents at the end of the period	351 969	670 849
This consists of:		
Bank deposits etc.	351 969	670 849
Of which restricted funds	1 161	941
Additional information		
Net cash flow from operating activities can also be summarised as follows:	2016	2015
EBIT	-55 030	-57 611
Taxes paid during the period	-179 616	-307 749
Change in capital employed	4 679	-12 248
Net cash flow from operating activities	-229 967	-377 608

OWERVIEW OF NOTES

NOTES LERØY SEAFOOD GROUP ASA 2016

NOTE 1 ACCOUNTING POLICIES

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

(B) SALES REVENUE
Revenue is booked when earned. Sales of goods and services are therefore normally booked at the time of delivery. Fees, discounts, bonuses and other sales costs are deducted from operating revenue.

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

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

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

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

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

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

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

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

(I) TAX
Tax payable in the income statement includes both the tax payable during the period and changes in deferred tax. Deferred tax is calculated at a rate of 24% on the basis of the provisional differences that exist between accounting and taxable values, as well as the assessed deficit to be carried forward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences, which reverse or may reverse the figures in the same period, have been offset and booked at net value.

(J) INTEREST RATE SWAPS (DERIVATIVES)
The company seeks to hedge against fluctuations in interest rate by making use of interest rate swaps. Derivatives are carried at fair value at the time the derivative contract is signed, then subsequently at fair value. The company utilises cash flow hedging when recognising interest rate swaps. The effective share of the change in fair value of derivatives which qualify as hedging instruments for cash flow hedging is recognised in equity. Hedging gains or losses which are recognised in equity are re-classified to the income statement during the period in which the hedging object has an impact on the income statement. Gains or losses related to the effective share of the interest rate swaps which secure loans with a floating rate of interest are recognised under Financial Items.

Interest rate swaps are considered to be a derivative. The fair value of a derivative is classified as a fixed asset or long-term debt if the remaining maturity of the hedging object is more than 12 months, and as a current asset or short-term debt if the remaining maturity of the hedging object is less than 12 months.

NOTE 2 EQUITY

(All figures in NOK 1 000)

2015	Share capital	Treasury shares (nominal)	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2015	54 577	-330	2 731 690	0	1 138 900	3 924 837
The year's result to equity					853 205	853 205
Change in value of interest swap (cash flow hedge)					4 829	4 829
Reversal of cumulative value change in interest swap when hedging expires *					43 001	43 001
Group contribution given to subsidiaries					-114 208	-114 208
Change in value of shares in subsidiaries due to Group contribution					114 208	114 208
Dividend received on treasury shares					3 957	3 957
Provision for dividend					-654 928	-654 928
Equity as of 31.12.15	**54 577**	**-330**	**2 731 690**	**0**	**1 388 963**	**4 174 900**

2016	Share capital	Treasury shares (nominal)	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2016	54 577	-330	2 731 690		1 388 963	4 174 900
The year's result to equity					1 503 136	1 503 136
Sale of treasury shares		300		106 440	17 760	124 500
Transaction costs related to sale of treasury shares				-1 868		-1 868
Issue of 5 million new shares, NOK 415 per share	5 000		2 070 000			2 075 000
Transaction costs related to share issue (after tax)			-23 344			-23 344
Change in value of interest swap (cash flow hedge)					9 801	9 801
Group contribution given to subsidiaries					-232 173	-232 173
Change in value of shares in subsidiaries due to Group contribution					232 173	232 173
Dividend received on treasury shares					3 957	3 957
Provision for dividend					-774 506	-774 506
Equity as of 31.12.16	**59 577**	**-30**	**4 778 346**	**104 572**	**2 149 112**	**7 091 577**

Share capital	Total number of shares	Nominal value	Recognised
Ordinary shares	59 577 368	1.00	59 577 368
Total	**59 577 368**		**59 577 368**

Lerøy Seafood Group ASA had 4,211 shareholders as per 31.12.16. All shares confer the same rights in the company. An overview of share capital and the 20 largest shareholders are shown in the note on shareholders for the Group.

Treasury shares
Lerøy Seafood Group ASA owns 29,776 treasury shares of a total number of 59,577,368 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where nominal value of treasury shares is included in "paid in capital" (- NOK 30,000), and the purchase price exceeding nominal value of treasury shares (- NOK 2,389,000) is included in "other equity". The average purchase price of treasury shares is NOK 81.24 per share.

During the period, 300,000 treasury shares were sold at a price of NOK 408.78 per share, net after charges. The gain from the transaction was NOK 104,572,000. The gain is treated as an equity transaction.

NOTE 3 TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATES

(All figures in NOK 1 000)

INCOME FROM INVESTMENTS IN SUBSIDIARIES	2016	2015
Intragroup contributions received from subsidiaries	1 797 828	887 469
Dividend received from subsidiaries	111 378	232 300
Gain from disposal of subsidiaries	0	32 489
Total income from investments in subsidiaries	**1 909 206**	**1 152 258**

Intragroup contributions received from subsidiaries	2016	2015
Lerøy Aurora AS Group	593 118	357 842
Lerøy Vest AS	566 319	0
Lerøy Midt AS Group	446 303	339 628
Lerøy Seafood AS	190 000	190 000
Lerøy Trondheim	2 088	0
Total intragroup contributions received from subsidiaries	**1 797 828**	**887 469**

Dividend received from subsidiaries	2016	2015
Dividend received from Lerøy Vest AS	100 000	100 000
Dividend received from Rode Beheer BV	11 378	9 760
Dividend received from Lerøy Aurora AS	0	100 000
Dividend received from Sjøtroll Havbruk AS	0	20 365
Dividend accrued from Norsk Oppdrettsservice AS	0	2 175
Total dividend received from subsidiaries	**111 378**	**232 300**

Gain on disposal of subsidiaries	2016	2015
Liquidation settlement from Sandvikstomt I AS	0	46 312
Net book value of liquidated subsidiary	0	13 823
Total gain on disposal of subsidiaries	**0**	**32 489**

INCOME FROM INVESTMENTS IN ASSOCIATES	2016	2015
Dividend received from Norskott Havbruk AS	100 800	46 000
Dividend received from Seistar Holding AS	3 000	3 000
Total income from investments in associates	**103 800**	**49 000**

LONG-TERM LOANS TO SUBSIDIARIES	2016	2015
Sjømathuset AS	28 642	30 328
Preline Fishfarming System AS	17 947	10 388
Lerøy Processing Spain SL	6 629	8 738
Lerøy Sverige AB	2 260	6 128
Lerøy Alfheim AS	1 172	2 318
Lerøy Delico AS	112	226
Total long-term loans to subsidiaries	**56 762**	**58 126**

SHORT-TERM RECEIVABLES FROM SUBSIDIARIES	2016	2015
Intragroup contributions received from subsidiaries	1 797 828	887 469
Dividend accrued, not yet received, from subsidiaries	0	2 175
Other short-term receivables from subsidiaries	1 806	15 808
Total short-term receivables from subsidiaries	**1 799 634**	**905 452**

Intragroup contributions received from subsidiaries

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

Dividend accrued, not yet received, from subsidiaries

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

Other short-term receivables from subsidiaries	2016	2015
Lerøy Midt AS	702	4 744
Lerøy Vest AS	447	5 713
Lerøy Aurora AS	331	2 073
Sjøtroll Havbruk AS	319	1 407
Lerøy Seafood AS	0	1 515
Lerøy Portugal Lda	0	356
Total other short-term receivables from subsidiaries	**1 798**	**15 808**

SHORT-TERM RECEIVABLES FROM ASSOCIATES	2016	2015
Total short-term receivables from associates	**0**	**0**

SHORT-TERM DEBT TO GROUP COMPANIES	2016	2015
Intragroup contributions distributed	309 564	156 449
Other short-term debt to Group companies	453	990
Total short-term debt to Group companies	**310 017**	**157 439**

Intragroup contributions distributed	2016	2015
Norway Seafoods Group AS - Group	250 000	0
Preline Fishfarming System AS	35 000	0
Rode Beheer BV Group (Rode Vis International AS)	12 582	0
Lerøy Aurora AS Group	10 917	24 333
Lerøy Fossen AS	1 065	311
Lerøy Vest AS	0	130 484
Lerøy Trondheim AS	0	669
Lerøy Alfheim AS	0	625
Lerøy Quality Group AS	0	21
Lerøy & Strudshavn AS	0	7
Total	**309 564**	**156 449**

Other short-term debt to Group companies	2016	2015
Lerøy Seafood AS	176	784
Lerøy Alfheim AS	174	117
Lerøy Vest AS	89	89
Lerøy Trondheim AS	14	0
Total other short-term debt to Group companies	**453**	**990**

NOTE 4 FIXED ASSETS

(All figures in NOK 1 000)

2015	Real estate	Buildings	Total fixed assets
Acquisition cost per 01.01.15	2 090	40 452	42 542
Addition of fixed assets	24 454		24 454
Disposal of fixed assets	-26 400	-36 331	-62 731
Acquisition cost per 31.12.15	144	4 121	4 265
Accumulated depreciation per 31.12.15		0	0
Carrying value at 31.12.15	**144**	**4 121**	**4 265**
The year's depreciation		350	350

2016	Real estate	Buildings	Total fixed assets
Acquisition cost per 01.01.16	144	4 121	4 265
Addition of fixed assets	0	13	13
Disposal of fixed assets	-144	-2 439	-2 583
Acquisition cost per 31.12.16	0	1 695	1 695
Accumulated depreciation per 31.12.16		0	0
Carrying value at 31.12.16	**0**	**1 695**	**1 695**
The year's depreciation		0	0

The company owns an apartment in Bergen city centre. The economic life is considered to be indefinite, with no depreciations.

NOTE 5 SHARES IN SUBSIDIARIES

(All figures in NOK 1 000)

Changes in ownership during the period:

Subsidiary	Country	Place of business	Acquisition year	Ownership / voting share 01.01	Additions (+)	Disposals (-)	Ownership / voting share 31.12
Havfisk AS	Norway	Ålesund	2016	0.0%	100.0%		100.0%
Norway Seafoods Group AS	Norway	Oslo	2016	0.0%	100.0%		100.0%
Lerøy Turkey	Turkey	Istanbul	2015	100.0%			100.0%
Preline Fishfarming Sys. AS	Norway	Skien	2015	91.0%	5.0%		96.0%
Lerøy Nord AS	Norway	Tromsø	2015	51.0%			51.0%
Norsk Oppdrettsservice AS	Norway	Flekkefjord	2015	51.0%			51.0%
Lerøy Processing Spain SL	Spain	Madrid	2012	100.0%			100.0%
Rode Beheer BV	Netherlands	Urk	2012	50.1%	49.9%		100.0%
Lerøy Finland OY	Finland	Turku	2011	100.0%			100.0%
Sjøtroll Havbruk AS	Norway	Austevoll	2010	50.7%			50.7%
Lerøy Vest AS	Norway	Bergen	2007	100.0%			100.0%
Lerøy Fossen AS	Norway	Bergen	2006	100.0%			100.0%
Sjømathuset AS	Norway	Oslo	2006	100.0%			100.0%
Lerøy Delico AS	Norway	Stavanger	2006	100.0%			100.0%
Lerøy Trondheim AS	Norway	Trondheim	2006	100.0%			100.0%
Lerøy Alfheim AS	Norway	Bergen	2006	100.0%			100.0%
Lerøy Portugal Lda	Portugal		2005	60.0%	40.0%		100.0%
Lerøy Aurora AS	Norway	Tromsø	2005	100.0%			100.0%
Lerøy Midt AS	Norway	Hitra	2003	100.0%			100.0%
Lerøy Sverige AB	Sweden	Gothenburg	2001	100.0%			100.0%
Lerøy Seafood AS **	Norway	Bergen	1939 *	100.0%			100.0%
Lerøy & Strudshavn AS	Norway	Bergen	1927 *	100.0%			100.0%

For additional information, see note on consolidated companies in Lerøy Seafood Group consolidated financial statements.

* The date for establishment. The companies were a part of the "old Lerøy-group" before Lerøy Seafood Group ASA was established in 1995.
** Hallvard Lerøy AS has changed its name to Lerøy Seafood AS.

Change in book value of shares in subsidiaries

Subsidiary	Net book value in LSG ASA 01.01	Business combination	Redemption of non-controlling interests	Transaction costs capitalised	Capital increase	Increase in value from Group contributions	Net book value in LSG ASA 31.12
Havfisk AS	0	2 081 761	1 007 717	1 443			3 090 920
Lerøy Vest AS	1 357 385						1 357 385
Lerøy Midt AS	1 135 230						1 135 230
Sjøtroll Havbruk AS	540 000						540 000
Lerøy Aurora AS	383 115					8 188	391 303
Rode Beheer BV	113 471		196 799			9 437	319 707
Norway Seafoods Group AS	0	62 293	22 471	277		187 500	272 540
Lerøy Sverige AB	80 349						80 349
Lerøy Fossen AS	72 319					799	73 118
Lerøy Turkey	57 456				5 180		62 636
Lerøy Seafood AS	57 919						57 919
Lerøy Finland OY	34 813				9 449		44 262
Preline FishfarmingSys. AS	0		2 871			26 250	29 121
Norsk Oppdrettsservice AS	25 000						25 000
Lerøy Trondheim AS	23 772						23 772
Lerøy Delico AS	22 070						22 070
Lerøy Processing Spain SL	20 151						20 151
Sjømathuset AS	13 925						13 925
Lerøy Alfheim AS	13 611						13 611
Lerøy Portugal Lda	4 600		3 473				8 073
Lerøy Nord AS	1 012						1 012
Lerøy & Strudshavn AS	434						434
Total	**3 956 631**	**2 144 053**	**1 233 331**	**1 719**	**14 629**	**232 173**	**7 582 536**

For additional information, see also note on consolidated companies in Lerøy Seafood Group consolidated financial statements.

NOTE 6 SHARES IN ASSOCIATES AND OTHER SHARES

(All figures in NOK 1 000)

Associates	Place of business	Ownership / voting share 01.01.2016	Net book value 01.01.2016	Additions (+)	Disposals (-)	Net book value 31.12.2016	Ownership / voting share 31.12.2016
Norskott Havbruk AS	Bergen	50%	163 273			163 273	50%
Seistar Holding AS	Austevoll	50%	61 500			61 500	50%
Lerøy Schlie A/S	Denmark	50%	3 793			3 793	50%
Ocean Forest AS	Bergen	50%	30			30	50%
The Seafood Innovation Cluster AS	Bergen	20%	16			16	20%
Lerøy Sommarøy AS	Tromsø	0%		15 000		15 000	50%
Total			**228 612**	**15 000**	**0**	**243 612**	

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

Other shares and investments	Place of business	Ownership / voting share 01.01.2016	Net book value 01.01.2016	Additions (+)	Disposals (-)	Net book value 31.12.2016	Ownership / voting share 31.12.2016
DnB Private Equity IS/AS	Oslo	1.11%	5 715		-703	5 012	1.11%
CO2BIO AS	Lindås		250			250	
Total			**5 965**	**0**	**-703**	**5 262**	

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

NOTE 7 LOANS, MORTGAGES AND GUARANTEES

(All figures in NOK 1 000)

	2016	2015
LONG-TERM INTEREST-BEARING DEBT		
Debt to credit institutions	**1 435 995**	568 832
Total interest-bearing debt at 31.12	**1 435 995**	**568 832**
Bank deposits	**351 969**	670 849
Net interest-bearing debt at 31.12	**1 084 026**	**-102 017**
REPAYMENT PROFILE INTEREST-BEARING DEBT		
2016		405 432
2017	**168 110**	40 850
2018	**168 110**	40 850
2019	**168 110**	40 850
2020	**168 110**	40 850
2021	**263 555**	
Later	**500 000**	
Total	**1 435 995**	**568 832**

Financial covenants

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

	2016	2015
DEBT SECURED BY MORTGAGES		
Long-term debt to credit institutions	**1 435 995**	568 832
Total mortgage-secured debt at 31.12	**1 435 995**	**568 832**
MORTGAGED ASSETS		
Shares in subsidiaries	**653 469**	653 469
Shares in associates	**163 273**	163 273
Total book value of mortgaged assets 31.12	**816 742**	**816 742**
Guarantees and sureties	**30 000**	**30 000**

Guarantee and surety liability

Lerøy Seafood Group ASA has posted a guarantee of NOK 30,000 for Lerøy Aurora AS.

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

NOTE 8 INTEREST RATE SWAPS

(All figures in NOK 1 000)

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

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

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

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

Interest rate swaps	**Agreement 1 17/11/11**	**Agreement 2 17/01/12**	**Total, all agreements**
Nominal amount	500 000	500 000	1 000 000
Duration	10 år	10 år	10 år
Agreed fixed/average interest rate	3.55%	3.29%	3.42%
Net book value as of 31.12.2014			
Fair value of interest rate swaps as of 31.12.2014	-69 397	-61 647	-131 044
Deferred tax related to the interest rate swaps, 27%	18 737	16 645	35 382
Net (negative) value after tax, as of 31.12.2014	-50 660	-45 002	-95 662

Expensed interests in 2014 relating to the interest rate swaps amounted to NOK 17 303.

Changes in 2015

Changes booked against equity			
Change in fair value of interest rate swaps in 2015	3 873	2 742	6 615
Change in deferred tax related to the change in value for the period, 27%	-1 046	-740	-1 786
Reclassification of accumulated value change of interest rate swap, gross, to profit or loss		58 906	58 906
Reclassification of accumulated change in deferred tax, to profit or loss		-15 905	-15 905
Changes booked against equity (cash flow hedge)	**2 828**	**45 002**	**47 830**
Changes booked through profit or loss			
Change in fair value of interest rate swaps in 2015		0	0
Change in deferred tax related to value change in the period, 27%		0	0
Reclassification of accumulated value change of interest rate swap, gross (from change over equity)		-58 906	-58 906
Reclassification of accumulated change in deferred tax (from change over equity)		15 905	15 905
Effect of change in nominal tax rate, from 27% til 25% (change in estimate)	-1 310	-1 178	-2 489
Changes booked through profit or loss	**-1 310**	**-44 179**	**-45 490**

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

Changes in 2016

Changes booked against equity			
Change in fair value of interest rate swaps in 2016	13 068		13 068
Change in deferred tax related to the value change in the period, 25%	-3 267		-3 267
Changes booked against equity (cash flow hedge)	**9 801**	**0**	**9 801**
Changes booked through profit or loss			
Change in fair value of interest rate swaps in 2016		11 596	11 596
Change in deferred tax related to the value change in the period, 25%		-2 899	-2 899
Effect of change in nominal tax rate, from 25% til 24%, through profit or loss (change in estimate)	-525	-473	-998
Changes booked through profit or loss	**-525**	**8 224**	**7 699**
Book value 31.12.2016			
Fair value of interest rate swaps as of 31.12.2016	-52 455	-47 310	-99 765
Deferred tax related to the interest rate swaps, 24%	12 589	11 354	23 944
Net (negative) value after tax, as of 31.12.2016	**-39 866**	**-35 955**	**-75 821**

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

NOTE 9 TAXATION

(All figures in NOK 1 000)

PERMANENT DIFFERENCES	2016	2015
Dividends received (including the 3% added on the tax base)	**-211 723**	-278 861
Gain on disposal of shares	**0**	-32 489
Other permanent differences	**616**	1 012
Total permanent differences	**-211 107**	**-310 338**

CALCULATION OF TAX PAYABLE	2016	2015
Profit before tax	**1 943 129**	1 057 786
Permanent differences	**-211 107**	-310 338
Change in temporary differences (through profit or loss)	**-15 392**	56 142
The year's taxation base	**1 716 630**	**803 590**
Tax rate, nominal	**25%**	27%
Tax payable in the tax cost before intragroup contributions paid	**429 158**	**216 969**

TAX PAYABLE BOOKED IN THE BALANCE SHEET	2016	2015
Tax payable	**429 158**	216 969
Tax payable on intragroup contributions paid	**-77 391**	-42 241
Tax payable booked in the balance sheet	**351 767**	**174 728**

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

OVERVIEW OF TEMPORARY DIFFERENCES	2016	2015
Temporary differences where changes are recognised in profit or loss		
Financial instruments, total	**-99 765**	-124 429
Financial instruments (cash flow hedges) where changes are booked against equity	**52 544**	65 523
Gain/loss account	**-14 829**	0
Temporary differences 31.12 where changes are recognised in profit or loss	**-62 050**	-58 906
Change in temporary differences where changes are recognised in profit or loss	**-3 144**	**-56 142**
Temporary differences where changes are booked against equity		
Financial instruments (cash flow hedges) where changes are booked against equity	**-52 544**	-65 523
Temporary differences 31.12 where changes are booked against equity	**-52 544**	-65 523
Change in temporary differences where changes are booked against equity	**12 979**	**65 520**

DEFERRED TAX	2016	2015
Deferred tax where changes are recognised in profit or loss		
Total temporary differences through profit or loss	**-62 050**	-58 906
Tax rate, nominal	25%	27%
Deferred tax liability (+) / asset (-)	**-15 512**	-15 905

Deferred tax where changes are booked against equity		
Total temporary differences 31.12, where change is booked against equity	-52 544	-65 523
Tax rate, nominal	25%	27%
Deferred tax liability (+) / asset (-)	-13 136	-17 691

Total change in temporary differences and deferred tax		
Total temporary differences	-114 594	-124 429
Tax rate, nominal	24%	25%
Deferred tax liability (+) / asset (-)	**-27 502**	**-31 107**

The year`s tax cost consists of	2016	2015
Tax payable in the tax cost before intragroup contributions paid	429 158	216 969
Change in deferred tax where changes are recognised in profit or loss	3 848	-15 158
Effect of change in the nominal tax rate	1 146	2 489
Too much (-) or too little (+) allocated to tax previous year	5 842	283
Total tax cost	**439 993**	**204 582**
Effective tax rate	22.6%	19.3%

NOTE 10 PAYROLL COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO STAFF, ETC.

(All figures in NOK 1 000)

Payroll expenses	2016	2015
Salaries, holiday pay and bonuses	21 948	17 379
Employer's contribution	3 084	2 925
Hired personnel	4 469	5 027
Remuneration to the Board of Directors	1 200	1 200
Pension costs [1]	659	555
Other remunerations / nomination committee	520	193
Other personnel costs	733	205
Total	**32 614**	**27 484**

[1] Defined contribution pension plan

Average number of full-time equivalents	11	9

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

Auditor

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

	2016	2015
Auditing fees Group auditor	948	680
Other services Group auditor	1 361	948
Total	**2 309**	**1 628**

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

NOTE 11 ITEMS THAT ARE COMBINED IN THE FINANCIAL STATEMENTS

(All figures in NOK 1 000)

Financial revenue	2016	2015
Interest income from Group companies	1 900	1 915
Other interest income	12 579	6 395
Currency exchange gain	9 646	0
Total financial revenue	**24 125**	**8 310**
Financial costs		
Interest cost	44 725	34 006
Currency exchange loss	1 940	435
Other financial costs	3 903	824
Total financial costs	**50 568**	**35 265**
Other finanancial items, net	**-26 443**	**-26 955**
Unrealised currency gain(+)/loss(-) included above	9 646	0

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, in our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included 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 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 of the current period. 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.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase of Havfisk ASA and Norway Seafoods Group AS *(See also note 5 on business combinations)* Lerøy Seafood Group ASA purchased the the shares of the companies Havfisk ASA and Norway Seafoods Group AS in 2016. Both companies are consolidated in the Group's financial statements from September 2016. The business combination results in a significant increase in book values of vessels and intangible assets (licenses). Due to the size of the purchase, and the judgement involved in identifying and valuing the assets, we focused on the Group's preliminary purchase price allocation. We mainly focused on the valuation of vessels and licenses, and the technical calculation of goodwill and deferred tax.	We obtained the Group's preliminary purchase price allocation for the purchases of Havfisk ASA and Norway Seafoods Group AS. First, we evaluated the Group's purchase price allocation model by comparing it to the criteria in IFRS 3 and found no obvious exceptions. Secondly, we reconciled the balance sheet in the purchase price allocation model to the underlying balances for Havfisk ASA and Norway Seafoods Group AS respectively, without identifying any significant differences. We then obtained and reviewed the Group's valuation of vessels and licenses. We challenged management's assumptions regarding future prices and volumes, and tested that the model made mathematical calculations as intended. Furthermore, we challenged the Group's assumptions related to the allocation of the excess value. Our work supported that the allocation of the excess value was fair. Finally, we also made sure that the technical calculation of deferred tax on the excess values was performed correctly.
Measurement and valuation of biological assets *(see also note 1 accounting principles part I, note 2 significant estimates and judgement, and note 9 biological assets)* As described in the financial statements Lerøy Seafood Group ASA value biological assets to their fair value according to IAS 41. At the balance sheet date the fair value of biological assets was MNOK 6,418, out of which MNOK 3,717 is historical cost and MNOK 2,701 is adjustment to fair value. Biological assets comprise ova (eggs), juveniles, cleaner fish, broodstock and fish held for harvesting purposes (ongrowing stage). The biological assets are all related to the Farming segment. When auditing inventories the auditing standards require that the auditor attend the physical inventory counting when this is possible. The biological assets are by nature difficult to count, observe and	The Group's biomass system include information on number of fish, average weight and biomass per site. We have reconciled the movement in the inventory of fish held for harvesting purposes (biomass and number of fish) for the farming regions. The movement in number of fish is the sum of opening stock, smolt stocked, loss of fish and harvested fish for the period. The movement in biomass equals the sum of opening biomass, stocked biomass, net growth and harvested biomass for the period. We focused mainly on the number of smolt stocked and the net growth for the period, as these have the most significant impact on the measuring at year end. We have reviewed the Group's processes for registering the number of smolts stocked. Furthermore, we have reconciled a sample of registered smolt stockings in the biomass system against supporting documentation in the form of e.g. supplier invoice for smolt purchased externally, and vaccination report or waybill for smolt produced internally.

(2)

measure due to lack of sufficiently accurate measuring techniques that at the same time does 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 biological assets (number and biomass), and specifically the inventory of live fish held for harvesting purposes (ongrowing), which constitutes the majority of the value of the biological assets.

The fluctuations in the value estimate that arise due to for instance changes in market price, may have a significant impact on the operating profit for the period. The Group therefore show the effect from changes in fair value estimates as a separate line item, before operating profit.

In 2016 the Group changed its model used for estimating the fair value of biological assets. We refer to note 1 part I and note 9 for further details.

We focused on the valuation of the biological assets due to the size of the amount and the effect the fair value estimate has on operating profit. Further, the company has changed its calculation model during the year and the calculations are already complex and there is a fair amount of judgement involved.

The period's net growth corresponds to the feed used in the period divided by the feed conversion rate (kgs of growth per kg feed used). The feed usage is again closely associated with the feed purchase for the period. To evaluate the feed usage for the period were viewed the Group's controls for reconciling the feed inventory, reconciled the feed accounts payables at year-end against a confirmation from the feed supplier, and tested a sample of feed invoices throughout the year. Furthermore, we have compared the feed conversion rate for the period against our expectation based on industry data per farming region. Where the feed conversion rate differed from our expectation, we have obtained explanations and supporting documentation from the Group. Our procedures substantiated that the growth for the year was reasonable.

In order to challenge the historical accuracy of Group's biomass estimates we have reviewed the harvest deviation for the period. We found the accumulated deviations to be as expected. We challenged the Group's model for calculating the fair value of biological assets by assessing the model against the criteria in IAS 41 and IFRS 13. We found no obvious exceptions. We then examined whether the biomass and number of fish used in the calculation corresponded to the biomass and number of fish in the Group's biomass system, and tested that the model made mathematical calculations as intended.

After ensuring that these fundamentals were in place, we assessed if the assumptions made by the Group when estimating the fair value was reasonable. We did this by discussing the assumptions with the group management and comparing them to among other historical data, industry data or observable market data. We found that the assumptions were reasonable.

Other information

The Board of Directors and the Managing Director (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 and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group 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 financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group 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, included 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 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'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 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 those charged with governance 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 those charged 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 those charged with governance, 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 and in the statements on Corporate Governance and Corporate Social Responsibility 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 21 April 2017
PricewaterhouseCoopers AS

Hallvard Aarø
State Authorised Public Accountant

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

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Northern light

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The annual report has been printed on environmentally approved paper.