



# ANNUAL REPORT

2020









# One Lerøy

UNIQUE ALONE  
STRONGER TOGETHER

**||** WITH A FULLY INTEGRATED VALUE CHAIN FOR SEAFOOD, MORE THAN 60 COMPANIES AND ALMOST 5,000 EMPLOYEES, IT IS ESSENTIAL THAT WE WORK TOGETHER AS "ONE LERØY" TO ACHIEVE OUR COMMON GOAL OF CREATING THE WORLD'S MOST EFFICIENT AND SUSTAINABLE VALUE CHAIN FOR SEAFOOD."

– Henning Beltestad

CEO Lerøy Seafood Group

# Contents

**Financial calendar 2021**

Interim report Q1: 20 May 2021

Interim report, H1: 19 August 2021

Interim report Q3: 11 November 2021

Interim report Q4: 17 February 2022

Annual general meeting 26 May 2021



# 01

## About the Group

08-11	History
14-15	Performance highlights
16-17	Values for the future
18-19	Statement from the CEO
20-21	Local roots, global perspective
22-23	From sea and fjord to table
24-25	Priorities
26-35	Key figures: Finance, Society and Environment

# 02

## Corporate governance

38-47	Corporate governance report
48-49	Presentation of the Board of Directors
50-51	Statement by Board of Directors regarding determination of salary and other remuneration
52-57	Statement by the Board of Director's regarding Lerøy's strategic framework

# 03

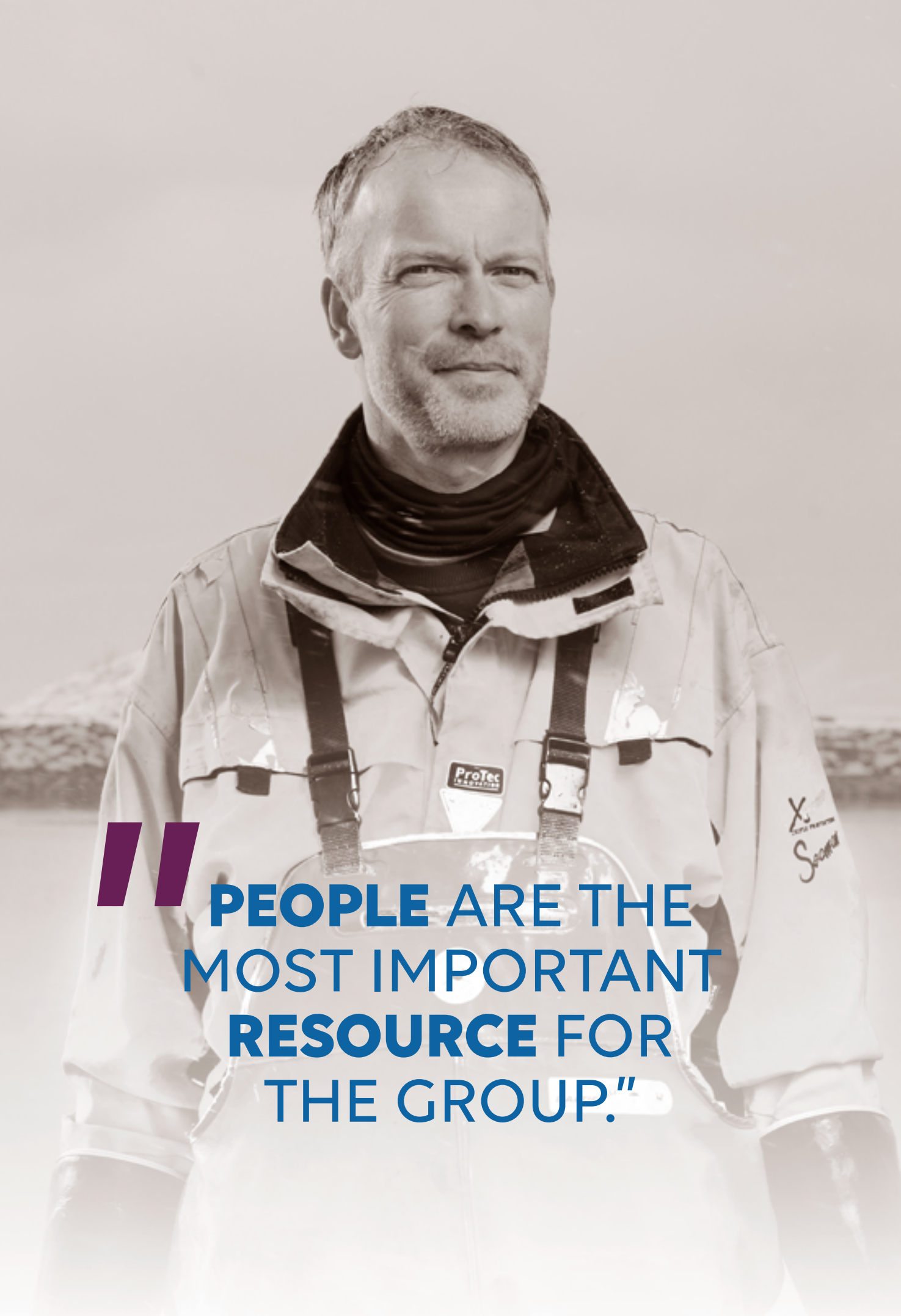
## Financial information

62-83	Board of Directors' report
84-165	Consolidated financial statements 2020
166-186	Financial statements for the parent company 2020
187-187	Responsibility statement from the Board of Directors and CEO
188-192	Auditor's report

# 04

## ESG information

196-197	Sustainable value chain analysis
198-199	Social statement
200-201	Environmental statement
202-202	Materiality assessment
204-217	Global Reporting Initiative (GRI) Content Index 2020
218-219	Auditor's report
222-223	Addresses



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**PEOPLE ARE THE  
MOST IMPORTANT  
RESOURCE FOR  
THE GROUP."**

# 01

## About the Group

- 08-11** History
- 14-15** Performance highlights
- 16-17** Values for the future
- 18-19** Statement from the CEO
- 20-21** Local roots, global perspective
- 22-23** From sea and fjord to table
- 24-25** Priorities
- 26-35** Key figures: Finance, Society and Environment





## History

Lerøy Seafood Group can trace its operations back to the end of the 19th century, when fisherman-farmer Ole Mikkel Lerøen started selling live fish at the fish market in Bergen. The fish was hauled 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.

Ole Mikkel Lerøen's operations 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. This company went on to invest in facilities where they could receive pelagic fish and whitefish, and in fish farming. Poor results and insufficient capitalisation forced the company to close down or sell these operations in the early 1990s in order to safeguard their core business: wholesale and exports. In 1994, the company carried out a last emergency share issue and started the process of reestablishing a healthy business. At that time, the company's equity was valued at NOK 20 million, prior to an issue worth NOK 5 million.

This photograph was taken at Bontelabo in Bergen in 1964. From the left: Alfred Breivik, Ingvald Johannessen, Elias Fjeldstad and Dankert B. Johannessen



“Lerøy provides unique opportunities for development. When we develop our skills, we help Lerøy develop!”

**Karol Czaplis**

Working foreman,  
filleting Lerøy Midt

### New strategy

The potential for growth within fish farming and increasing customer requirements necessitated a radical change in the Group's business concept and strategy. Up to 1997, the Group was a family-owned operation. In 1997, however, a private placing with financial investors was carried out for the first time, aiming to develop the Group in every part of the value chain. This was the start of what was to become a series of major investments within fish farming. In 1999, the company acquired a minority interest in what was then Hydrotech-Gruppen AS. In the summer of 2001, Norskott Havbruk AS was founded with the sole purpose of acquiring Golden Sea Products, now Scottish Sea Farms Ltd. in the UK.

### Access to capital and expertise

The Group was listed on 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, in addition to expertise, have been critical factors in developing the Group from a wholesaler/seafood exporter to what is now a 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. Lerøy Seafood Group was in a good position in August 2003 when we 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, a number of minor acquisitions, highly skilled local management and organic growth have allowed the Lerøy Seafood Group to develop into one of the world's largest producers of Atlantic salmon and trout.

### Investments in processing

The Group has over time made substantial investments within the VAP, Sales & Distribution segment. These investments in VAP have provided more room for manoeuvre in relation to the sale of own-produced salmon and trout, generated a wider product range and opened the door to new markets.

## About the Group

The Group made their ambitions clear in 2002 with the investment in fish smoking capacity in Sweden (Lerøy Smøgen). It continued to invest and in 2005 invested 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 remaining 49.9% was acquired in 2016. The Group has subsequently gone on to expand capacity at all its existing plants. Lerøy Seafood Center in Urk, the Netherlands (construction start 2017) is a factory built with a focus on a very high level of automation and a number of technological innovations in the production of smoked and freshly packaged products. It is one of the most modern factories for these types of products in Europe. Unfortunately, the framework conditions for industrial development in Norway are increasingly unsatisfactory. This has resulted in an increase in production outsourced from Norway to low-cost countries, however Lerøy Seafood Group has invested heavily in production on the coast of Norway to counteract this trend. Automation is frequently a key element in these investments. A good example of this is the highly modern factory on the island of Jøsnøya in Hitra.

### Reaching new markets

The Group's ambition to increase demand for seafood in the form of new products for new markets has been the constant driving force behind the Group's investments in the VAP, Sales & Distribution segment. This segment not only sells its own production of salmon, trout and whitefish, but also has a high level of active collaboration with third parties, ensuring a wide product range for the Group within seafood. In recent years, the Group has also made significant investments in factory capacity, 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 organization, flexibility, continuity in supply and a high level of service. Today, the Group has a number of fish-cut facilities across Europe. Leroy Processing Spain has achieved an impressive development within “ready-to-eat meals” and sushi. Over the past five years, the company has built factories in Madrid, Barcelona, Valencia, Alicante and Gran Canaria. In the spring of 2021, the company will open its first factory in Italy, in Porto Viro, south of Venice. The Group currently sells seafood to more than 80 markets worldwide.

**“ Working with top-modern technology and energy-efficient solutions proves our strive for continuous improvement”**

**Bart Geuchies**

Plant Manager, Lerøy Seafood  
Netherlands



Catch delivery, Lerøy Norway Seafoods,  
Båtsfjord



### **Innovator within seafood**

Ever since its very foundation, the Group has taken a pioneering role within a number of areas in the Norwegian, and subsequently international, seafood industry. The main focus has primarily been on developing markets for seafood. The Group has repeatedly been the first to enter 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.

### **Wild catches and whitefish industry**

2017 will be remembered as one of the most important years in the company's long history. With the acquisition of 100% of the shares in the trawler shipping company Havfisk ASA (now Lerøy Havfisk ASA) and 100% of the shares in Norway Seafoods AS (now Lerøy Norway Seafoods AS) in the autumn of 2016, the Group embarked on a new and exciting journey. In 2017, whitefish was fully integrated into the Group's well-established value chain. Since then, the Group has consecutively invested in both new, modern trawlers and industrial facilities. 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.







### Sustainable seafood producer

Lerøy Seafood Group works continuously on sustainability in every part of the value chain. We focus on all the different areas related to sustainability:

- > Environment
- > Society
- > Economy

We have sustained our perpetual focus on improvements within these areas in 2020.

The Group has carried out a number of projects within environmental sustainability, such as electrification of feed barges and boats, reduction of food waste and plastic, projects related to fish welfare and fish health, lice, certification and reduction of deforestation relating to raw materials for feed.

The Group is also involved in a number of initiatives within social sustainability, such as leadership development training for our employees and employee surveys. We are also involved in projects relating to supplier follow-up, ripple effect analyses and different collaboration platforms with local communities and other stakeholders.

In 2020, a year significantly impacted by the COVID-19 pandemic, we have once again proven that the Group's business model is economically sustainable. The strong market position for seafood and the unique expertise in the organization ensures that we are well-prepared for challenges for this magnitude.

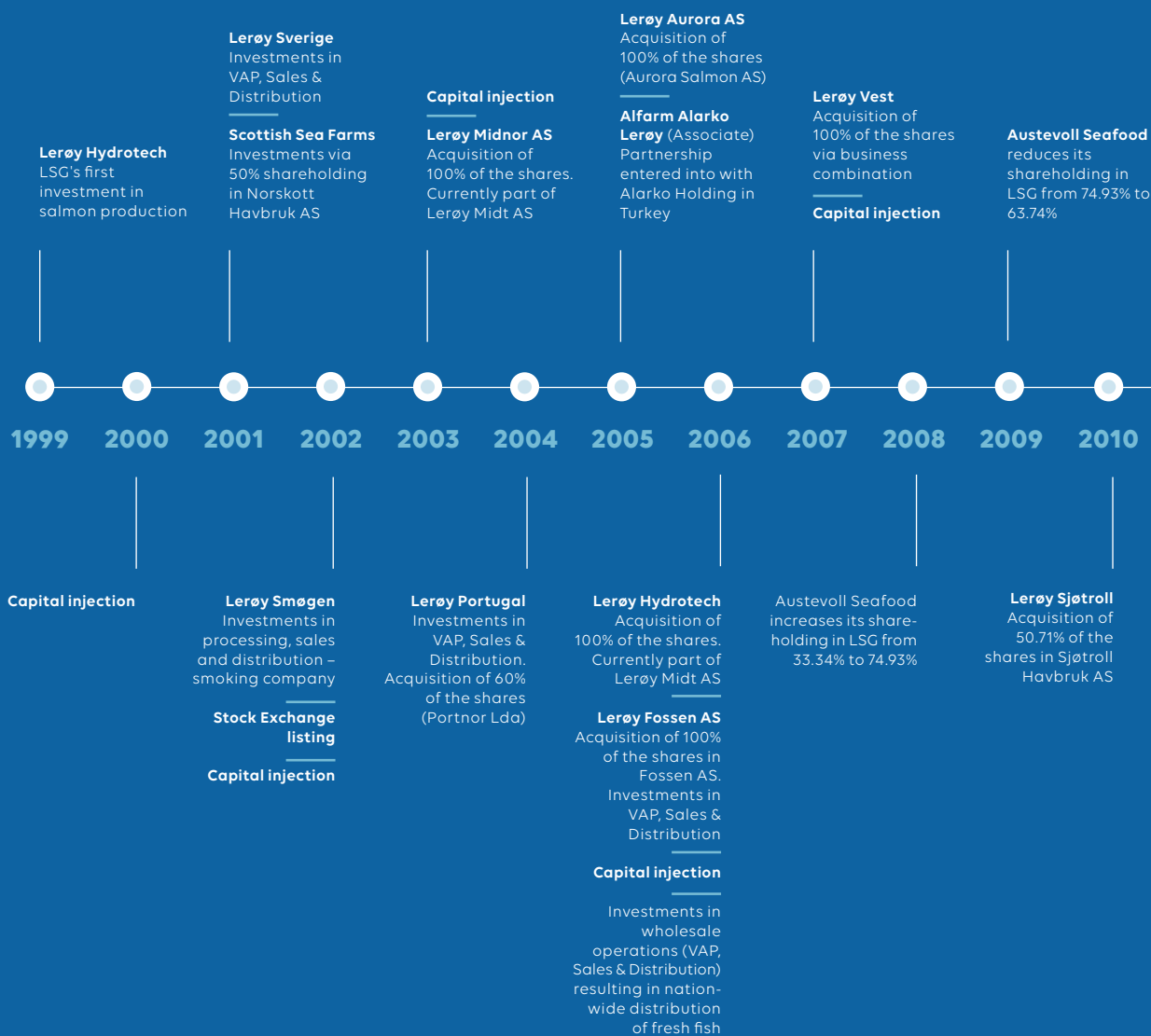
At the start of 2021, Lerøy Seafood Group has a unique position for further sustainable growth and development.

Lerøy Norway Seafoods' factory in Stamsund



# Performance highlights

Strategic events from 1999 to present date





2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

**Rode Beheer BV**  
Shareholding increased to 50.1% in the Dutch seafood group

**Lerøy Aurora AS**  
Villa Organic AS demerger, and Lerøy Aurora gains eight new licences for consumer products

**Investment in fish-cut**  
Investments in new factories in Norway, Spain, France and Denmark

**Cleaner fish**  
Acquisition of 34% of the shares in Norsk Oppdretts-service

**Lerøy Havfisk and Lerøy Norway Seafoods**  
Acquisition of 100% of the shares in Havfisk ASA (now Lerøy Havfisk ASA) and Norway Seafoods Group AS (now Lerøy Norway Seafoods) Investments in VAP, Sales & Distribution of whitefish

**Rode Beheer BV**  
Acquisition of remaining 49.9% of the shares (VAP, Sales & Distribution)

**Lerøy Aurora AS**  
Opening of new smolt facility with RAS technology in Laksefjord, Lebesby municipality, Finnmark

**Lerøy Havfisk**  
New stern trawler ("Nordtind") handed over from Vard Søviknes

**Lerøy Midt**  
Production starts at new factory on Jøsnøya island, Hitra municipality

**Lerøy Processing Spain**  
First factory in Madrid (2014) followed by opening of factories in Barcelona, Valencia and Alicante

**Lerøy Havfisk**  
Stern trawler "Kongsfjord" handed over from Vard Søviknes

**Lerøy Aurora**  
Construction phase 3 and extension for production of bigger size smolt at the RAS facility in Laksefjord, Lebesby municipality is completed

# Values for the future

Our employees are the Group's most important resource. Every single day, all year round, our employees supply seafood amounting to five million meals in more than 80 countries. Together, we provide healthy and delicious high-quality seafood to customers and consumers worldwide, allowing us to make forward-looking and sustainable use of the resources in the sea. We are proud of our interaction with all our employees throughout the value chain and with our partners, and we are proud of our contributions to society.

Lerøy is part of a global industry subject to continuous developments and extremely tough competition. We are grateful to have so many talented and flexible employees who are willing to learn on our team, helping us achieve our vision, reach our goals and reinforce the "One Lerøy" culture moving forward.

Earnings for Lerøy over the past five years have been good from an historic perspective. At the same time, we know there is major room for improvement. As a fully-integrated seafood company, we gain unparalleled opportunities to drive the development of our value chain and product categories, in collaboration with key end customers worldwide. The future development of our company will be determined by our ability to achieve continuous improvements, increased efficiency, innovation and development of sustainable solutions throughout the value chain. If we are to sustain our competitive strengths in an industry exposed to global competition, we have to work extremely hard to develop our operations, keeping the customer in mind at all times and basing our activities on our values. In 2017, we started the process of developing a system for continuous improvement specially designed for our activities – Lerøy Way. Lerøy Way was implemented after a year in which we reported record-high results, and represents our guiding principles for how to improve together as one company – One Lerøy.

## One Lerøy

UNIQUE ALONE  
**STRONGER TOGETHER**

By standardizing and working closer together as One Lerøy, the Group will be able to utilize strategies and opportunities better. It will secure more efficient value chain operations, increased synergy, improved sharing of competencies and long term value creation.

Together, we shall create the world's most efficient and sustainable value chain for seafood.

### The company's core corporate values

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

It is important to ensure that every employee is familiar with the Group's values and what these imply. We have therefore translated our values into the local language in each country

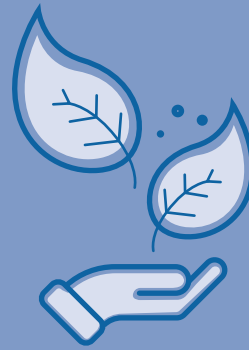
where we have operations, making sure they are easily available for all employees online, on our Intranet and in brochures. For us, it is important that our values guide all our actions. In 2020 we launched Lerøy leadership standard which is embedded in the Group's values. We also measure the extent to which we live up to our values completing an annual employee which all companies of the Group participate in.





## VISION

Lerøy's vision is to be the most profitable global supplier of sustainable high-quality seafood



## ENVIRONMENTAL VISION

Take action today for a difference tomorrow



## VISION, QUALITY AND SUSTAINABILITY

Safe, sustainable, quality seafood



## VALUES

Honest Open Responsible  
Creative

# A good result in a difficult year

2020 was a genuine stress test for Lerøy's value chain, with the lockdowns and market changes caused by the COVID-19 pandemic. We can now confirm that our value chain passed the test, with flying colours. Thanks to our employees, customers and suppliers, we have had good deliveries in 2020.

Everything changed in March 2020, not just here in Norway but also in our markets worldwide. We were uncertain about the flow of goods, possible transport restrictions and how to keep production going. We were able to solve these types of challenges relatively quickly.

## Well-equipped for change

As a food producer, Lerøy plays a critical function for society, and the Group is defined as an "essential business". Thanks to the hard work of our employees, good collaboration with Sjømat Norge and the Norwegian authorities, we were able to gradually solve the puzzle of continuing supplies. The global population needs food, even when we are in the midst of a pandemic.

The hotel, restaurant and catering market came almost to a full stop, but we saw an increase in grocery sales. The pandemic has encouraged more consumers to prepare and eat seafood at home. With our value chain and talented employees throughout the Group, we were well-equipped to make changes to production following the changes in the market, and we now have an even stronger position than at the start of the pandemic.

## Investments at home and abroad

Lerøy has made major investments in recent years in the value chain for farming and in wild catches. We have continued to invest in 2020, despite the pandemic. In February, we celebrated the christening of our most recent and highly modern trawler, "Kongsfjord". Just less than a month after Norway went into lockdown, we started the work on extending the RAS facility at Lerøy Midt. And in the autumn of 2020, work was completed on our new RAS facility for Lerøy Aurora.

We have opened our fifth factory in Spain and a new seafood centre in Madrid this spring. We are currently in the process of opening our own production and distribution plant in Italy, and we have announced our plans for a new RAS facility for Lerøy Sjøtroll.

## Efficient and sustainable value chain

Lerøy's vision is to have the world's most efficient and sustainable value chain for seafood. We will achieve this by means of close and successful collaboration with our suppliers and customers. We have therefore launched our own brand of salmon certified by a third party – Lerøy Salmon™ – guaranteeing a high standard. In 2020, we also introduced organic salmon and ASC certified trout to the market. In addition to that, we have collaborated with our customers to develop traceability technology, providing consumers in

France and Belgium with information on the entire life cycle of the product, from roe to plate.

Lerøy supplies a product the whole world needs, and this need will only increase. Seafood is healthy, delicious and has a low carbon footprint. We aim to continuously strive for improvements, by building an efficient, modern and sustainable value chain.

## Stronger together

The fact that we are in control of the entire value chain makes it easier for us to identify where and how we can take action for the Sustainable Development Goals. We have therefore decided to make dramatic cuts to our carbon footprint (measured in CO<sub>2</sub>e) by 2030. We have committed to ambitious science-based emissions reduction target in order to meet the goals of the Paris Agreement - to limit the global warming to 1,5 degrees C. The Group will introduce measures throughout the value chain to achieve this target.

We have already made good progress in 2021. Thanks to our employees, suppliers customers and our value chain which is suited for the future, Lerøy has a highly optimistic outlook for the future of the company. Our slogan says it perfectly: One Lerøy. Unique alone - Stronger together.

**"The hard work, loyalty and expertise of our employees has helped us do so well in such a difficult year as 2020 has been. I am very proud of them."**

**Henning Beltestad**

CEO

Lerøy Seafood Group



# Local roots, global perspective





Every day, our 4,912 employees contribute to the supply of Norwegian seafood corresponding to five million meals to more than 80 different markets.

Our main office is located in Bergen, but we have fishing vessels and fish farms in operation along the entire coast of Norway. Lerøy owns 10 trawlers and receives regular deliveries from more than 600 vessels fishing along the coast. These vessels make daily deliveries of whitefish to onshore stations, where the fish is processed and packaged, while well boats transport salmon and trout from our fish farms in North Norway, Central Norway and West Norway to localities for processing.

In addition to our production and packaging plants in Norway, we have production and distribution in

Sweden, Denmark, Finland, France, the Netherlands, Portugal, Spain, Italy and Turkey.

The fisherman-farmer, Ole Mikkjel Lerøyen, who would row to the fish market in Bergen to sell live fish at the end of the 19th century, most probably could not imagine what he was starting – a commercial enterprise that 120 years later would be serving the entire world 1.8 billion seafood meals every year.

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



# From sea and fjord to the table

Lerøy is actively involved in every stage of the production of salmon and trout, as well as catch and processing of whitefish and shellfish. In other words, Lerøy is not only involved in fisheries and farming, but also packages and processes the fish in their plants and distributes thousands of different seafood products to shops, restaurants, canteens and hotels – in more than 80 different countries worldwide.

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

## The Group reports within three segments

- > Wild Catch
- > Farming
- > VAP, Sales & Distribution

### Wild Catch

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

### Farming

The Farming segment comprises the Group's production of salmon, trout and cleaner fish up to the time of harvest. The Group has three fully integrated value chains for production of salmon and trout, located in North Norway, Central Norway and West Norway. The Group's companies in this segment – Lerøy Aurora (North Norway), Lerøy Midt (Central Norway) and Lerøy Sjøtroll (West Norway) – are major employers along the Norwegian coastline and strive to be visible and active in all the regions in which they operate.

### VAP, Sales & Distribution

Lerøy has a global reach within the VAP, Sales & Distribution segment. The company works with sales, market and product development, distribution and simple processing of the Group's own raw materials, but also a large volume of raw materials from partners and a network of suppliers. Lerøy Seafood Group has wholesalers, factories and fish-cuts in a number of different markets worldwide.

The VAP, Sales & Distribution segment is involved in processing of mainly salmon and trout, as well as other species. Our facilities are located on the island of Osterøy outside of Bergen, in Smøgen in Sweden, in Finland, the Netherlands, Spain, France, Portugal, Italy and Turkey. The segment's products are increasingly sold to the global market.

**“ I am proud of being a part of Lerøy Seafood - an international company supplying healthy and sustainable seafood.”**

### Ruben Geerts

Retail Specialist, Lerøy Seafood  
Netherlands



# Priorities

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

## Customer focus

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

## Efficient and creative value chain and alliances

Values are created in value chains and in businesses in value chains that form a network and competitive processes for their customers. Lerøy aims to create the world's most efficient and sustainable value chain for seafood. This shall be achieved by continuously developing processes and improving the Group's core operations, as well as further developing long-term, binding alliances with both suppliers and customers.

## Sustainability

For Lerøy, developments shall be based on a perspective of perpetuality. To achieve this, the Board of Directors, management and employees must maintain a high focus on sustainability. Through continuous processes, improved routines and climate cuts throughout the value chain, we will continue to work to achieve our vision of becoming the most sustainable supplier of quality seafood.

## Attractive employer

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

## The managerial role at Lerøy

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

## Strategic business development

The Group has previously made substantial acquisitions, and the main focus in the years to come will be the further development and optimisation of the current organization. Strategic business development will also play a decisive role in future developments for the Group.

## Risk management

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

## Continuous improvements

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





**Henning Beltestad**  
CEO Lerøy Seafood Group



**Bjarne Reinert**  
EVP Farming  
Lerøy Seafood Group



**Sjur S. Malm** Chief Financial Officer  
Lerøy Seafood Group



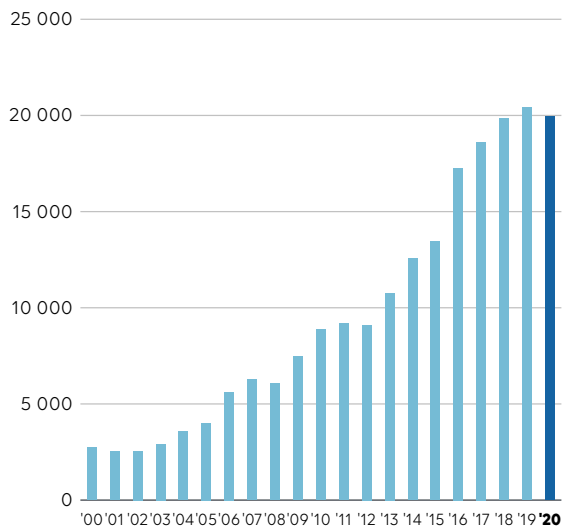
**Siren Grønhaug** Group Director HR  
Lerøy Seafood Group



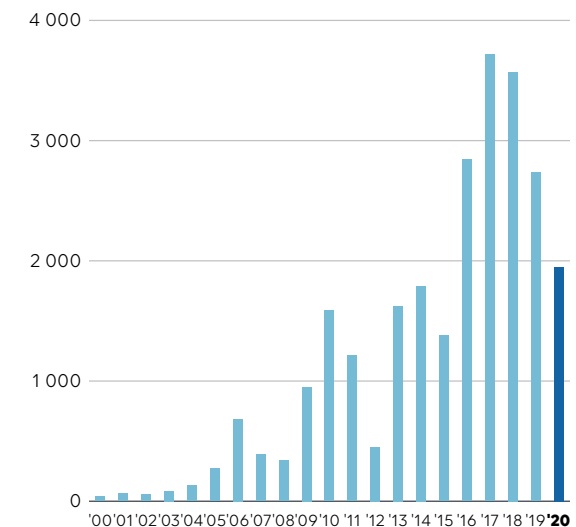
**Ivar Wulff**  
COO Sales & Distribution  
Lerøy Seafood Group

# Key figures, finance

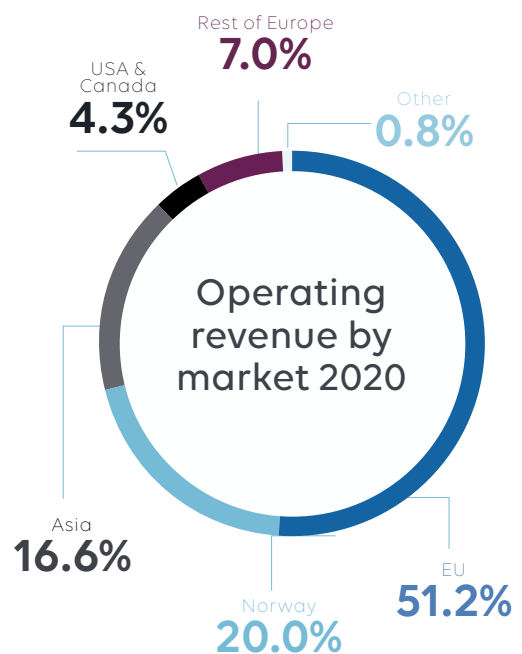
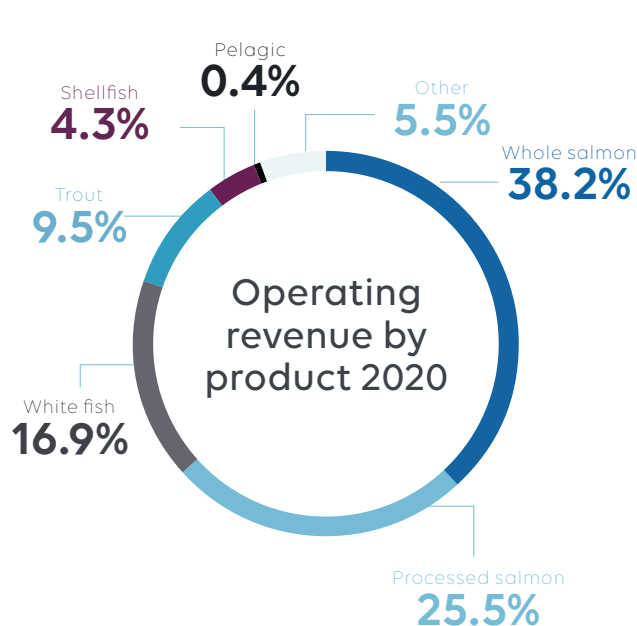
Consolidated operating revenue  
(figures in NOK million)



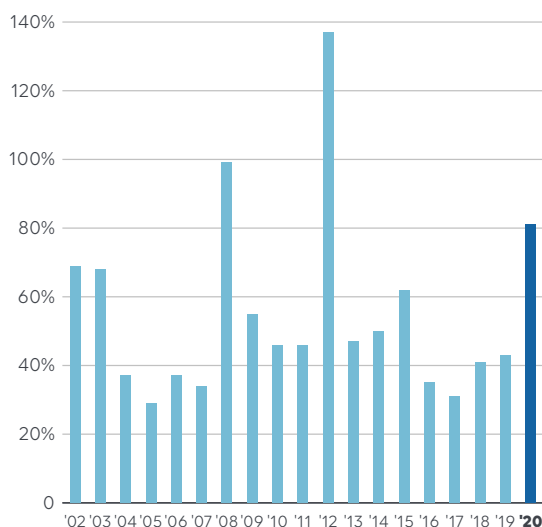
Development in Group's operating profit LSG Group\*)  
(figures in NOK million)



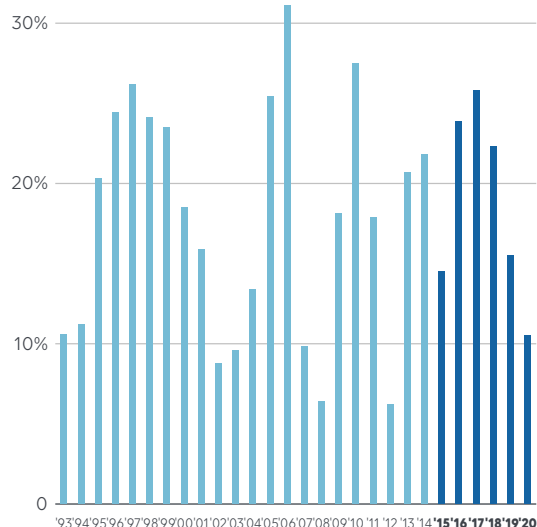
\*) Before fair value adjustments related to biological assets



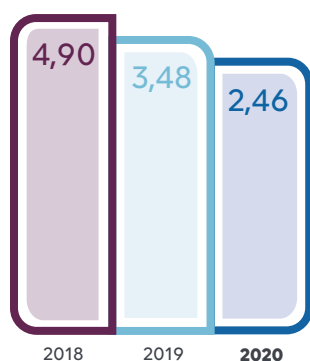
### Proposed dividend in relation to profit/loss<sup>\*)</sup>



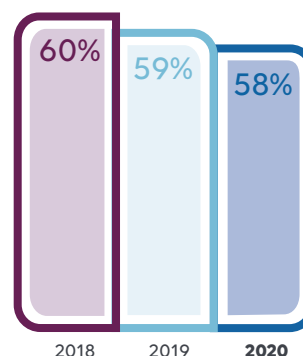
### ROCE<sup>\*)</sup>



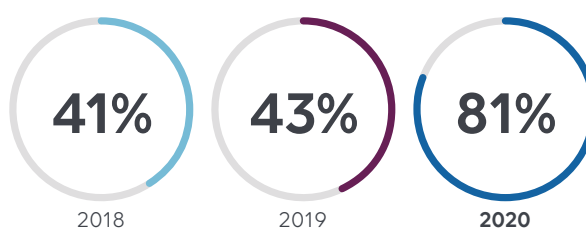
### Earnings per share<sup>\*)</sup>



### Solvency



### Proposed dividend in relation to profit/loss



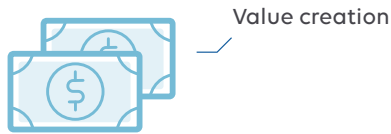
<sup>\*)</sup> ROCE, Return on Capital Employed: Earnings per share before value adjustments is an alternative performance measurement, in which the figures are adjusted for value adjustment in the financial statements related to biological assets. Adjustments are after tax. The adjustments also include the Group's share of such adjustments from associates (after tax).

# Key figures, society

Ripple effect for society in 2020 in Norway

Figures in NOK 1,000

**8,615,492<sup>\*)</sup>**



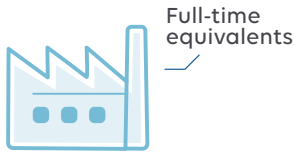
<sup>\*)</sup> Affected by prevailing market prices Value creation = Gross production value minus intermediary inputs

**1,063,293<sup>\*)</sup>**



<sup>\*)</sup> Net tax from employees and tax paid in 2020 by Lerøy Seafood Group

**2,738**



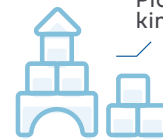
**1,009**

Places in nursing home



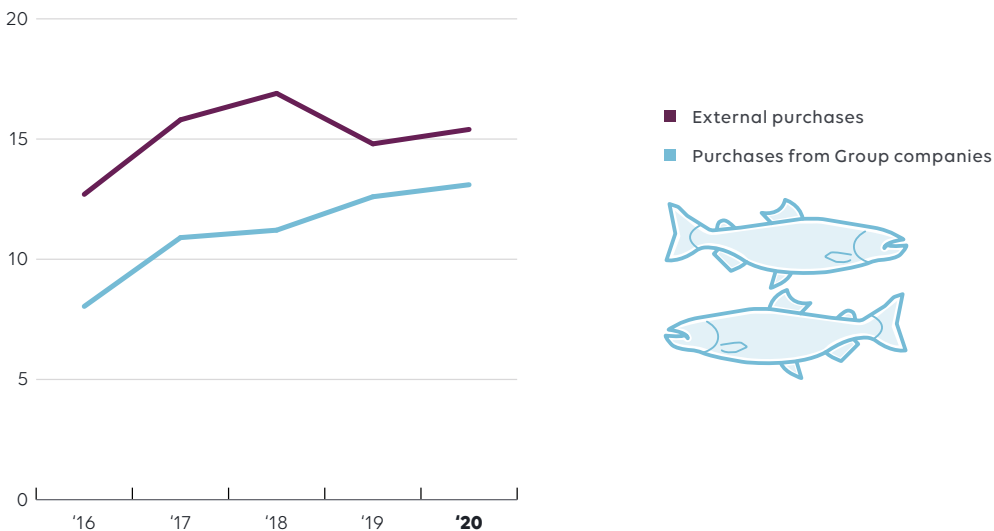
**5,970**

Places in municipal kindergartens



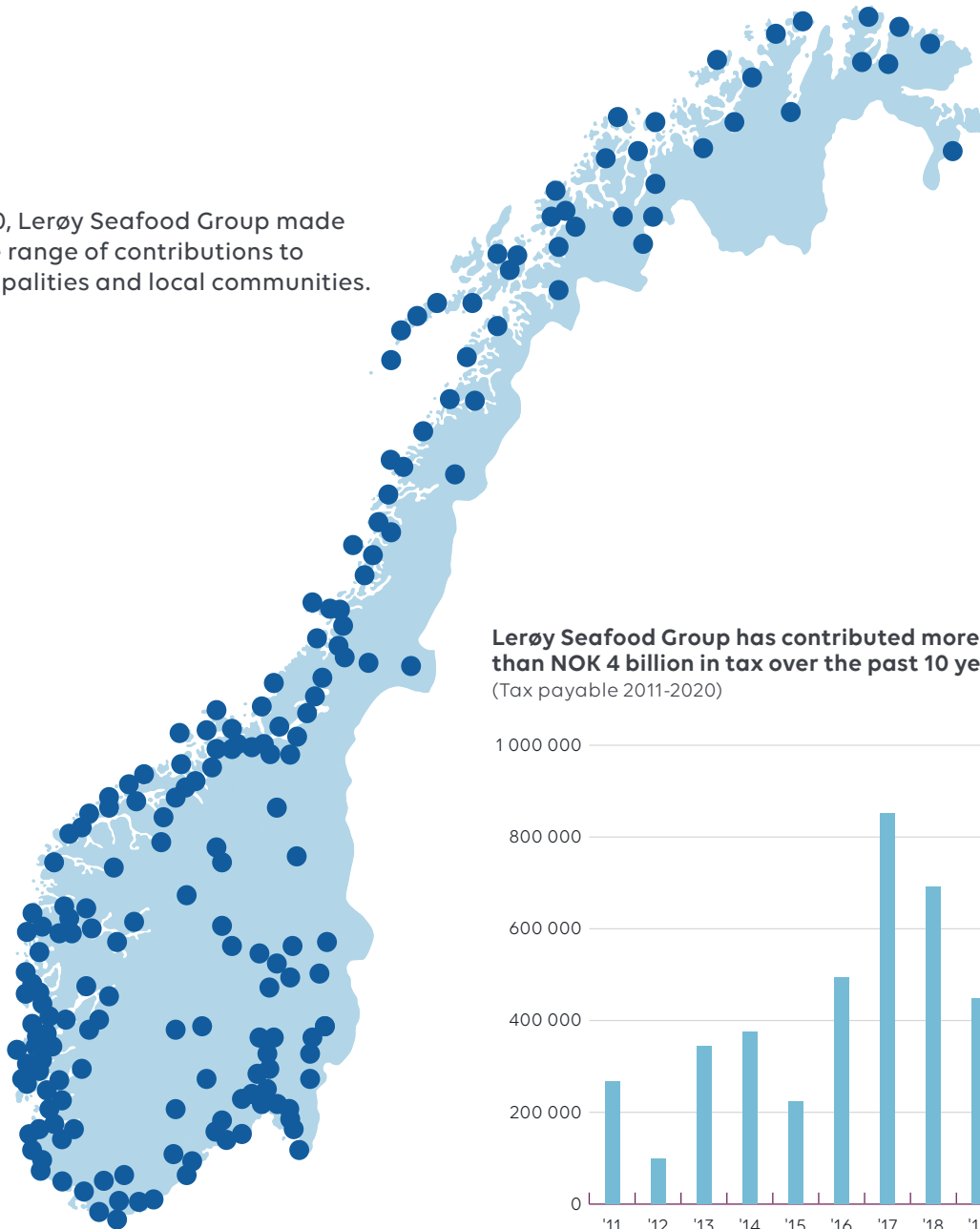
Purchases made by our Norwegian companies from Norwegian suppliers in 2020 (invoiced in 2020)

Figures in NOK billion

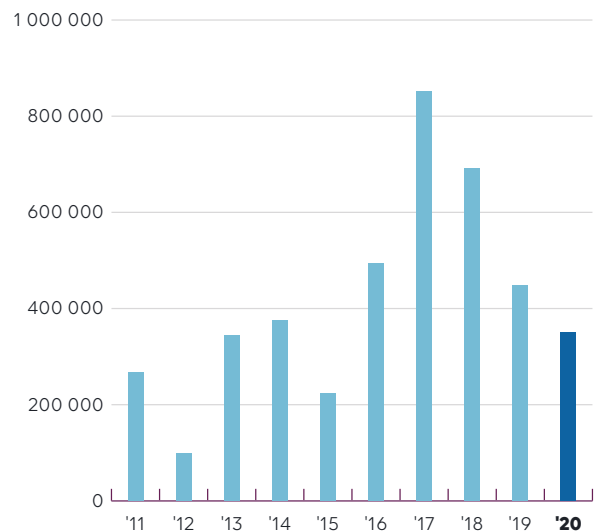




In 2020, Lerøy Seafood Group made a wide range of contributions to municipalities and local communities.



**Lerøy Seafood Group has contributed more than NOK 4 billion in tax over the past 10 years**  
(Tax payable 2011-2020)



**60**  
municipalities

We had own operations in approx. 60 municipalities in Norway.

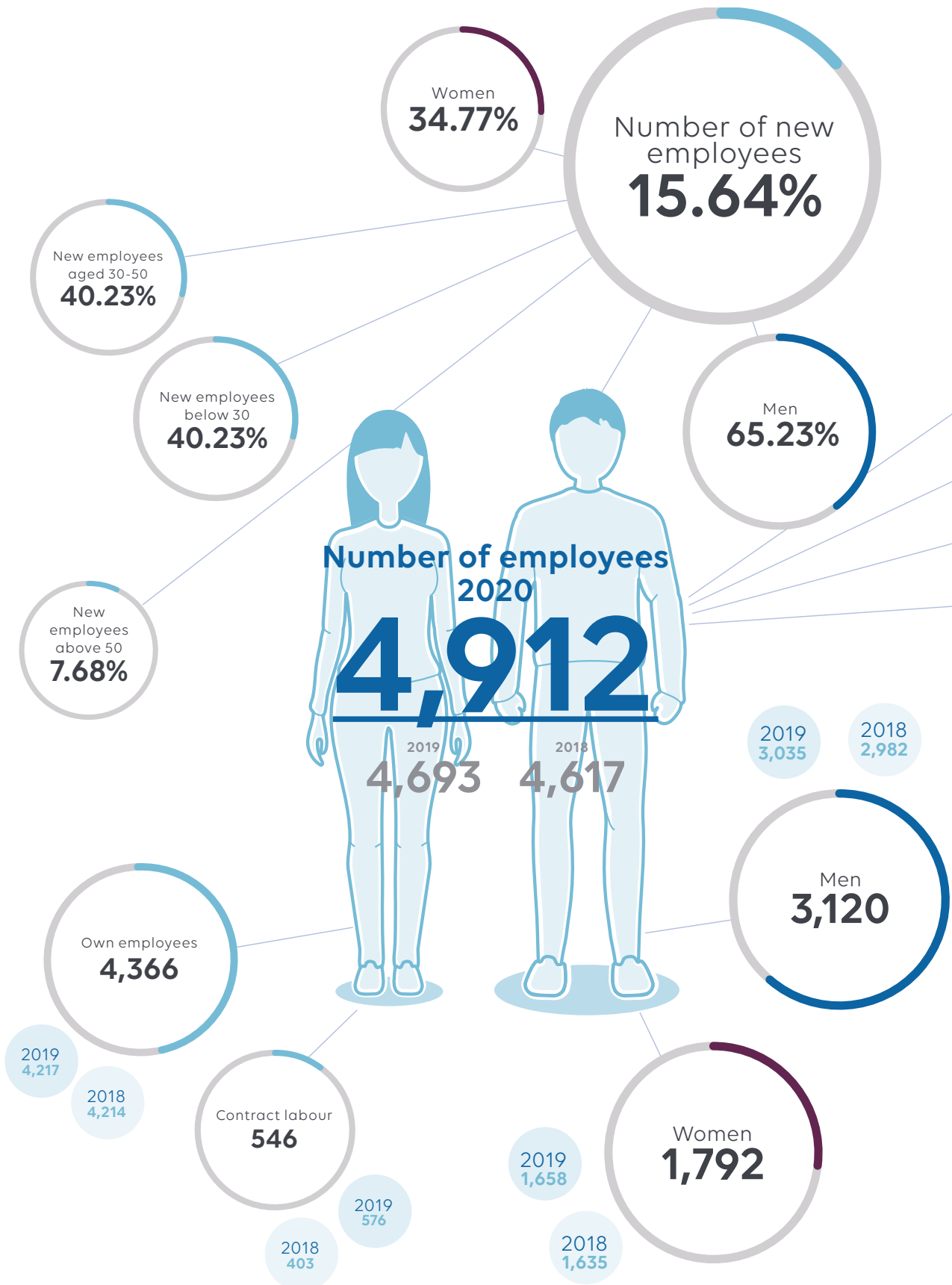
**NOK 15.1**  
billion

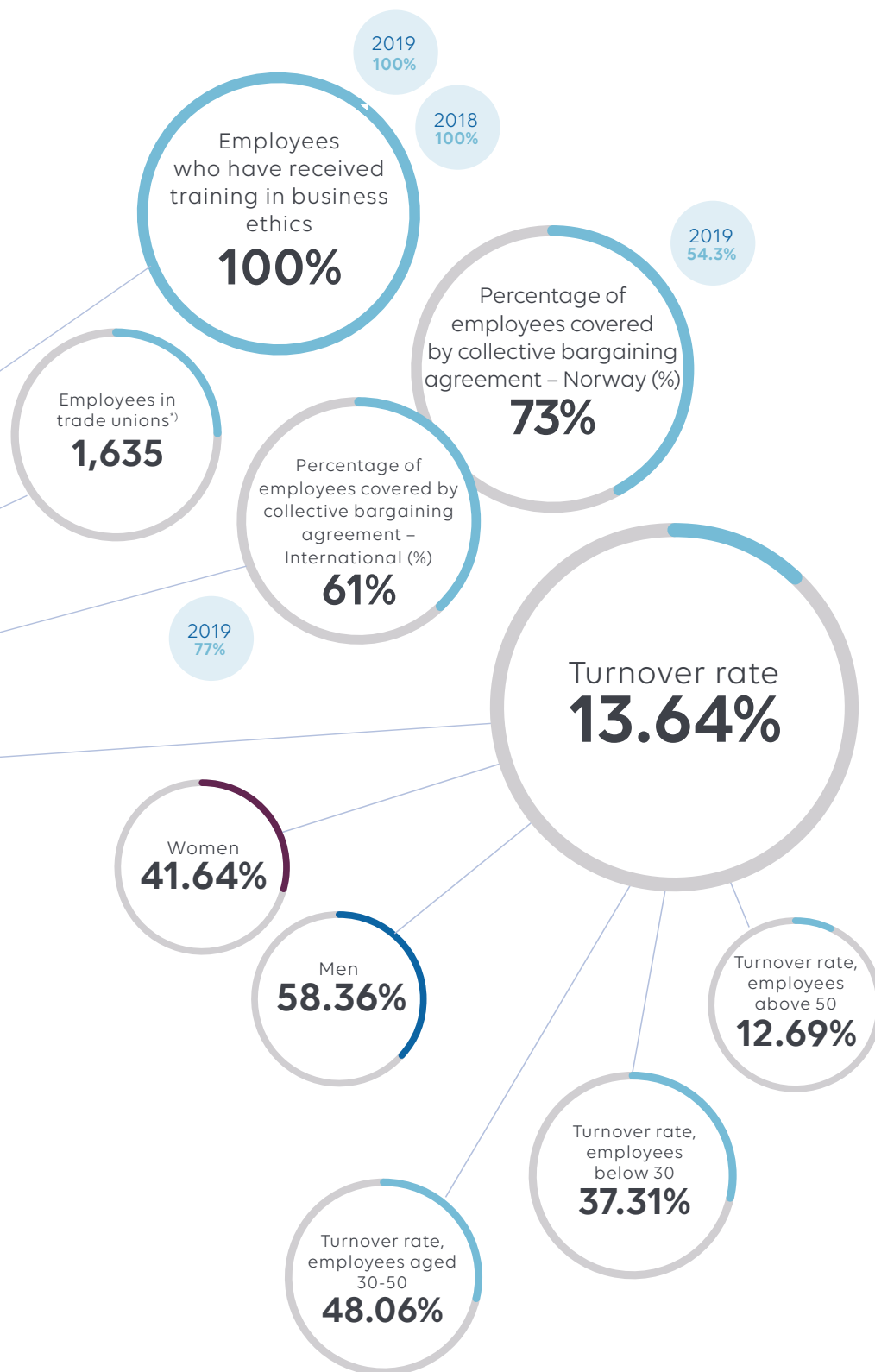
We purchased goods and services worth NOK 15.1 billion excluding internal purchases from more than 300 different Norwegian municipalities.

**NOK 610.6**  
million

Our employees paid income tax to different municipalities at a total value of NOK 610.6 million.

# Key figures, society cont.

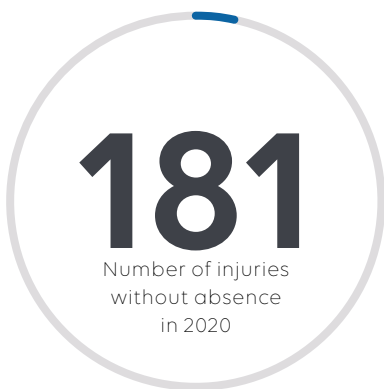
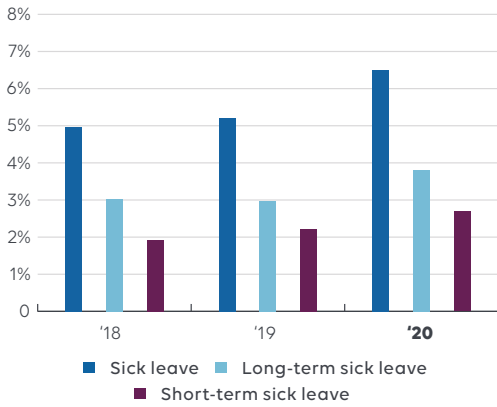




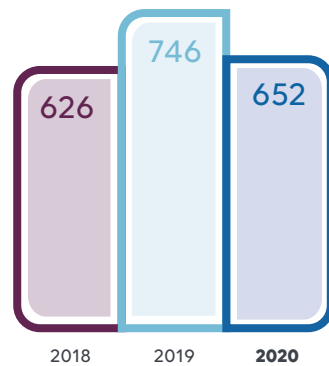
\*) National legislation prohibits employers from asking whether an employee is a member of trade union. The figure specified originates from employees who have actively chosen to deduct their trade union membership fee via their payroll.

# Key figures, society cont.

## Sick leave



## Near-accidents (number)



## Fatal accidents (number)



## Safety observations (number)

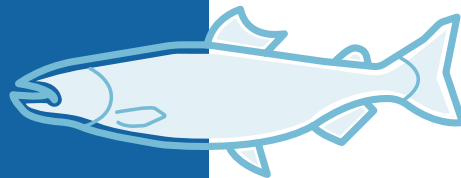




# Key figures, environment

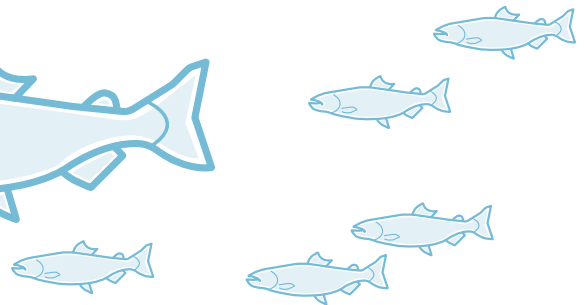
## Antibiotics

The use of antibiotics is almost at zero in the Norwegian fish farming industry. Lerøy Seafood Group applies a very restrictive policy when it comes to use of antibiotics, and use is only on exception and to safeguard fish health.



## Accidental release

The company once again reported a low figure for accidental release in 2020. The figure was 208 fish, up from 123 fish in 2019.



### Antibiotics used in sea, kg active substance

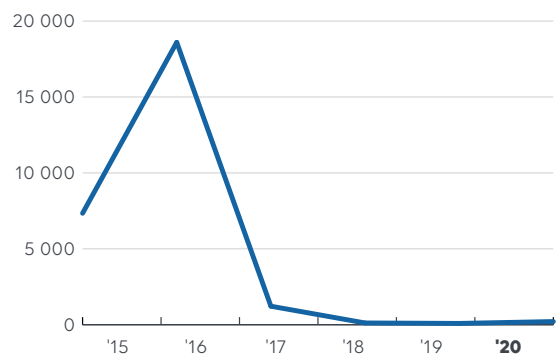
2020	18.99
2019	0.00
2018	0.00

### Antibiotics used on shore, kg active substance

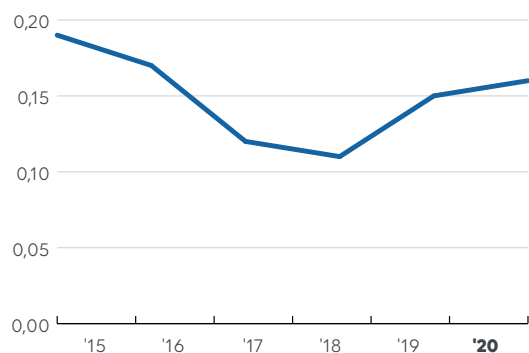
2020	0.0
2019	0.0
2018	7.4

*\*) Antibiotics were used at one locality based on considerations of fish welfare*

## Number of accidentally released fish per year, salmon and trout



## Average number of fully grown lice per fish



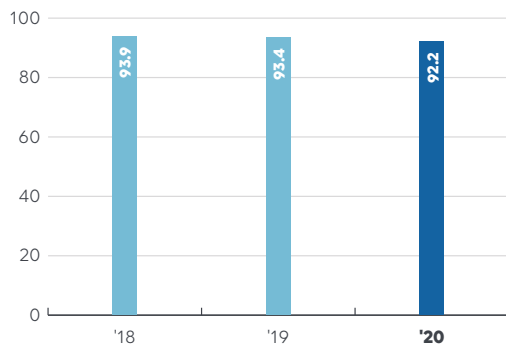
The level of fully grown lice has been relatively stable in recent years.

# Key figures, environment cont.

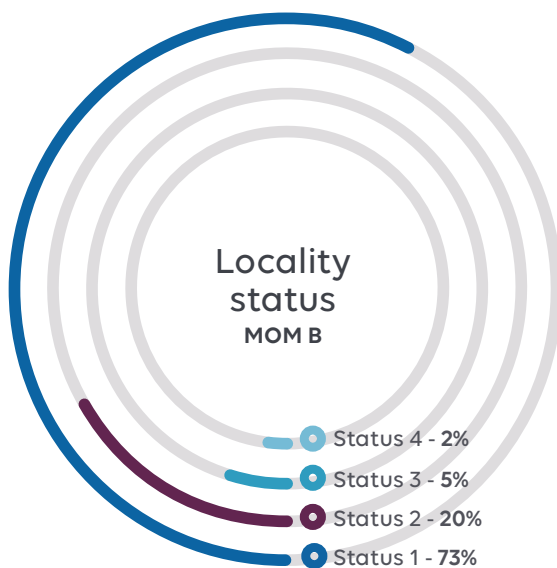
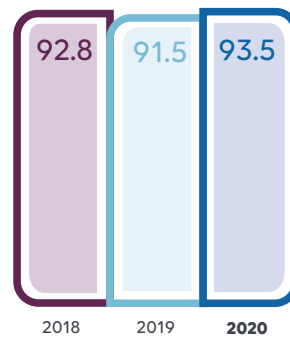
## FFDR salmon

	2020	2019	2018
FFDRm, salmon	0.4	0.37	0.49
FFDRo, salmon	1.76	2.09	1.49

### Survival for salmon and trout in the sea



### Survival on land, consecutive 12 months (%)

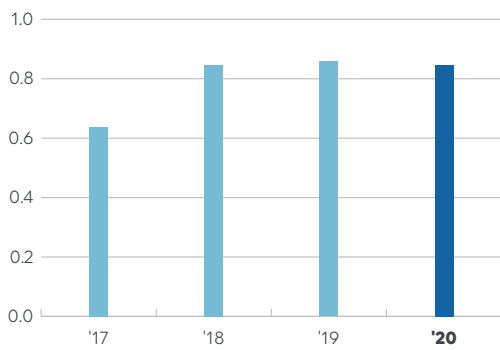


## Accounting for Climate CO2e 2020

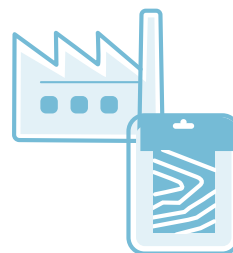
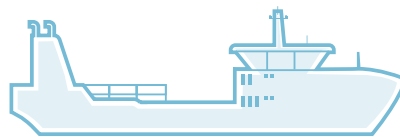
CO2e emissions for fish are in general low compared to other types of proteins we eat, fish gives the the lowest carbon footprint

Scope	Farming	Wild Catch	VAP, Sales & Distribution	Lerøy Seafood Group
Scope 1, tons CO2e	18,461	107,501	1,830	127,792
Scope 2, tons CO2e	5,496	1,048	3,393	9,937
Total, tons CO2e	23,957	108,549	5,222	137,729

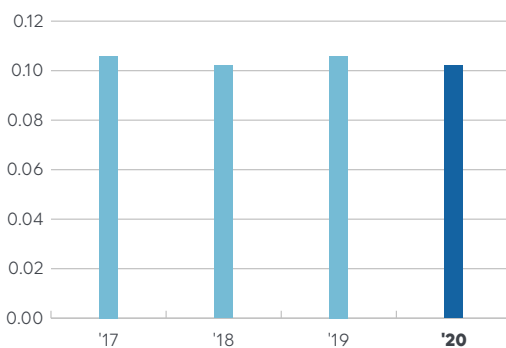
### Wild Catch



Scope 1+2: Tonnes Co2e/tonne headed/gutted fish

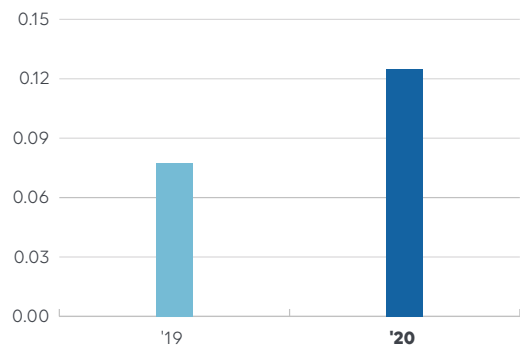


### Farming



Scope 1+2: Tonnes CO2e/tonnes gross growth

### VAP, Sales & Distribution



Scope 1+2: Tonnes CO2e/tonnes product sold



//

**WE AIM TO CREATE  
AN INCLUSIVE AND  
MOTIVATING WORK  
ENVIRONMENT."**

# 02

## Corporate governance

- 38-47** Corporate Governance
- 48-49** The Board of Directors
- 50-51** Statement by Board of Directors regarding determination of salary and other remuneration
- 52-57** Statement by the Board of Director's regarding Lerøy's strategic framework



# Corporate governance

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

The Group's Corporate Governance is based on the Norwegian Code of Practice for Corporate Governance (NUES), dated 17 October 2018, see also [www.nues.no](http://www.nues.no). The NUES Code of Practice is based on the Norwegian Accounting Act and comply with Norwegian legislation relating to public limited companies, stock exchange and securities, as well as the Stock Exchange Rules, as in force at 1st October 2018. The Code of Practice includes provisions and guidance that in part elaborate on existing legislation and in part covers areas not addressed by legislation. This chapter has the same structure as the NUES code, and all items in the Code are included. Any differences are explained.

## 1. Reporting on corporate governance

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

## The company's basic corporate values

Lerøy Seafood Group's basic corporate values – honest, open, responsible and creative – are based on the Group's vision to create the world's leading and most profitable global supplier of sustainable quality seafood. The Group's core activities comprise a vertically integrated value chain for the production of salmon and trout, wild-caught fisheries of whitefish, processing of seafood, purchasing, sales and marketing of seafood, distribution of seafood, product development and development of strategic markets. The Group emphasises quality and sustainability in all parts of the value chain, in order to ensure that we are successful in achieving our goals.

## 2. Activities

According to Lerøy Seafood Group's Articles of Association, the purposes of the company are as follows: Fisheries, fish farming, processing, sale and distribution within the seafood industry and related industries and operations. Such activities may be performed either directly or via participation in other companies with similar or equivalent objectives, and all activities related thereto." The parent company's Articles of Association reflect the totality of the Group's value chain and core business. The Group's goals and main strategies

are described in total in the Group's annual report (go to [www.leroyseafood.com/investor](http://www.leroyseafood.com/investor)), and can be summarised as follows:

"The Group's core business is the production of salmon and trout, Wild-caught fisheries of whitefish, processing, product development, marketing, sale and distribution of seafood."

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

## Ethical code of conduct and guidelines for corporate social responsibility at Lerøy Seafood Group ASA

The Group takes a very conscious approach to its responsibility regarding ethical code of conduct, society at large and the environment. In addition to the Group's common values, Lerøy Seafood Group has prepared a set of ethical guidelines for Group employees, aiming to establish common principles and regulations which govern all employees within Lerøy Seafood Group ASA, its subsidiaries and partners. The

**" The Group's core business is the production of salmon and trout, catches of whitefish, processing, product development, marketing, sale and distribution of seafood."**

Group's ethical code of conduct reflects the values represented by the Group and guides the employees and other stakeholders as to the use of the correct principles for human rights, business conduct, impartiality, conflicts of interest, political activity, entertaining customers, processing information, duty of confidentiality, relationships with colleagues, business partners, corruption, whistle-blowing, bribes etc. Knowledge of and compliance with the Code of Conduct is mandatory for all employees. The Group has prepared an Ethics Test for employees which will help them make the right decisions.

Lerøy Seafood Group has a general rule that the Group, along with all business partners, are subject to the corresponding authorities in the country in question, and the company's own/Lerøy Seafood Group's quality systems and procedures. The Group has a principal rule that the strictest requirements shall be met. The corporate management is responsible for ensuring compliance with the regulations.

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

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

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

As a part of the Group's integrated reports, the annual report contains a list of focus areas, measurement indicators and goals related to the environment, social and financial sustainability.

### 3. Equity and dividends

#### Dividend policy

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



"Lerøy's goal is to operate and to further develop all parts of the value chain and a long term focus on value creation for shareholders, employees, customers, suppliers and society in general."

## Corporate governance

The company's dividend policy implies that, over time, dividends should comprise 30% to 40% of profit after tax. However, care must be taken at all times to ensure that the Group has a strong balance sheet to be able to conduct any new and profitable investments. The goal is for financial value creation in the long term should come in the form of higher share prices rather than in declared dividends. The Board of Directors is of the opinion that the distribution of dividends in previous years reflects the Group's dividend policy (ref. note 20).

### Dividend payment in 2021

The Board of Directors has recommended a dividend of NOK 2.00 per share in 2021. In 2020, based on the increased uncertainties involving COVID-19 restrictions, the Board of Directors proposed to the annual general meeting a dividend payment of NOK 1.50 per share in 2020. The Board of Directors was also mandated to pay an additional dividend of up to NOK 0.80 per share by the end of 2020. The annual general meeting adopted this proposal, and a dividend of NOK 1.50 per share was paid in June 2020. The Board decided not to exercise its additional mandate for NOK 0.80 per share, but reported that the recommendation for the dividend payment in 2021 will reflect this. Payment of the dividend is submitted for adoption at the company's annual general meeting.

### Equity and financial goals

The Group is financially sound with book equity of NOK 17,632,769 million as of 31 December 2020, which corresponds to an equity ratio of 58.5%. The number of shares outstanding in the company at 31 December 2019 is 595,773,680. All shares carry the same rights in the company. As of 31 December 2020, the company owned 297,760 treasury shares.

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 are reflected in an established solvency requirement and a required rate of return. The capital adequacy requirement stipulates that the Group's equity ratio shall be at least 30% over time. The Group's long-term goal for earnings is to maintain an annual return on the Group's average capital employed of 18% before tax.

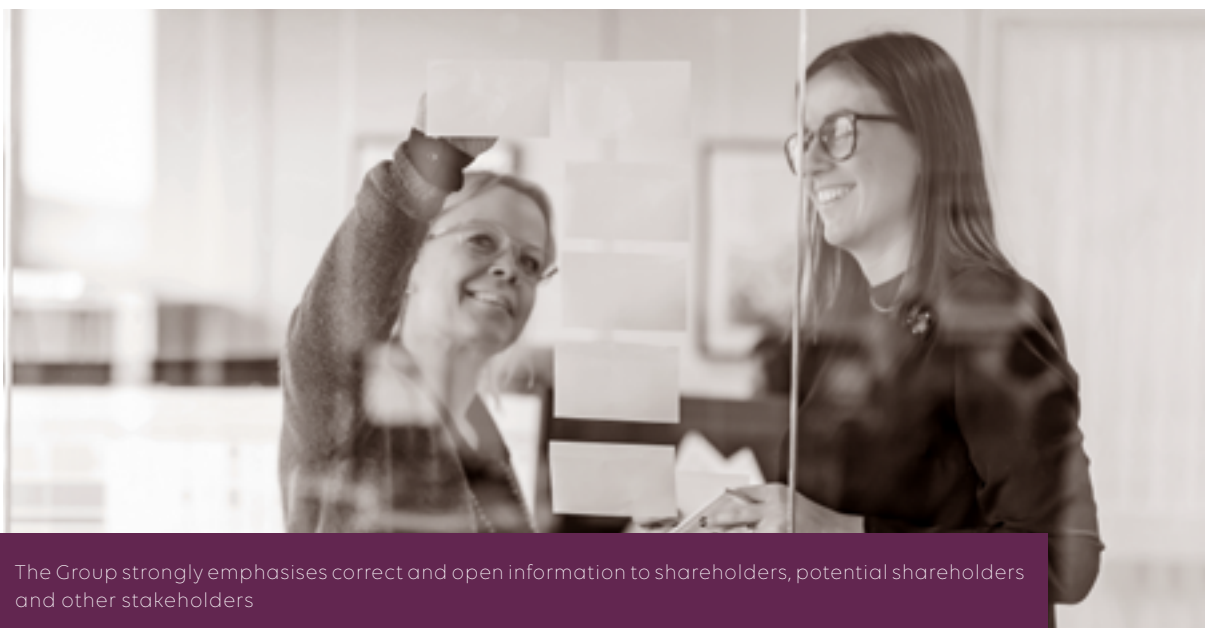
### Mandates granted to the Board of Directors

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

### Mandate for the Board to repurchase own shares

In order to have the flexibility in the management of capital, the Board was authorised for the first time to buy-back own shares by the annual general meeting on 12 May 2000. The mandate was recently renewed at the annual general meeting on 27 May 2020 and authorises the acquisition of up to 50,000,000 shares over a period of 18 months from the date on which the resolution was adopted.

The Board of Directors is of the opinion that the Board should have the option to buy-back own shares. Situations may emerge in the future where the Board of Directors believe that the market price of the company's shares are undervalued, as the company has sound equity and liquidity, and the Board of Directors decides that buying back own shares is an attractive prospect. In such a situation, the buying back own shares may increase the return for the company's investors. At the same time, the stock market generally views buy-back of own shares as positive based on the signals this sends regarding the management's confidence in the company's outlook for the future. Moreover, the Board of Directors feels that a holding bought back shares will provide the Board with more leeway in connection with growth through future mergers and acquisitions and establishing new forms of cooperation.



The Group strongly emphasises correct and open information to shareholders, potential shareholders and other stakeholders

Any bought back shares could also be utilised in connection with a possible establishment of a share savings programme for Group employees.

A proposal will therefore be submitted to renew the mandate at the annual general meeting on 26 May 2021.

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

The Board has a mandate to increase the share capital by up to NOK 5,000,000 by issuing up to 50,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 0.10, through one or more private placings to the company's shareholders and/or external investors. This type of mandate was first established by the annual general meeting on 4 May 1999 and subsequently renewed by the annual general meeting on 27 May 2020. The Board of Directors exercised this mandate first time on 2 June 2016 and carried out a private placement of 5,000,000 new shares at a face value of NOK 1.00 in addition to the sale of 300,000 treasury shares. The Board of Directors feels it is appropriate to retain this mandate, including authorisation for the Board to deviate from the preference rights of the shareholders. The Group

**// The number of shareholders in Lerøy Seafood Group increased from 10,520 to 15,227 in 2020."**

expects to see continued structural changes and internationalisation in its industry. As a result, Lerøy Seafood Group ASA will continuously assess organic growth, possible share saving programmes for employees, possible mergers and acquisitions alternatives and/or possible alliances that may lay the foundations for future profitable growth, both to capitalise on the value already created and to achieve a solid position for future value creation.

The mandate will allow the company to achieve the requisite financial leeway to rapidly obtain the necessary liquidity and/or settlement shares that the Board feels are necessary to ensure future profitable growth. A proposal will therefore be made to establish a new corresponding mandate at the annual general meeting on 26 May 2021. 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 that the Group is strategically optimized for further potential business development. The Group has established the practice of having the mandates renewed annually at each annual general meeting.

#### **4. Equal treatment of shareholders and transactions with related parties**

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

#### **Equal treatment of shareholders and transactions with close associates**

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

#### **No 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. Shares and negotiability**

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

#### **6. Annual general meeting**

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

#### **Notice of and holding Annual General Meeting**

Lerøy Seafood Group ASA held its annual general meeting in the company's head office at Lanternen, Thormøhlensgate 51 B in Bergen on 27 May 2020. 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 compiled in accordance with the requirements of the Public Companies Act in Norway and the regulation relating to general meetings which governs the content and availability of supporting information. Pursuant to the company's Articles of Association, all documents to be discussed at the general meeting were made available on the company's website – [www.leroyseafood.com](http://www.leroyseafood.com) three weeks prior to the date of the general meeting.

The supporting information was sufficiently detailed and precise to allow the shareholders to form a view on all matters to be considered at the meeting. With the uncertainties relating to COVID-19, the board members were encouraged to use a proxy form and not attend the annual general meeting in person. The members were asked to register for the annual general meeting by 22 May 2021 at 16.00. Prior

## Corporate governance

to distribution of the notice of the general meeting, the Board of Directors and meeting chairperson had performed a quality control of the procedures for registration and voting, and the proxy form for participation and voting on behalf of other shareholders.

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

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

### Participation by proxy

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

No extraordinary general meetings were held in 2020.

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

## 7. Nomination committee

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

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

Information on the members of the Nomination Committee is published at [www.leroyseafood.com](http://www.leroyseafood.com). The nomination committee will be facilitated the ability to the shareholders, the board members and the CEO when working on the recommendation of candidates. In addition, shareholders are permitted to recommend candidates to the committee.

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





## 8. Board of Directors, composition and independence

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

The transformation of the Lerøy Group from a family company to a listed public limited company has been guided by the owners' clear awareness of the type of Board the company needs. Since the early 1990s, the majority of the board members have been independent of the Group's management team in order to protect the Board's ability to challenge management practices. In part because of the Board's composition (size and independence from management and main owners, etc.), it has to date been deemed unnecessary to establish so-called board committees, with the exception of the statutory requirement for an audit committee.

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

### Nomination period and term of office

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

The Group structure, with independent entities in different regions, is supervised through participation by Group management in the administrative bodies of the various companies. The employees contribute to a positive development in operations as members of the board in the subsidiaries. The Board has not elected a Vice Chairman To date, 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 Board of Directors has the ultimate responsibility for company management. This involves supervising day-to-day management and activities in general. The board's responsibility for the management of the company includes responsibility for ensuring that the activities are soundly organised, drawing up plans and budgets for the activities of the company, keeping itself informed of the company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control. The main aim is to ensure continuous follow-up and further development of the company. For several years, as well as in its 10 meetings in 2020, the Board has maintained a particular focus on the connection between practical operations and strategic business development. The Board works purposefully together with the company management to make the Group the most sustainable, profitable, fully integrated and international seafood company possible. This work has for a considerable time been carried out in accordance with our public announcements. The Board's work reflects this strategy, and the results are shown through management implementation. Although the strategic development of the company is a continuous process and part of the work of the Board of Directors, the company also holds strategy meetings. Strategy meetings were held in 2020.

### Instructions for the Board of Directors and management

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

### Independent consideration of matters of a material character in which the Chairman of the Board, board members or executive personnel are actively involved.

The Chairman of the Board or other board members shall not process matters that are of significance for their own interests or the personal interests of close associates. Such matters are dealt with by the other board members. The same applies to matters in which the CEO or other executive

## Information on the members of the Board of Directors

Members	Elected to the Board	Up for election	Number of board meetings in 2020
Helge Singelstad (Chairman)	2009	2022	10/10
Britt Kathrine Drivenes	2008	2022	10/10
Arne Møgster	2009	2022	10/10
Didrik Munch*	2012	2021	10/10
Karoline Møgster	2017	2021	10/10
Siri Lill Mannes <sup>1)</sup>	2018	2021	9/10
Hans Petter Vestre <sup>2)</sup> (employee representative)	1995	2021	10/10

\*) Independent of the company's largest shareholder

## Corporate governance

personnel have a personal interest. One matter of such material character was considered in 2020.

### Board committees

#### Audit committee

Pursuant to section 6-41 (1) of the Norwegian Public Companies Act,

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

#### Evaluation of the Board's work

When recruiting board members, the company's owners follow a long-standing strategy of 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 evaluation of its own performance and of Group management must of necessity be seen in conjunction with the Group's performance. To date, the Board has not issued reports on its evaluation of its own work; this is a conscious priority decision and must be viewed in connection with other announcements in the company's communications to the public. Moreover, external evaluations of the Board's work are probably the most influential and are likely to remain so in the future.

## 10. Risk management and internal control

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. Please refer to the chapter on Risk Management in the Board of Directors' report for information on how the Group manages risk exposure.

#### 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.



"At the very core of the Group's internal control are factors such as employees' expertise, qualities, ethical values and the working environment"

### Description of the main elements of risk management and internal control related to financial reports

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

#### Control environment

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

#### Guidelines for financial reporting

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

#### Organisation and responsibility

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

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

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

#### Risk assessment

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

#### Control activities

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

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

The Chief Accountant for the Group provides guidelines for financial reporting to the different Group entities. The Chief Accountant for the Group ensures that reporting takes place in accordance with prevailing legislation, accounting

standards, established accounting principles and the Board's guidelines.

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

#### Review by the Group management

The Group management has regular meetings to discuss issues such as monthly financial reports, including the development in figures in profit/loss and the statement of financial position.

#### Reviews by the audit committee, Board and annual general meeting

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

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

#### Information and communication

The Group strongly emphasises correct and open information to shareholders, potential shareholders and other stakeholders. Item 13, "Information and communication" contains more detail on information and communication.

#### Follow-up of reporting entities

Those persons responsible for entities which issue reports shall ensure appropriate and efficient internal control in accordance with requirements, and are responsible for compliance with such requirements.

#### Group level

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

#### External auditor

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

#### The Board of Directors

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

#### 11. Remuneration of the Board of Directors

Board remuneration is not performance based. The Board members elected by the shareholders have no share options. If enterprises that board members are associated with perform work for the company's Board, the question of independence is treated specifically by the Board. Remuneration of the Chairman of the Board and other board members is recommended by the nomination committee and adopted by the general meeting. The annual general meeting on 27 May 2020 adopted annual remuneration

## Corporate governance

of the Board of Directors as follows:

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

However, no remuneration is paid to the Chairman of the Board that represents a duty to report. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees related to the role as working Chairman of the Board from the Group's leading company, Laco AS, where the Chairman of the Board is an employee. The Chairman of the Board's additional tasks are based on his detailed knowledge of both the Group and the industry.

It is recommended that remuneration for any additional work carried out by members of the Board of Directors' sub-committees be paid separately in addition to the basic fees for board members of NOK 50,000 per year.

Annual remuneration of the members of the nomination committee totalled NOK 35,000 per member.

### 12. Remuneration of executive personnel

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

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

### 13. Information and communication

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

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

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

### 14. Take-overs.

Lerøy Seafood Group ASA has no restrictions in its Articles of Association regarding company take-overs. As of 3 June 2002, the shares in Lerøy Seafood Group ASA have been quoted on the main listing of the Oslo Stock Exchange and are freely negotiable within the provisions of Norwegian law. The company has only one class of shares and each share carries one vote at the annual 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 PwC as Group auditor. The company's auditor follows an auditing plan which has been reviewed in advance together with the audit committee and management. The auditor and audit committee perform an annual audit of the company's internal control, including identified weak points and recommended improvements. The Board is informed of the general nature of the services the administration buys from the auditor.

### Treatment of the financial statements

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

### Auditor – other services

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

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

### Remuneration of the auditor

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

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

The Group strongly emphasises correct and open information to shareholders, potential shareholders and other stakeholders. Information shall be timely, relevant, consistent and current.



// MANAGERS IN  
LERØY REPRESENT  
THE GROUP'S **VALUES**  
AND ARE EXTERNAL  
**AMBASSADORS** FOR  
THE COMPANY."



# Presentation of the Board of Directors



## **Chairman of the Board, Helge Singelstad (1963)**

was elected to the Group Board of Directors 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 ASA. 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 the majority shareholder of Austevoll Seafood ASA. Helge Singelstad owns no shares or options in Lerøy Seafood Group ASA as of 31 December 2020, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.



## **Board member Britt Kathrine Drivenes (1963)**

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



## **Board member Siri Lill Mannes (1970)**

was elected to the Board by the annual general meeting on 23 May 2018. She has studied history at second degree level, Russian at intermediate level and Russian-Soviet studies at one-year foundation level. She has also completed the Armed Forces' course in Russian (officer's training school) and studies in political science in Georgia, USA (1-year grant from Rotary). Siri Lill Mannes has an extensive background from journalism, has worked as a TV host and entrepreneur. She started working for TV2 when the TV channel was founded in 1992. Since 2010, she has been the Director of the communications company SpeakLab AS, where she is also a partner and founder. Siri Lill Mannes owns no shares in the company at 31 December 2020.



**Board member Karoline Møgster (1980)**

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



**Board member Hans Petter Vestre (1966)**

was elected 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 team leader in Lerøy Seafood AS. Hans Petter Vestre owned 1,200 shares in the company as of 31 December 2020.



**Board member Didrik Munch (1956)**

was elected 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. He was the CEO of Schibsted Norge AS (former Media Norge AS) from 2008 to 2018, and is currently self-employed. Didrik Munch has sat on the boards of a number of companies, both as chairman and ordinary member. He is currently Chairman of the Board for Storebrand ASA, Solstrand Fjordhotell Holding AS and NWT Media AS, and a board member for Grieg Maritime Group AS. He owns no shares in the company as of 31 December 2020.



**Board member Arne Møgster (1975)**

was elected 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 of Director's statement regarding salary and other remuneration

The guidelines for 2020 have been followed by the company. These are enclosed. For the next financial year, 2021, new guidelines will be proposed to the annual general meeting in May 2021.

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

## Main principles in the company's salary policy

The Group's development is closely linked to the Group's ability to recruit and retain managerial staff and the Group employs various models for remuneration of executive personnel on competitive terms. Executive personnel receive salary according to market terms. Remuneration varies over time both in respect of level and method of payment. In addition to the annual salary, the Group also pays performance-based bonuses limited to one 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 plans.

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

Remuneration is reviewed annually, but on a long-term perspective, ref. the requirement for continuity.

## Principles for compensation in addition to base salary

### Starting point: base salary

Salaries for executive personnel shall be competitive. Lerøy Seafood Group ASA 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 remuneration: Bonus scheme

The salary earned by executive personnel must inspire high performance and must be structured to motivate extra efforts towards continuous improvement of operations and the company's performance. The Group utilises performance-based bonuses of 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 practises defined contribution pension plans.

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

## Severance pay

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

## Non-pecuniary benefits

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

## Other benefits

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

## Procedure for stipulation of senior executive salaries

### Introduction

Please see the note to the financial statements for information on remuneration of individual executive personnel.

### Stipulation of salary for Group CEO

Remuneration of the Group CEO is determined annually by the Chairman of the Board according to a mandate issued by the Board.

### Stipulation of salary for the corporate management group

Remuneration of the individual members of the corporate management group is determined by the CEO in consultation with the Chairman of the Board. The Board of Directors shall be subsequently informed of the decision.

#### Establishment of incentive schemes

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

#### Remuneration of the Board of Directors

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

#### Stipulation of salary for executive personnel in other Group companies

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

**Lerøy aims to attract and retain the most talented management."**


Bergen, 23 April 2021  
The Board of Directors of Lerøy  
Seafood Group ASA



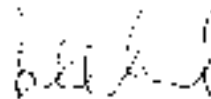
Arne Møgster  
Board member



Britt Kathrine Drivenes  
Board member



Helge Singelstad  
Chair of the Board



Didrik Munch  
Board member



Karoline Møgster  
Board member



Siri Lill Mannes  
Board member



Hans Petter Vestre  
Board member

# Board of Director's statement on Lerøy's strategic framework

## Lerøy's strategic framework

Our values – open, honest, responsible and creative – shall represent the very foundations for our decisions and actions. Lerøy maintains a very strong focus on the customer. We succeed when our customers succeed. It is our goal to help our customers succeed in terms of sustainable growth and an integrated, efficient and innovative value chain. If we are to achieve this goal, we will need access to human resources and organisation (knowledge) and capital. Our goal over the next three to five years is to create the world's most efficient and sustainable value chain for seafood. The elements in our strategic framework are described in more detail below.

### The ultimate goal: We succeed when our customers succeed

If we are to achieve our vision, we must continue to develop to achieve a position as a preferred supplier of seafood on a global scale. Our customers aim for growth and increased market shares by offering competitive solutions with focus on cost and quality, innovation, security of supply and food safety. We need to understand the needs of our customers, and our value chain must be built upon competitive processes that ensure success for our customers. Feedback from customers represents opportunities for improvement.

### Strategic goals/objectives: An efficient and sustainable value chain

The seafood business has a long history and has developed into a global industry, but remains very fragmented with complex value chains, which at times are not compatible with the requirements made by the Customer on, e.g., food safety, traceability, sustainability, stability and efficiency.

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

which in turn helps our customers gain new market shares.

Lerøy believes that values are created in value chains and in businesses in value chains that form a network and competitive processes for their customers. Lerøy's goal is to create the world's most efficient and sustainable value chain for seafood. This must be the result of development of long-term customer relationships and an in-depth understanding of the customer's requirements; continuous improvement of the processes in the Group's own value chain, and development of binding alliances with suppliers.

Beyond successful customers, the table below shows key KPI's for the group in moving toward the world's most efficient and sustainable value chain for seafood. The fundamental principles in the method utilised to achieve our goals are continuous work on achieving optimal flow of goods to the customer and optimal flow of information from the customer, by means of continuous improvement. This requires a decentralised organisation that is able to solve problems where and when they emerge, but also a Group that has the capacity to distribute information from the customers back to the value chain, so that all parties are aware of the challenges to be solved. Problem-solving shall be based on facts.

### Strategic goals/objectives: Sustainable growth

Our customers aim to achieve growth, and our vision is dependent upon growth. Lerøy works hard to ensure that growth for the Group has been and shall remain sustainable. Sustainability is defined according to a holistic perspective that includes economic, environmental and social sustainability. All these areas are essential for our existence and competitive strength.

Social sustainability is a prerequisite to gain the support of society at large and competitive access to the Group's most important resource, people. Environmental sustainability is

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

#### An efficient value chain

- a sustainable value chain both economically, environmentally and socially
- a value chain that delivers the right quality, traceability and food safety with the right level of service
- a value chain with a base stability for operations and access to raw materials
- flexible solutions

#### Innovation

- a value chain that wins market share from competitors
- an organisation made up of creative and inquisitive people who continuously develop the Group
- a value chain perceived by the customers as ahead of competition in terms of the capacity to develop sustainable solutions that create added value
- a value chain that succeeds in preserving its pioneering spirit and focus on the customer, two elements on which Lerøy's history is founded

a prerequisite for the perpetuality perspective upon which the Group's operations are based. Economic sustainability is a premise for access to capital. These are not new requirements and expectations, and Lerøy has focused on these throughout the Group's history, but in recent years, the requirements made by the various stakeholders are increasingly coinciding. This gives rise to an accelerated rate of development, for which Lerøy is well prepared.

Historically, Lerøy's growth has been sustainable, and will continue to be so. The Group has developed a number of KPIs within the different areas relating to sustainability, and will focus on these moving forward.

Lerøy aims to sustain its rate of organic growth via acquisitions, development of alliances and partnerships, and shall play an active role in the consolidation of the seafood industry.

If the Group is to successfully achieve its vision and develop the world's most efficient and sustainable value chain, it requires access to knowledge (human resources, organisation and methods) and capital.

### Prerequisites for fulfilling our goals: Human resources and organisation

Lerøy's employees are the most important resource for the Group. Lerøy shall be a recognised and attractive employer, with the capacity to attract employees with the appropriate competencies, succeeding in building an organisation where employees are happy and work together to meet our customers' needs. Lerøy has a clearly defined HR strategy focusing on recruitment, retaining and developing the right employees.

Lerøy shall also focus on strengthening the role of manager in the Group. Our leadership culture shall feature involvement and cooperation, where the individual manager is expected to take responsibility for getting the best out of their employees in order to ensure continuous development. The interaction between Lerøy's employees and partners shall help create the most efficient and innovative value chain for seafood. Our competitive strengths depend on our ability

to continue to develop the organisation in every part of the value chain.

In order to ensure good interaction throughout the value chain, it is important to create and develop an organisation that is willing both to learn and change. Lerøy has a governance model that entails a substantial level of local decision-making authority. Decentralised governance requires an organisation hungry for new knowledge in the work to achieve a lasting competitive edge, but also an organisation that can share best practice across all parts of the value chain.

### Prerequisites for fulfilling our goals: Capital

The confidence of the capital markets and access to capital have been and remain an essential prerequisite for the Group's existence and growth. The Group's financial strength and financing structure shall be adapted to its operations and framework conditions.

The Group operates in an industry that has historically been highly cyclical, and requires a rate of capitalisation and a business model that reflect this. This cyclical nature can be challenging, but has afforded and will continue to afford substantial opportunities in the future. The Group's financial position will therefore typically be very strong during good periods, coupled with a strategy to exploit this position for acquisitions, preferably during more challenging times.

In relation to acquisitions, it is essential to monitor developments on the seafood markets, including the customers' requirements and expectations in terms of future developments, along with in-depth knowledge of the acquisition object. The Group has achieved growth by means of a number of acquisitions. Moving forward, the Group shall continue to maintain the knowledge required to carry out such acquisitions with an appropriate risk profile and returns.

The Group's long-term goal for earnings is to maintain an annual return on the Group's average capital employed of 18% before tax.

### Lerøy's history is a demonstration of the Group's

## Sustainable growth

### Economic sustainability

- The long-term goal for earnings is to generate an annual return on the Group's average capital employed of 18% before tax.
- We shall evaluate the cycles on the Group's markets, be fully aware of and understand the most significant risks for the Group and achieve a capital structure that can withstand threats but also allows us to exploit opportunities.

### Climate and environmental sustainability

- The Group has stipulated target areas, key performance indicators and goals. For status and a detailed overview, see the sustainability library at [www.leroyseafood.com](http://www.leroyseafood.com).
- The Group works with renewable resources, and all decisions relating to operations and growth targets shall be based on sustainability, preferably assessed in accordance with the UN's sustainability criteria.

### Social sustainability

- Lerøy shall be a safe place to work and shall maintain a continuous focus on HSE in every part of the organisation.
- Lerøy shall offer orderly working conditions for all our employees, and ensure that partners do the same.
- Lerøy shall pay equal salary for equal work and provide proper training in all parts of the value chain.
- Lerøy's decentralised Group model implies that the Group is local but with a global perspective. The Group shall create a ripple effect in the areas where they have operations.



## Corporate governance

### strategy in practice.

Today, Lerøy Seafood Group ASA is a fully integrated company with control of the entire value chain from egg or catches to end product delivered to the consumer, and this is essential if we are to build the world's most efficient and sustainable value chain for seafood.

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

The Group has developed a strong base of resources via acquisitions, developing alliances and strong relationships with suppliers. Such access to raw materials, coupled with the development of downstream operations, has allowed the Group to develop customer relationships that are increasingly strategic, thanks to the Group's capacity to meet customer requirements.

This development would not have been viable without access to capital, clear evidence that Lerøy holds the confidence of players in the capital markets. This confidence has been and remains an important prerequisite for Lerøy's growth and development. Acquisitions have been a key part of the strategy, and new acquisitions are assessed on a continuous basis. The acquisition of Villa Organic in 2013 was the last major acquisition within redfish. The Group's largest acquisition to date took place in 2016, with the acquisition of Lerøy Havfisk and Lerøy Norway Seafoods. Downstream, the Group has carried out both start-ups and acquisitions, and currently has substantial processing capacity in locations close to the consumer.

### Focus areas in 2020

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

### Wild Catch Segment – focus on improving value chain efficiency

The Group's whitefish operations comprise fisheries and land-based facilities that work closely together. For a more detailed description, please refer to the business overview at [www.leroyseafood.com](http://www.leroyseafood.com).

The Group's fisheries are currently very efficient. Historically, the Group's fleet has suffered at times from low profitability, but the Group has been able to invest in renewing and developing its fleet in recent years. The new vessels, Nordtind (delivered in 2018) and Kongsfjord (delivered in 2020), are effective within traditional fisheries and have increased efficiency for shrimp catches with the use of triple trawls. Kongsfjord represents a further development of the design for Nordtind, both vessels developed for catch management with fittings to ensure optimal quality and exploitation of the entire fish. Kongsfjord will provide further improvements to the quality of catches, and includes innovations that take Lerøy one step further in improving customer satisfaction. The new vessels have improved propulsion systems that help minimise CO2 and NOx emissions, areas in which we expect to see more stringent requirements in the future. The Group is closely monitoring developments in propulsion systems.

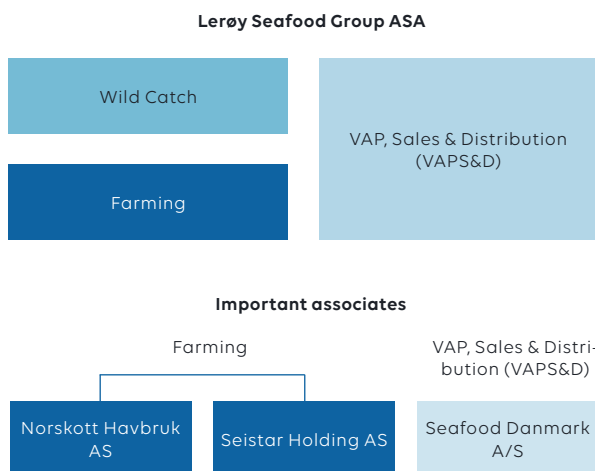
For many years now, the Norwegian land-based industry for whitefish has struggled with low profitability. Framework conditions for the land-based industry are challenging, partly driven by the seasonal fluctuations in raw material supply and partly the political, regulatory framework conditions that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

#### A. What to produce where?

How can we pave the way for new activity, preferably all year round, or initially target reduced seasonal fluctuations in relation to our historic operating model? Several factors may be players here, but increased specialisation will allow for investments and higher profitability. Examples of completed investments are a new production line for boiling and packaging king crab in Kjøllefjord, salted fish production in Rypefjord, the start-up of a new processed fish and filleting factory in Stamsund and substantial improvements to the facility in Melbu. A number of investments have also been made along with improvements in smaller facilities.

2020 was a difficult year, with the Group commissioning a number of facilities and with an extremely challenging market situation. There are clear signs of improvements at the start of 2021.

In summary, the overall objective for the land-based industry for whitefish is to ensure that production is less reliant on seasons, to introduce more standardised fillet production based on fresh, seasonal raw materials and frozen raw materials outside of the catch seasons. A more stable supply of raw materials to the industrial facilities will help boost productivity and provide an improved flow of goods to the factories close to the markets.



**B. Stabilisation, continuous and gradual improvements**

The second line of action is the systematic work to improve operations via continuous and gradual adjustments at each facility, in addition to improved flow of goods between different facilities in the value chain. To move this process and other similar work in other parts of the value chain forward, the Group has developed a new business system, the Lerøy Way. This is an important part of the Group's toolbox to ensure that we develop production methods, that afford the best possible interaction between production employees, increased exploitation of machinery and better raw material utilisation.

Implementation of Lerøy Way started in Melbu and Stamsund in 2018, with roll-out of the system continuing among the other land-based facilities in 2020. By the start of 2020, clear improvements were already evident in a number of facilities, but the market impact of the COVID-19 pandemic had a negative effect. Implementing Lerøy Way requires meticulous and time-consuming work, but the system gradually results in increased profitability, satisfied employees and safety improvements. The Group aims to continue working at the same rate on implementation in 2021.

**C. A more efficient value chain for whitefish**

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

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

Up to and including 2019, the Group's harvest volume of salmon and trout has remained relatively stable since 2012,

due to a lack of new licence capacity and challenges for Lerøy and the industry in adapting to new political regulations on lice, introduced in 2013. The Group has a major potential in increasing exploitation of its own licences. The Board of Directors acknowledges that the lack of growth, unsatisfactory utilisation of licences and related increase in costs are the main challenges for the Group's farming operations.

Thanks to our skilled employees and new technology, the Group has implemented major investments in recent years, some still ongoing, in order to provide a significant increase in the Group's post-smolt capacity. Investments in new smolt facilities, based on RAS technology (recirculating aquaculture systems), where the smolt are kept longer in the facility than with traditional smolt plants, have resulted in the supply of larger smolt that are more robust before they are released to the sea. The Board of Directors and management believe that these investments will generate growth, scale down the cost base and provide reductions for the Group's production on the cost side.

Large-scale investments in RAS technology for the Group started in 2012, and we have developed significant expertise and capacity with this type of production. In 2020, the final stage of the development in Laksefjord (North Norway) was completed. Stage 2 of the development work in Belsvik (Lerøy Midt) is the final stage of the smolt investment programme initiated prior to 2016 (Central Norway), and is now completed. With these investments, the Group has gradually developed a substantial knowledge base within RAS technology, but acknowledges that this technology is still somewhat new and requires new operating methods and implies risk. It is nonetheless rewarding to see that these investments, combined with a high number of other measures, allowed the Group to report a record high volume of production in the sea in 2020. The Group remains loyal to its ambition to continue to increase the rate of utilisation of its licence capacity, and expects to see an increase in production in the years to come.

**Investments in RAS facilities in the Farming segment**

Year completed	Facility	Capacity (annual capacity in tonnes)
<b>Investments made in RAS for smolt</b>		
2012	Belsvik	1,100
2014	Aurora phase 1	1,100
2019	Kjærelva	4,200
2019	Aurora phase 2	1,600
2020	Aurora phase 3	1,500
<b>Total completed investments</b>		<b>9,500</b>
<b>Ongoing</b>		
2021/22	Belsvik phase 2	4,800
<b>In planning stage</b>		
Possibly 2023	Årskog	approx. 6,000
<b>Sum ongoing and planned investments</b>		<b>10,400</b>

## Corporate governance

Notwithstanding development of existing operations, a high rate of return over time provides incentives for investments in new technology and regions. Lerøy has chosen not to invest in new regions as these tend to be more costly and the Group is confident that the return on post-smolt investments is higher. The Group is actively involved in new technology, such as land-based production of salmon and offshore fish farming.

The RAS technology in which the Group has invested both knowledge and capital in recent years is the same as that used for land-based production of fish. In a move to further develop this expertise, the Group is now in the final stages of assessing a further extension to the facility in Fitjar for post-smolt capacity, but which can also be utilised for testing land-based production of fish. The Group's ambition is to achieve a position where they are able to invest in land-based technology on end markets, if this technology proves successful.

Lerøy is also involved in a number of concepts for closed production in the sea, including our own concept, Pipefarm.

The Group is also involved in various concepts for offshore salmon production, in close collaboration with potential suppliers, thus developing knowledge within this field.

### VAP, Sales & Distribution segment – an efficient value chain that creates innovation

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

In 2020, the Group has witnessed significant changes in the way in which end consumers purchase food. Sales channels within the hotel, restaurant and catering market have seen a substantial reduction in sales, while retail sales have increased. The Group has benefited greatly from its strong position in relation to key grocery markets in Europe, and the value of having long-term customer relationships has once again been validated in 2020.

The Group has recently made a number of decisions relating to sustainability, with one example being the launch of "Lerøy Salmon™" certification at the start of 2021. To achieve this certification, the entire value chain has to be audited by a third party. Salmon with this certificate has a higher Omega 3 content than the Norwegian industrial standard, zero use of antibiotics, zero accidental release and full traceability. This is one example of why Lerøy believes that an integrated value chain is the best way to meet the future requirements made by consumers.

At the start of 2021, Lerøy has unique access to raw materials via their Farming operations, and from catches and purchases from third parties. Access to raw materials, in combination with the Group's processing plants in Norway and factories worldwide in close proximity to the markets, represent a strong platform for continued commercial development with strategic customers. The Group's investments in this part of the value chain are expected to produce an increase in activities, a more robust business model and improved earnings. In 2021, the Group aims to achieve further progress towards reaching the vision of being the most efficient and sustainable value chain for seafood.

### The Group – key focus areas

Lerøy shall continue to have a decentralised organisation, in order to ensure the most efficient flow of goods possible to the customer and flow of information from the customer, however, the Group intends to implement some initiatives centrally. Key focus areas include:

#### HR strategy 2020-2025

As an employer, Lerøy is responsible for developing and retaining human resources in the organisation, and for attracting and recruiting employees with the appropriate competencies required to solve future challenges. The Group's HR strategy for 2020-2025 shall support Lerøy's vision and values, and facilitate a learning and dynamic organisation well-equipped to be the leading and most profitable global supplier of sustainable, high-quality seafood.

Strategic prioritisation within HR involves making choices that help move both people and the organisation in the right direction towards achieving principal, strategic, commercial goals. The HR strategy is developed to support the ambition of having "One Lerøy" and, on this basis, has five defined strategic focus areas for HR: attractive employer, leadership and leadership development, employee development, organisational development as well as standardisation and digital tools.

The Group initiated leadership development training programmes at different levels in 2020, providing employees from different parts of the Group with the opportunity to meet and become familiar with the implications of working as a manager at Lerøy. This was a popular new move within the organisation, and the process will continue in 2021.

#### "Lerøy Way"

Over the past four years, the Group has developed a "business system" or principles for how to improve together. Lerøy's ultimate goal is satisfied customers. Based on the Group's values, defined fundamental principles and methods relating to people, machinery/technology and processes, Lerøy Way is a toolbox used to ensure continuous improvement. Lerøy Way has now been implemented in a number of the Group's operations, particularly in our factories, where empirical data have shown that the method works. Implementation will continue in 2021, including in the Group's farming operations.









**// WE PROMOTE  
GROWTH BY COMBINING  
YOUNG AND MORE  
EXPERIENCED  
EMPLOYEES."**

# 03

## Financial information

- 62-83** Board of Directors' report
- 84-165** Consolidated financial statements 2020
- 166-186** Financial statements for the parent company 2020
- 187-187** Responsibility statement from the  
Board of Directors and CEO
- 188-192** Auditor's report







# BOARD OF DIRECTORS' REPORT

## values

Honest, Open, Responsible and Creative

## vision

To be the leading and most profitable global supplier of sustainable high-quality seafood

# Board of Directors' report

## Financial information

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

The Group's earnings in 2020 were lower than in 2019. This is mainly attributed to lower prices realised for the Group's products, due to the impact on demand of the restrictions laid down because of the global COVID-19 pandemic. Operating profit before biomass adjustments was down from NOK 2,734 million in 2019 to NOK 1,950 million in 2020. Despite a substantial fall in prices realised, revenue only fell by 2% from 2019 to 2020, evidence of strong underlying activities.

Associates represent significant value for the Group, demonstrated by the profit figure from associates, before fair value adjustment related to biological assets, of NOK 161 million in 2020. The corresponding figure for 2019 was NOK 198 million. The Group's net financial items for 2020 were negative at NOK 241 million compared with a negative figure of NOK 215 million in 2019.

Profit before tax and fair value adjustment related to biological assets was NOK 1,869 million in 2020 compared with NOK 2,718 million in 2019. Earnings per share before fair value adjustment related to biological assets and minority shareholdings totalled NOK 2.46 per share in 2020, compared with NOK 3.48 per share in 2019. The Board of Directors aims to recommend to the Annual General Meeting a dividend payment of NOK 2.00 per share in 2021.

The Group's dividend policy is to pay 30-40% of earnings as dividends. Historical figures for dividend recommendations bear witness to stable and increasing dividend payments over time. The dividend payment for 2021 recommended to the Annual General Meeting must be viewed in light of the former reports relating to dividend payment in 2020. The Annual General Meeting in 2020 adopted a dividend payment of NOK 1.50 per share, also mandating the Board of Directors to pay a further NOK 0.80 per share. The Board of Directors chose not to exercise this mandate, but also reported that the dividend payment recommended to the Annual General Meeting in 2021 will reflect this.

The return on the Group's capital employed before fair value adjustment related to biological assets in 2020 was 10.5% compared with 15.5% in 2019.

The Group is financially sound with book equity of NOK 17,633 million, equivalent to an equity ratio of 58.5%. Cash flow from operating activities for 2020 in total amounted to NOK 2,367

million, compared with NOK 2,859 million in 2019. Cash flows in 2020 are impacted by the Group having built substantial biomass in the sea. At year-end 2020, the inventory in volume in the sea was approx. 7% higher than at year-end 2019. Net interest-bearing debt was up from NOK 2,641 million at year-end 2019 to NOK 3,521 million at year-end 2020.

Net cash flow from investing activities in 2020 was NOK -1,354 million compared with NOK -876 million in 2019. Please note that right of use assets are not included in the cash flow from investing activities, as these assets do not generate any initial cash impact. Total investment in own and leased fixed assets from credit institutions totalled NOK 1,833 million in 2020 compared with NOK 1,460 million in 2019. Major individual investments made in 2020 include a new trawler in the Wild Catch segment (received from the shipyard in the first quarter) and the development of facilities for large smolt at Lerøy Midt and Lerøy Aurora. The Group has invested NOK 183 million in intangible assets in 2020, compared with NOK 2 million in 2019. The major share of this figure relates to the purchase of farming licence capacity from the Norwegian government.

In 2020, the Group paid dividends amounting to NOK 925 million, of which NOK 893 million from the parent company to the shareholders of Lerøy Seafood Group ASA. Corresponding figures for 2019 were NOK 1,273 million and NOK 1,191 million respectively.

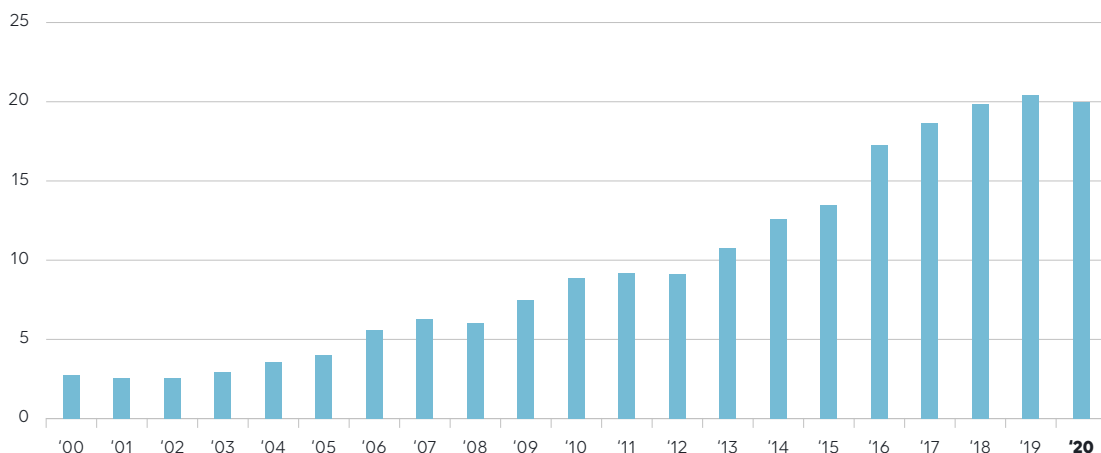
The Group has a satisfactory financial position that supports its objective to retain its position as the leading Norwegian seafood corporation, thus remaining one of the leading seafood companies worldwide in the future.

The Group's statement of financial position totals NOK 30,163 million as of 31 December 2020 compared with NOK 30,189 million as of 31 December 2019. Over the past 20 years, the Group has based its growth on financial flexibility. The Board of Directors is of the opinion that such financial flexibility is an important factor for the ability to generate further profitable, organic growth, carrying out strategic acquisitions, establishing alliances and continuing the company's dividend policy.

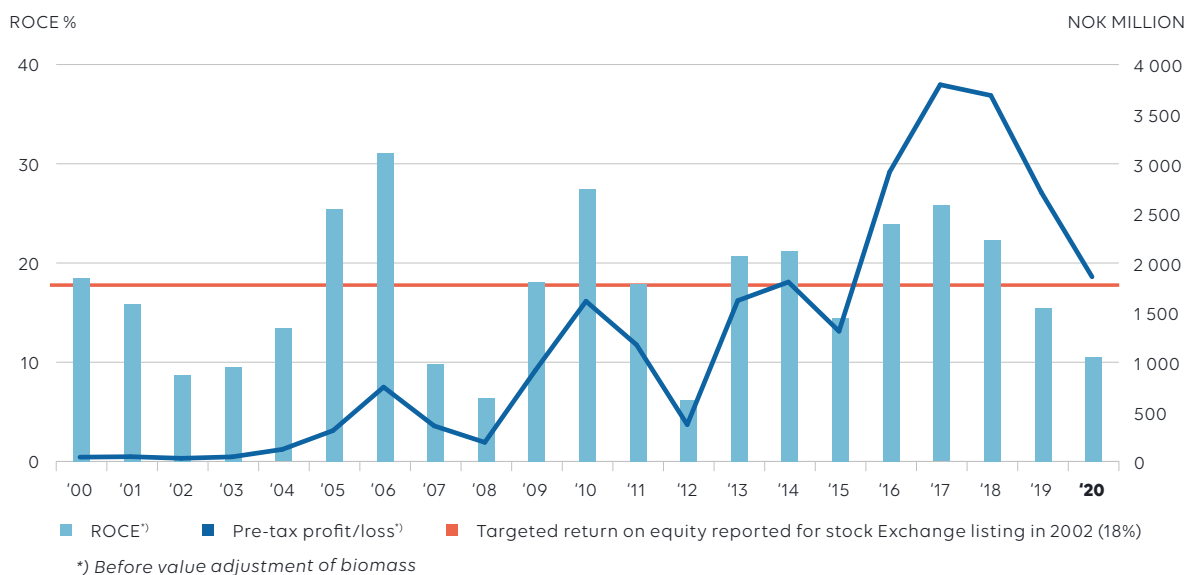
The group's satisfactory financial position substantiates the ambition to retain the position as the leading Norwegian seafood company and at the same time be one of the global leading seafood companies over the years to come.

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

**Profit performance, Lerøy Seafood Group**  
(figures in NOK billion)



**Development in return on capital employed and profit/loss before tax and fair value adjustment for fish in the sea**





## Financial information

### The Wild Catch Segment

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

The wholly-owned subsidiary Lerøy Havfisk's primary business is wild catches of whitefish. Lerøy Havfisk has licence rights to harvest just above 10% of the total Norwegian cod quotas in the zone north of 62 degrees latitude, corresponding to around 30% of the total quota allocated to the trawler fleet. Lerøy Havfisk also owns several processing plants, which are mainly leased out to its sister company Lerøy Norway Seafoods (LNWS) on long-term contracts. Lerøy Havfisk's trawler licences stipulate an operational obligation for these processing plants.

Lerøy Havfisk took delivery of the new trawler, "Kongsfjord", on schedule in February 2020, and subsequently had 10 trawlers in operation in 2020. Experience of operations with Kongsfjord is positive.

Lerøy Havfisk's catch volume in 2020 was approx. 68,000 tonnes, up from around 62,000 tonnes in 2019. This increase is attributed to higher quotas.

LNWS's primary business is processing whitefish. The company has use of 12 processing plants and purchasing stations in Norway, five of which are leased from Lerøy Havfisk. LNWS is Norway's largest purchaser of whitefish from third parties, including from the coastal fleet. Symbiosis, or mutual dependence, is of decisive importance. The processing of whitefish in Norway has been extremely challenging for several decades.

The repercussions of COVID-19 have been negative for both the producer and the customer. There has been a substantially negative impact on market demand for fresh and conventional products in 2020. For 2020 in total, the segment contributed an EBIT of NOK 205 million, compared with NOK 293 million in 2019.

A number of improvement measures have been taken, and the Board of Directors expects to see an increase in earnings from this segment in the years to come.

### The Farming segment

The Farming segment has locations in the three farming regions in Norway: Lerøy Aurora in Troms and Finnmark, Lerøy Midt in Nordmøre and Trøndelag, and Lerøy Sjøtroll in Vestland.

Earnings in 2020 have again been impacted by several unforeseen incidents, including challenges related to winter ulcers on fish for Lerøy Aurora. Despite this, there has been a significant improvement in production in the sea in 2020 when compared with previous years. In 2020, the segment harvested 171,000 tonnes of salmon and trout, up from 158,000 tonnes in 2019. In addition, the inventory of salmon and trout in the sea increased from 111,000 tonnes at year-end 2019 to 119,000 tonnes at the end of 2020. This represents

a net growth of 7% in relation to inventory at the end of 2019, a positive development.

The increase in production significantly supports a falling trend in release from stock costs throughout 2020, although these costs for the Group's farming operations remain higher in 2020 than in 2019. The Group expects further growth in production to provide a reduction in release from stock costs in 2021.

Throughout 2020, the prices for Atlantic salmon and trout were significantly impacted by the effect the global COVID-19 restrictions had on demand. In total, prices realised for salmon and trout in 2020 fell by around NOK 4 per kilogram. The contract share for salmon for the Group's farming operations was 33%. Trout represented 16% of the harvest volume for the segment, and prices realised for trout were around NOK 9 per kilo lower than for salmon.

In total, the above had an effect on EBIT before fair value adjustment for Farming in 2020 of NOK 1,381 million, compared with NOK 2,065 million in 2019. These figures include an increase of 8% in harvest volume, but a fall in EBIT/kg before biomass adjustments from NOK 13.1 in 2019 to NOK 8.1 in 2020.

As already reported in relation to outlook, the Group has made significant investments in the past year in post-smolt operations, and expects that these investments, combined with other improvement measures, will contribute to an increase in harvest volume in the years to come.

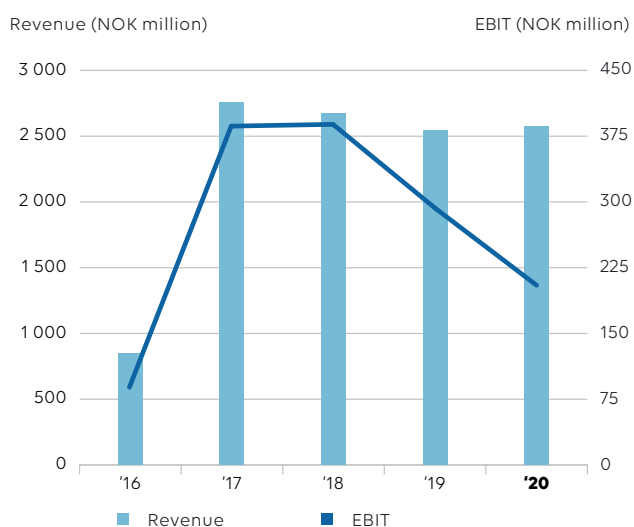
### VAP, Sales & Distribution segment

With its fully integrated, efficient value chain for salmon, trout, whitefish and shellfish, Lerøy Seafood Group shall be able to supply products that are best suited to the consumers' preferences. Proximity to key markets and knowledge of the customer's needs are therefore of decisive importance if the Group is to develop demand for its main products. Lerøy distributes more than 70 different seafood products from Norway to more than 80 different markets in the space of one calendar year. In addition, the Group processes and distributes a number of market-specific seafood products in their respective local markets where Lerøy has operations. Lerøy Seafood Group's value chain shall be developed further in order to satisfy and increase the consumers' total demand for seafood.

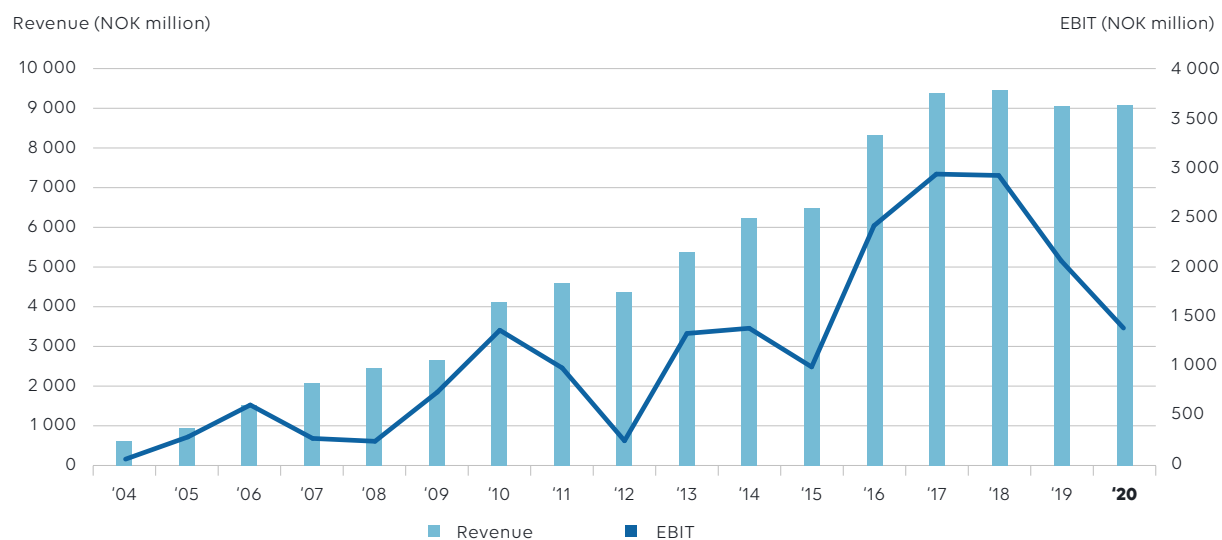
In 2020, the seafood markets have been negatively impacted by the COVID-19 pandemic. The impact was first evident in markets in Asia, spreading globally throughout Q1 2020 and into Q2 2020. The COVID-19 pandemic has had an effect on demand trends. The grocery market now represents a larger volume of consumption, while the hospitality and catering segment on many core markets has practically been closed down for long periods of time. The COVID-19 pandemic has also had an impact on logistics, particularly for overseas markets, with a reduction in cargo capacity resulting in increased costs during the period.

The main focus for the VAPS&D segment in 2020 has been to keep the value chain open. Throughout the second quarter, key markets showed a considerable level of improvement as the supply chain adapted to the change in consumer trends, with a much higher focus on groceries, but also as some parts of the hospitality and catering segment have

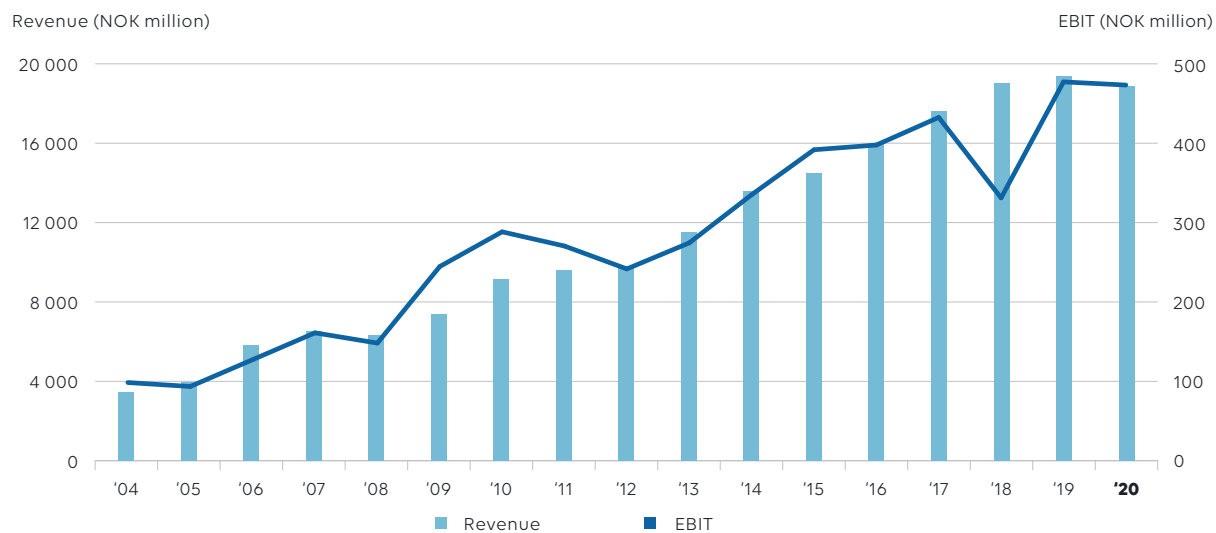
### Profit performance and EBIT Wild Catch



### Profit performance and EBIT Farming



### Profit performance and EBIT VAP, Sales & Distribution





## Financial information

gradually reopened. At the start of the third quarter, demand had improved considerably in comparison with the status in the middle of the second quarter. At the start of the fourth quarter, we once again experienced an increase in restrictions on key markets, with a significant impact on demand. At the same time, we are pleased to note that demand continues to be as strong as it is, and that the value chain has proved to be very adaptable. This gives grounds for an optimistic outlook once the pandemic is over and the restrictions are lifted.

Despite significantly lower prices realised for key species, the segment reported revenue in 2020 that was only 3% lower than in 2019. This is a clear indication of a high level of underlying activities. In recent years, the Group has implemented substantial initiatives for improvement of several of the units in the segment, including facilitating better interaction along the Group's value chain. The Board of Directors believes there is high potential for increased earnings in this segment. In 2020, operating profit before fair value adjustment related to biological assets was NOK 475 million – in principle, in line with the figure reported in 2019 of NOK 480 million.

## Associates

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

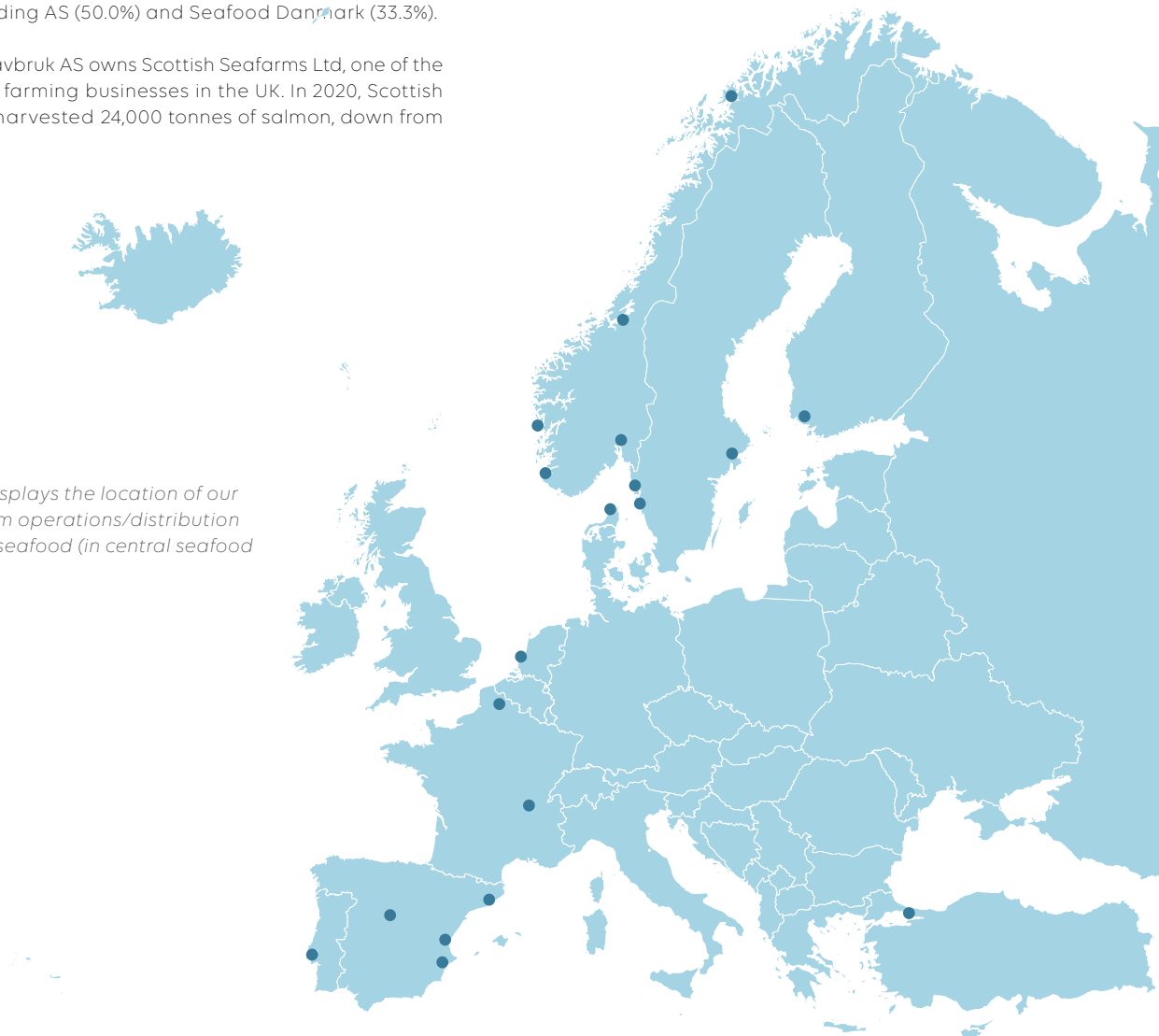
Norskott Havbruk AS owns Scottish Seafarms Ltd, one of the largest fish farming businesses in the UK. In 2020, Scottish Seafarms harvested 24,000 tonnes of salmon, down from

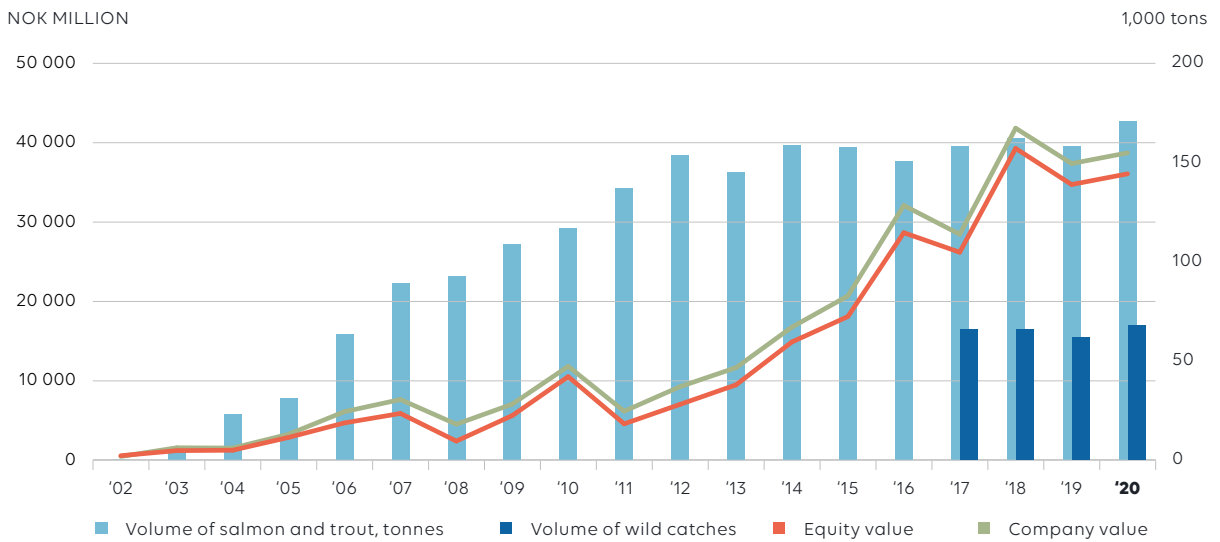
26,000 tonnes in 2019. Operating profit before fair value adjustment related to biological assets was up from NOK 292 million in 2019 to NOK 308 million in 2020. The company's new RAS facility for production of smolt was completed in the autumn of 2019, and is expected to make significant contributions to increased production in the years to come. The estimated harvest volume for 2021 is 36,000 tonnes gutted weight.

Well boat company Seistar Holding AS is an important supplier of services to both Lerøy and other aquaculture businesses, primarily in the region of Vestland. The operating profit figure in 2019 was positively impacted by the gain of NOK 82 million on the sale of an older vessel, part of Seistar's fleet renewal programme. Operating profit in 2020 totalled NOK 52 million, compared with NOK 116 million in 2019.

Seafood Danmark is a Danish company, where the Group currently owns one third of the shares, but where agreements have been signed entitling and obliging Lerøy to purchase the remaining outstanding shares. Developments have remained positive in 2020, and Lerøy currently expects to gain controlling ownership in 2021.

*The map displays the location of our downstream operations/distribution centres for seafood (in central seafood markets)*



Developments since Stock Exchange listing<sup>\*)</sup>

\*) LSG was listed on the Stock Exchange on 3 June 2002

## Development in harvest volume per region

Region	2015 GWT	2016 GWT	2017 GWT	2018 GWT	2019 GWT	2020 GWT	2021E GWT
Lerøy Aurora AS	29,200	30,000	39,200	36,800	32,800	35,000	47,000
Lerøy Midt AS	71,400	52,200	64,500	66,500	64,800	67,900	70,000
Lerøy Sjøtroll	57,100	68,000	54,000	58,800	60,600	68,000	75,000
<b>Total Norway</b>	<b>157,700</b>	<b>150,200</b>	<b>157,700</b>	<b>162,100</b>	<b>158,200</b>	<b>171,000</b>	<b>192,000</b>
Norskott Havbruk (UK) <sup>*)</sup>	13,500	14,000	15,500	13,700	12,900	12,000	18,000
<b>Total</b>	<b>171,200</b>	<b>164,200</b>	<b>173,200</b>	<b>175,800</b>	<b>171,100</b>	<b>182,900</b>	<b>210,000</b>

\*) LSG's shareholding, not consolidated

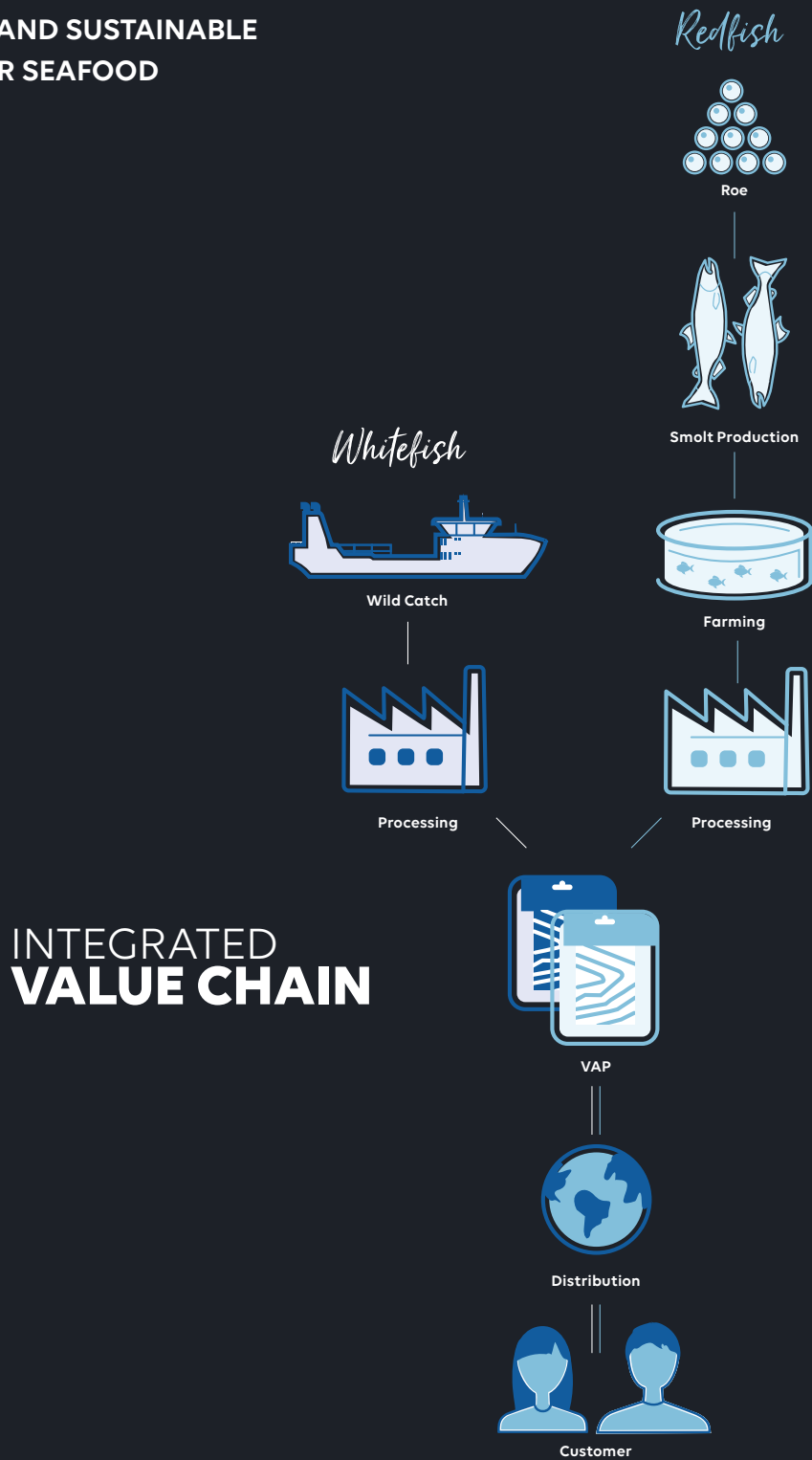
“ We have more than 2,500 solar panels at our new factory, so our production methods support a sustainable world.”

**Meindert Jan de Boer**

Operational Manager, Lerøy Seafood  
Netherlands

# Efficient sustainability

WE ARE DEVELOPING THE WORLD'S MOST EFFICIENT AND SUSTAINABLE VALUE CHAIN FOR SEAFOOD





**AT EVERY PART OF THE VALUE CHAIN, FROM ROE AND SMOLT PRODUCTION VIA FARMING TO PRODUCTION AND DISTRIBUTION OF PRODUCTS, WE MAKE EVERY EFFORT TO ENSURE OUR OPERATIONS ARE AS SUSTAINABLE AS POSSIBLE. THIS ALLOWS US TO GUARANTEE EFFICIENCY, QUALITY AND FOOD SAFETY AT EVERY PART OF THE VALUE CHAIN, SO THAT YOU CAN ENJOY SAFE AND DELICIOUS SEAFOOD.**



## Financial information

### Risk management

Good risk management is of decisive importance if the Group is to successfully achieve its vision of being the leading and most profitable global supplier of sustainable, high quality seafood. Our ability to understand risk is crucial, both preventively but also to ensure that we are in a position to create new opportunities and innovative solutions.

Risk management is an integral part of our corporate governance, and is performed at various levels in the Group. A thorough risk analysis comprising descriptions of strategic (S), financial (F) and operational (O) risk lays the foundations for our strategic efforts.

### Key risk factors

Below is a list of the most significant risk factors for Lerøy

Risk	Type	Description	Potential consequences	Action to reduce risk
Access to human capital	S+F+O	The Group relies on access to knowledge and capital to be able to offer competitive solutions to our customers	If we are not successful in recruiting, retaining and developing our employees, we will not be able to remain competitive over time	<p>Implementation of the HR strategy to support the processes relating to recruitment, and to retain and develop the Group's employees</p> <p>Measuring job satisfaction with an annual employee survey</p> <p>Establishment and implementation of comprehensive leadership development training programme</p>
HSE	O	Safety first. The Group relies on safe working conditions for its employees, ensuring that operations can be performed without any risk. This has highest priority	Increased scope of accidents involving injuries and, in the worst case scenario, fatalities	<p>High focus on training, guidance, mentorship and compliance with procedures</p> <p>Continuous evaluation and analysis of HSE measurements</p> <p>HSE review as an integral part of continuous operational follow-up</p> <p>Leadership development</p>
Financial risk	F	The Group's operations rely on access to both knowledge and capital	If the Group loses the confidence of investors on the financial market, it will not be able to finance either new or existing operations	<p>The Group's comprehensive set of routines and processes for risk management are key in minimising financial risk</p> <p>Continuous and compliant reports and information describing the Group's development are essential in sustaining and developing confidence</p>
Change in floating interest rates	F	The company has debts with floating interest terms	The company is partly financed by loans with floating interest rates that may result in an increase in interest expenses	<p>Use of different fixed interest instruments, such as loans in different currencies</p> <p>Dialogue with lenders and an overview of the Central Bank's interest rate path</p> <p>A strong financial position comprised to allow management of fluctuations in interest rates and market conditions</p>



Risk	Type	Description	Potential consequences	Action to reduce risk
Credit risk	F+O	A sale is not complete until the customer has made payment	Parts of Lerøy's operations generate a very low margin  Good control of credit risk is essential for profitability	Good sales routines, including approval of customers and credit routines, play a decisive role in minimising credit risk  Close cooperation with various credit insurance companies and use of various tools to minimise risk related to credit  All new customers are subjected to a credit rating
Liquidity risk	F+O	The Group has exposure as part of an industry with a high level of volatility affecting earnings and liquidity. Examples, but not an exhaustive list, are:  Fluctuations in the prices for salmon, trout and whitefish  Fluctuations in production and harvest volumes  Changes in feed prices. Feed costs are impacted by the developments in prices for marine raw materials and agricultural products	Poor or insufficient liquidity	Keen focus on and high expertise regarding the markets in which we operate  Good dialogue with customers  Close monitoring of credit risk  Production control  Production plans and volume allocation  Close dialogue with feed suppliers  A financial position suited to our operations
Currency risk	F	The Group is an international corporation and will be affected by currency exchange rate fluctuations  The company is exposed to fluctuations in exchange rates  It is difficult in the long term to hedge against this risk	Changes in exchange rates can result in significant changes in the Group's competitiveness and earnings	The Group has established clear routines to minimise currency risk related to sales  The Group makes use of currency derivatives combined with withdrawals/deposits in multi-currency accounts in order to minimise currency risk on outstanding trade receivables, signed sales contracts and ongoing contractual negotiations.  The Group's long-term liabilities are mainly in Norwegian krone
Market risk	O	The Group's results are closely linked to developments in the markets for seafood. One key factor here is the prices for Atlantic salmon, trout and cod	Pricing is determined in the balance between supply and demand. Major imbalances here will have a substantial impact on Group earnings  The COVID-19 pandemic is one example of a significant change in demand. The Group's earnings will continue in the future to be affected by developments in both supply and demand  Reductions in prices will also bring about a reduction in the value of the standing biomass	Active efforts to increase demand for the Group's core products by means of innovative, sustainable and competitive solutions for the end consumer, in close cooperation with strategic customers. This will help increase demand over time.  A specific share of turnover as contract sales

## Financial information

Risk	Type	Description	Potential consequences	Action to reduce risk
Customer risk	O	The Group is reliant upon customers in order to sell its products	At Lerøy, we create value through our customers, and our customers are absolutely essential for our value creation	<p>The Group is actively involved in efforts to chart potential customers and make very long-term investments in building relations in which both parties can create value over time</p> <p>The Group has and shall continue to have a wide range of customers in order to minimise the risk involved with individual customers</p>
Competition and new technology	S+O	<p>The seafood industry is international</p> <p>This means global competition and a very dynamic industry</p>	<p>One premise for Lerøy's survival is that we are the most successful business, over time, in solving our customers' problems</p> <p>Competitive strengths are absolutely essential for the Group</p>	<p>Lerøy follows a structured and continuous strategy to deliver the best, most efficient, sustainable and innovative solutions to our customers</p> <p>Lerøy is actively involved in implementing our business system, the "Lerøy Way", to ensure continued success in finding efficient solutions to our customers' problems</p> <p>We follow detailed plans in relation to new technology, remaining up-to-date on developments so we are ready to make use of new technology when it is available</p>
Environmental sustainability	S	For the Group, it is essential that various stakeholders continue in the future to see the Group's operations and solutions as environmentally sustainable	Only those companies that are environmentally, economically and socially sustainable will be able to compete in the future	<p>Understand, measure and create plans and strategies for further improvements to environmental sustainability</p> <p>Form alliances, enter into new and boost existing R&amp;D partnerships</p> <p>Finance green and sustainable innovation projects/research and invest in sustainable and innovative technologies, which are a key element in the change to a low emissions society</p>
Trade barriers	O	The seafood industry is international. The Group's operations relating to raw materials mainly take place in Norway, and Norway is a significant exporter of seafood	<p>Trade barriers have been and will remain a considerable risk factor for the industry</p> <p>Trade barriers have had and are likely in the future to have an impact on demand and, consequently, pricing of the Group's products</p>	By ensuring sales to a large number of markets, the Group is less reliant on individual markets, thereby reducing risk
Political risk	O	The Group is a significant owner of farming licences in Norway and the UK, and of wild catch quotas in Norway	Changes in framework conditions, including lack of predictability, may inhibit long-term investments and impair competitiveness for the industry and the Group over time	<p>True to the Group's objectives, Lerøy is a major contributor to the communities where we have operations</p> <p>Providing information on our industry and operations, and a long-term perspective for the Group's investments and decisions, are premises for a mutual understanding of what it takes to succeed in a global and competitive industry</p>

Risk	Type	Description	Potential consequences	Action to reduce risk
IT security risk	O+S	Vulnerable IT infrastructure, digital dependence and unsatisfactory cyber security combined with complex and unknown problems	Potential threats to the company's finances, reputation, theft of critical business information	<p>Focus on preventive IT security work</p> <p>Stringent regime for security updates</p> <p>Continuous monitoring of specific parts of ICT systems</p> <p>Plans detailing how the company shall take action during and after a cyber attack</p> <p>Training and information campaigns</p>
Changes in consumer preferences	O	Consumer preferences may change rapidly, causing a reduction in demand for our products – such as a trend towards vegetarianism/veganism	The consumers choose products that are not in our product range, having an impact on our profitability	<p>Predict, identify and meet changes in consumer preferences</p> <p>Adapt products to the consumers' preferences</p> <p>Innovation: Update and renew the product range</p> <p>Ensure sustainability and reduce reputation risk related to e.g., fish welfare</p>
Food safety, product quality, customer satisfaction	O	The Group sells seafood to consumers. The seafood we sell must be safe to eat for the consumer	<p>The Group's sales are reliant on full confidence in food safety. Such confidence is a prerequisite for demand for the Group's products, and thereby profitability</p> <p>Any decline in food safety or product quality will have negative repercussions and result in lower customer satisfaction. Publications with a negative message may also affect customer satisfaction</p>	<p>The Group has comprehensive processes and routines to ensure and verify food safety and a culture for food safety</p> <p>By using the Lerøy brand on packaging, the Group communicates a focus on quality and food safety throughout the entire value chain</p> <p>Frequent tests and quality verification to confirm the required level of product quality</p> <p>Make demands on the suppliers relating to the quality of raw materials/input factors in our products</p>
Traceability	O	The Group must ensure full traceability for its products in order to ensure reliability, confidence and food safety	Without traceability, the Group will not have control and will be in breach of regulatory requirements	<p>Continue to build upon internal requirements, carry out audits and further develop the Group's electronic traceability systems</p> <p>Fishtrack (online tracking system) with extended tracking solutions for customers (blockchain etc.)</p>
Requirement for full product information	S	The EU's action plan for circular economy targets product labelling, which will become increasingly important in the future	Requirements may be implemented for specifying an end product's carbon footprint on labels throughout the value chain, allowing the customer to view the product's life cycle footprint	<p>Close monitoring of the regulations established also outside of Norway</p> <p>Exploit the requirement as an opportunity to demonstrate how sustainable our products are throughout the value chain</p> <p>In general, take action to increase sustainability for all our products</p>

## Financial information

Risk	Type	Description	Potential consequences	Action to reduce risk
Certification requirements	S+O	The consumers appreciate products with certificates, and the grocery chains etc. are increasingly demanding certification	Loss of market share if Lerøy is not able to offer certification as requested or will be requested  The customers will choose other products with the correct certification	Take a leading role in terms of existing and new potential certification  Implement stringent requirements on own production and verify this with own certification/requirements (STP 86 Salmo Salar)
Sustainable change	S+O+F	Uncertainties involving a successful strategy for achieving sustainable change to low emissions society	Not possible to achieve necessary cuts in greenhouse gas emissions  The company is not able to satisfy investment requirements  The company does not qualify for the terms and conditions provided by the banks for green loans	Detailed sustainability strategy with specific ambitions, goals and measures  Continuous and comparable sustainability reports that are relevant to decisions  Strategic investments in innovative and sustainable solutions
Production technology	O	Fish farming takes place in relatively open waters, which provide the best conditions for fish farming in terms of the environment and fish health. This places significant demands on both personnel and equipment that is continuously exposed to strong natural forces	Irreparable damage to equipment, representing risk of accidental release of fish  Risk of disease for fish in intensive cultures	Facilities certified according to NS 9415  Good quality smolt, vaccinations, good conditions and correct localities for fish  Focus on fish feed
Limitations for production in open cages	O+S	Policy document from Norwegian government in 2021 may indicate a wish for developing more closed fish farms  In general, stronger focus on reduced environmental impact around cages  Canada has introduced a prohibition against open cages in certain areas	Requirement for closed cages will entail significant investments  May make land-based farming more attractive  Restrictions in terms of locations, sill fjords, prohibitions, distance from river mouths etc.	Close dialogue with authorities  Testing and documentation of seabed conditions and other environmental factors around the cages to clearly communicate no/low impact on environment  Technological developments  Create strategy and plan for land-based smolt/post-smolt facilities and/or closed/semi-closed facilities
Change in allowable biomass/licence conditions	O	The traffic light scheme may result in reductions to maximum allowable biomass in certain geographical (vulnerable) areas	Reduced biomass will result in lower production and lower profit	High focus on operations to ensure compliance with framework conditions laid down by authorities Close dialogue with authorities  Testing and documentation of seabed conditions and other environmental factors around the cages to clearly communicate no/low impact on environment  Continue strategy for land-based smolt/post-smolt facilities to reduce the period of time the fish are in sea cages

Risk	Type	Description	Potential consequences	Action to reduce risk
Lice, accidental release and disease	○	<p>The authorities have established a maximum limit for the number of lice on each fish</p> <p>Disease, lice and accidental release can incur major costs for the company</p>	<p>A breach of the limit values for lice may result in sanctions from the authorities</p> <p>If measures are not taken quickly to combat lice and other diseases, expensive treatments may be necessary, with reduced fish welfare and increased costs</p>	<p>Clear and continuously developed lice strategy</p> <p>Improvements to monitoring (via R&amp;D) in order to detect lice, disease and accidental release more rapidly</p>
Requirement for low/zero emissions from service boats	○	The Government's climate plan 2021-2030 includes a requirement for low or zero emissions from service boats in the aquaculture industry, and will be introduced gradually from 2024	Changeover to battery/hydrogen propulsion for service boats	<p>Closely follow developments to allow the changeover from fossil fuels to a better alternative</p> <p>Purchase of new boats to meet the requirement for low/zero emissions</p>
Natural disasters	○	Extreme weather and other natural hazards can cause damage to materials, biomass and boats	Material, biomass and boats that are not insured may represent significant financial losses for the company	<p>Risk-adjusted insurance and procurement of robust cages, boats and other material</p> <p>Emergency plan to reduce consequences</p>
More stringent requirements on bottom trawling	○	Some interest groups may be critical to bottom trawling	<p>Companies involved in bottom trawling may be "blamed" for destruction of coral reefs and other damage along the Norwegian coast</p> <p>Operations may be restricted or banned</p>	<p>Increase in R&amp;D activities</p> <p>Competence building</p>
"Ghost fishing" and loss of equipment/plastic in the sea	○	<p>Nets, lines, hooks and other fishing tackle can get lost during fishing operations</p> <p>This equipment is made of synthetic materials and has a long lifetime. If lost at sea, it will continue to catch fish for many years. This is known as ghost fishing</p>	<p>It can cause damage to fish stocks</p> <p>It can result in negative publicity and impair the company's reputation</p>	<p>Good routines and processes to prevent loss of fishing tackle</p> <p>Active searches to recover fishing tackle and other equipment</p> <p>This in turn represents reduced consumption and will, at any given time, be a part of the company's action plan for reduced plastic consumption (provided that fishing tackle, ropes etc. contain plastics and plastic components)</p>
New regulations, compliance with legislation and regulations	○	<p>Breach of legislation and regulations, including code of conduct</p> <p>Implementation of new regulations</p>	Sanctions, penalties, negative impact on the company and earnings	<p>Continuous training, information campaigns</p> <p>Close contact with statutory bodies</p> <p>Monitoring, control and audit</p>

## Financial information

### 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 Stock Exchange listing on 3 June 2002, the Group is now one of the world's largest producers of Atlantic salmon and trout. The acquisitions of Havfisk ASA and Norway Seafood Group AS in 2016 have made the Group 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 other major international markets. The Group plays an active role in developing the value chain for seafood, with an increasingly large global reach. The Group's objective in the medium to long term is to create the world's most efficient and sustainable value chain for seafood. Dialogue based on trust, collaboration with strategic customers and a focus on efficiency for our own value chain will allow us to generate solutions that are both cost-efficient and innovative for our end customers.

Lerøy Seafood Group's investments in the Norwegian whitefish sector are based on an industrial, perpetual perspective. The industrial facilities are based and reliant on raw materials from the Group's own trawlers and from suppliers in the coastal fleet. The symbiosis between the onshore industry and the coastal fleet is strong and represents a high level of mutual dependency. Appropriate framework conditions, including predictability, are absolutely decisive to allow us to successfully assume our responsibilities as an industrial organisation. The whitefish sector fluctuates according to seasons and requires vast amounts of capital. We firmly believe that we will only be able to build a sustainable industry and create attractive jobs if we have appropriate framework conditions, investment capacity, product development and access to the global market. Our collaboration with public administration has been positive throughout the difficult situation we have experienced in 2020, with a major focus on identifying good solutions. We hope this collaboration can develop further, aiding us in creating new jobs and creating value in the decades to come. We are highly interested in dialogue, and assume that any future adjustments to framework conditions will be based on knowledge and insight, preventing impairment of the industrial foundations for operations for our industry.

In recent years, the Group has made major investments in facilities for smolt production, in order to ensure the Group's global competitiveness from a long-term perspective. These investments not only provide an illustration of capital requirement, but also the level of knowledge needed for our advanced food production. To succeed, Lerøy and the organisation's employees need knowledge, capital, market-related and globally competitive framework conditions.

The Board of Directors believes that the Group's many years of investing in vertical integration, building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and building its brand will enable it to continue to create value moving forward. The Group will continue its work to deliver sustainable value creation via strategic business development, operational

efficiency improvements and employee training. This work will generate growth and, based on customer requirements, ensure continuity of supply, quality and cost efficiency, paving the way for increased profitability. Improving operational efficiency at all stages is an ongoing process aimed at further strengthening the Group's competitiveness nationally and internationally.

The Group's financial position is very strong, and it remains important for the Board that the Group, through its operations, retains the confidence of participants in the various capital markets. The strong balance sheet and current earnings enable the Group to pursue its clear ambition to remain a leading participant in value-generating structural changes in the seafood industry, both nationally and globally. Lerøy Seafood Group will continue to selectively consider possible opportunities for investments, mergers and alliances that could strengthen the basis for further profitable growth and sustainable value creation. This applies to investment opportunities both upstream and downstream. The Group aims to continue with its strategy for growth, made evident in the growth achieved in 2020 and the organic growth projected for the years to come. This requires the Group to continuously develop and improve its performance in all segments throughout the value chain.

Being listed on the Stock Exchange affords the company a marketplace for its shares, good future access to venture capital as well as opportunities to use the company's shares as a means of settlement in future acquisitions or business combinations.

### Shareholder information

As of 31 December 2020, the company had 15,227 shareholders compared with 10,520 shareholders at the end of December 2019. Austevoll Seafood ASA is the company's main shareholder and owns 313,942,810 shares. This corresponds to a shareholding of 52.7 %. In total, the company's 20 largest shareholders own 74.3% of the shares in the company at 31 December 2020. LSG owns a total of 297,760 (0.05%) treasury shares.

The share price for Lerøy Seafood Group ASA has fluctuated between NOK 45.00 and NOK 64.00 in 2020. The share price at the start of 2020 was NOK 58.30 and NOK 60.56 by the end of the year.

The company plans to hold its Annual General Meeting on 26 May 2021. The Board of Directors intends to recommend a dividend payment of NOK 2.00 per share in 2021.

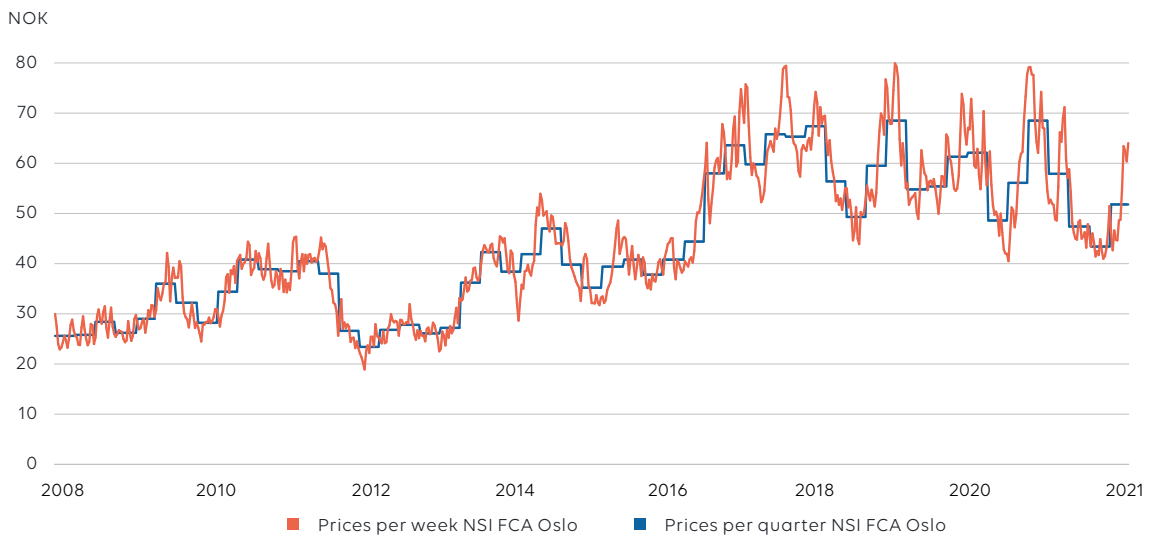
### Employees

The parent company Lerøy Seafood Group ASA has its head office in Bergen, Norway. In 2020, the Group had 4,912 employees, of which 3,120 were men and 1,792 women. Of these, 1,345 work outside Norway. In 2020, the ratio of female employees was 36.5%, slightly up from 2019.

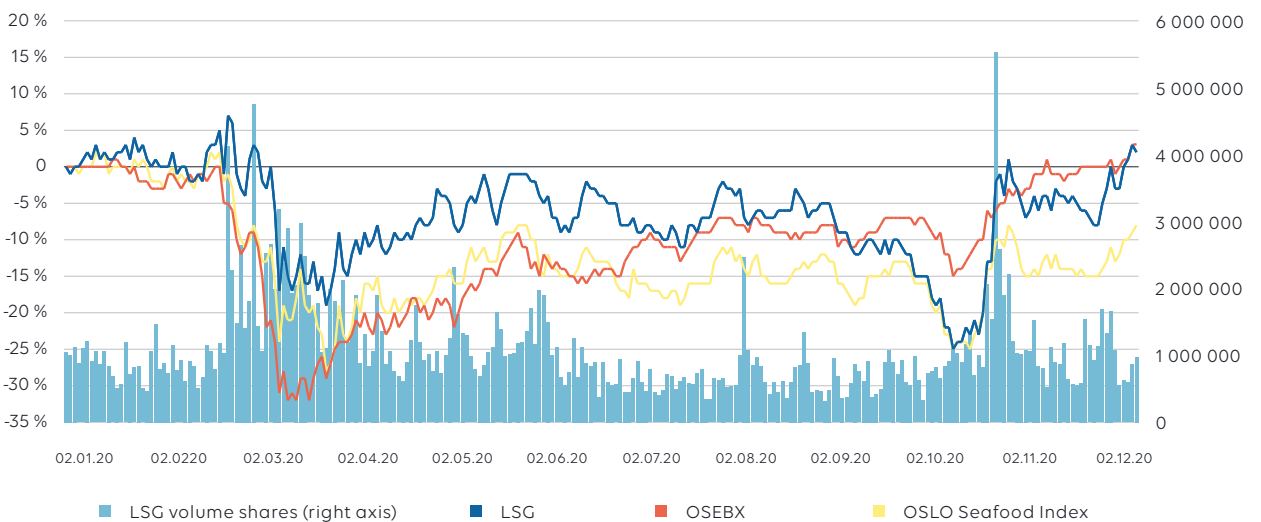
Independent of the demand for equal opportunities for men and women, the Group has always placed decisive emphasis on individual skills, performance and responsibility in its recruitment policy and salary systems. Furthermore, the Group at all times ensures equal employment opportunities and rights for all employees, and works hard to prevent discrimination based on national origin, ethnicity, colour, language, religion or personal philosophy. One of the company's goals is to provide a workplace without



Price developments per quarter, week 1 2008 to week 9 2021, fresh Atlantic salmon FCA Oslo (Superior quality)

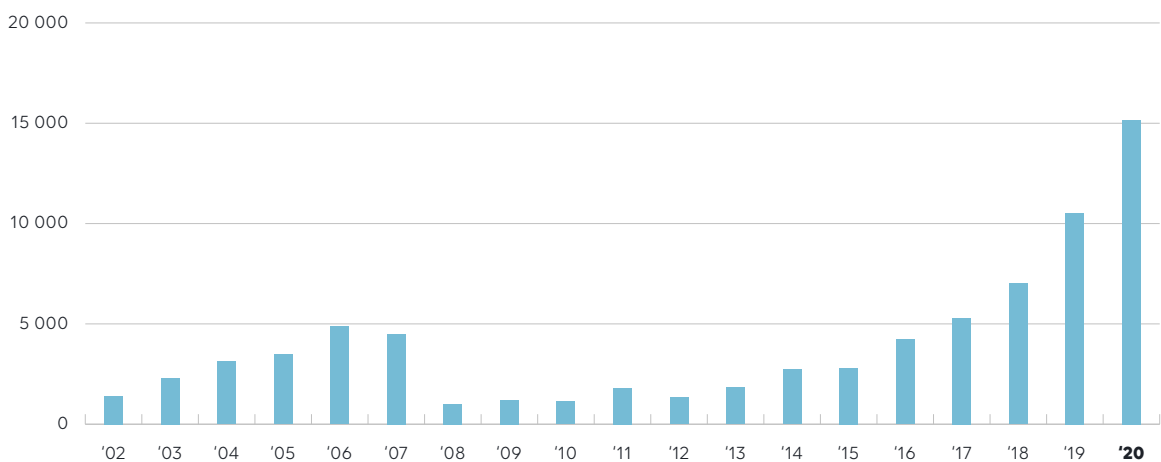


Lerøy Seafood Group vs. Oslo Seafood Index and OSEBX in 2020



Number of shareholders

(Figures in 1,000)



## Financial information

discrimination because of disabilities. For employees or work applicants with disabilities, the company will arrange for individually adapted workplaces and work tasks where possible.

The company is 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.

2020 was a particularly difficult year, with restrictions relating to the COVID-19 pandemic requiring major changes to the normal working day for our employees. Based on our position in the food supply chain, Lerøy Seafood Group is defined as an essential business in Norway, and we are proud to confirm that our untiring efforts in 2020 allowed us to keep the value chain open, securing supplies of products to our customers and food to consumers.

Special situations require extraordinary measures, and are a test of the organisation's capacities. The Board of Directors is proud of the achievements of the Group's employees, and would like to praise them for their untiring work, creativity and willpower in 2020. It has been an exceptional year, during which Lerøy has remained strong.

## Health, safety and the environment

The Group maintains a strong focus on procedures and compliance with these, and on measures to protect all employees. This is a perpetual process moving us forwards to our vision of zero injuries. Total sick leave registered in the Group in 2020 was 6.51 %. This is up from 5.2% in 2019, and the development must be considered in light of the global COVID-19 pandemic, which has had an impact on most of 2020. Sick leave comprises 3.81 % long-term sick leave and 2.69 % short-term sick leave. The Board is pleased to observe that the Group, together with the employee representatives, works actively and systematically to keep sick leave low. The organisations in the individual subsidiaries are continuously being developed to ensure that they can deal with new challenges and changes in framework conditions. The working environment and cooperative atmosphere are good.

On 6 February 2021, one of our companies experienced the worst possible accident. At the subsidiary Lerøy Norway Seafoods AS' factory in Stamsund, one employee died in an accident at work. This was a tragic accident that has had a vast impact on the company and will continue to do so for a long time.

After the incident, Lerøy Seafood Group has assisted and will continue to assist the police and other public agencies in identifying how this tragic accident occurred.

Our thoughts are with the families and colleagues of the deceased.

## External environment and climate

The process of developing an efficient value chain for seafood that reaches all the way to the end customer has afforded Lerøy close interaction with end customers. This interaction has always been important, but – given the ever-increasing focus on sustainability – the Group now finds that this interaction is more important now than ever before.

2020 represents a clear shift on many markets, with general requirements on sustainability becoming increasingly important for what products the consumer decides to buy. These are continuing trends for which the Group established a strong position early on. Lerøy's vertically integrated value chain affords a unique potential to highlight sustainability as a competitive strength. The increased focus on sustainability combined with the Group's perpetuality perspective substantiates Lerøy's decision to maintain a focus on the climate and environment.

Lerøy believes that the consumer's increased focus on sustainability represents a significant opportunity for Lerøy, the seafood industry and Norway as a whole. Food production from Norwegian aquaculture plays an important role in finding ways to feed the growing worldwide population in the future. In this context, both businesses and political authorities bear a huge responsibility to exploit such opportunities. To achieve this, common sense and knowledge must prevail in the years to come and it is, not least, essential to communicate correct information to the consumer.

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

Focusing on the climate will be particularly important moving forwards, and Lerøy aims to contribute towards cutting greenhouse gas emissions by taking responsibility for own emissions throughout the value chain. Lerøy has therefore established ambitious climate goals based on science. The Group shall cut its greenhouse gas emissions by 46% by 2030 in relation to the base year, 2019. Lerøy has taken the prerequisite measures to meet increased requirements on reporting of greenhouse gas emissions in the years to come, and is also actively involved in ensuring that our customers are able to achieve their goals in this area.

CO2 taxation will have an impact on all types of food production in the years to come. The Group has installed battery and hybrid propulsion on its most recent trawler. However, the technology required for zero fossil fuel propulsion systems for large vessels has not yet reached a sufficient stage of development to represent an alternative. The Group is closely monitoring developments and is involved in various collaboration projects in this area.

With its production of Atlantic salmon and trout, the Group is a globally competitive and sustainable food producer – something very rare. The Group was therefore delighted to note that this has not only been measured according to the UN's sustainability criteria but was substantiated last year, once again, in an international survey of sustainability conducted by Collier FAIRR.



Safety first. Lerøy shall be a safe place to work, and our products shall be safe to eat.

## Financial information

All food production has a carbon footprint. Our production is competitive in terms of sustainability, and it is important not to forget this in our efforts to improve. The Group does not plan to rest on the laurels of the industry's strong position, but aims to take active measures to reduce the "footprint" of the Group's activities.

The Group's operations are closely linked to natural conditions in Norwegian and international fresh and salt waters. Operations rely on access to clean fresh and sea waters. The footprint for our localities is closely monitored with continuous evaluations, known as MOM investigations. The Board and management are of the opinion that operations in 2020 were climate and environmentally sustainable and were conducted with a competitive footprint. This is supported, not only by the Group's comprehensive sustainability reports, available in the Group's sustainability library at [www.leroyseafood.com](http://www.leroyseafood.com), but also in several national and international reports on fish farming and fisheries. The Group operates from a perspective of perpetuity, invests in minimising its impact on the external environment, and continuously works hard to encourage both management and employees to maintain sound attitudes towards the environment.

### Result and allocations, Lerøy Seafood Group ASA

The company and the Group's financial statements are submitted on assumption of going concern. In 2020, Lerøy Seafood Group ASA reported an annual profit after tax of NOK 569 million, against a comparative amount of NOK 1,695 million in 2019. The Board aims to propose the following allocation of the 2020 annual profit (NOK 1,000):

- > A figure of NOK 2.00 per share has been allocated for dividend payment, totalling NOK 1,191,547.
- > From other equity: 622,981
- > Total allocations: 568,567

The Group's parent company has a strong financial position with a book equity ratio of 85.2%. The parent company has access to satisfactory financing and liquidity, corresponding with the Group's strategy and operating plans.

### Market and outlook

Price developments for Atlantic salmon have been highly volatile in 2020 also, substantially influenced by the ripple effects of the COVID-19 pandemic. The first months of 2021 have also been significantly affected by the negative impact on demand of the COVID-19 pandemic restrictions, but the underlying market is strong, with high sales volumes via grocery chains. It is not possible for the management and Board of Directors to form any precise opinion on the duration or consequences of the pandemic, but the growth in volume on the grocery market does provide grounds for optimism. There are indications that seafood is gaining in popularity with consumers, and we are therefore optimistic with a view to the underlying future developments for seafood.

The Group's production of redfish currently takes place mainly in Norway. Norwegian and global salmon and trout production are experiencing relatively modest growth, which – combined with a weaker Norwegian krone – has resulted in very high prices. This provides an incentive to start production of salmon in new areas using alternative technologies. These incentives have existed for several years

now, but with long lead times in the industry, Norwegian production in marine fish farms has maintained its predominant position. The harvest volume from land-based production of salmon remains insignificant on the end markets. The market share for Norwegian Atlantic salmon may, in the long term, be affected by production of salmon and trout in new regions and locations. Through business development, investments and a clear operational focus on competitiveness, the Group shall ensure that its value chain stands strong in the face of competition in the years to come. In addition to the development of existing farming operations, the Group is accumulating knowledge and/or competencies within both land-based and offshore-based salmon production.

In recent years, Lerøy has made significant investments in several parts of the value chain, including the construction of facilities for smolt/post-smolt capacity in all the Group's regions. Lerøy Sjøtroll's Kjærelva facility is now completed and has an annual biomass production of around 4,000 tonnes. Lerøy Aurora completed the final construction stage of a new development in Q4 2020, and the facility is expected to reach full exploitation in 2021. Lerøy Midt can report that the developments to the Belsvik facility are going to schedule. The plan is for completion by the start of 2022, and the facility is expected to produce around 5,000 tonnes of biomass. The Group's investments in improved smolt production and post-smolt production, combined with a number of other initiatives, will support the Group's ambition for continued growth in volume and increased competitiveness by means of a reduction in production costs.

The Group's substantial investments in post-smolt facilities have not only increased the Group's annual harvest volume by means of improved exploitation of existing assets, but also provided significant competencies within RAS technology. This is in the main the same technology applied for full-scale land-based production of salmon. The Group is now negotiating a further development of a new RAS facility in the region of Vestland. The plans are initially to develop the facility in three modules. The first and second modules represent further increases in the Group's post-smolt production. The final module will also provide facilities for post-smolt production, but may also be used for salmon production up to harvest size. The location of the plant, including the links to the Group's farming operations in West Norway, could potentially provide successful interaction between sea and land. The lessons learned may, if preferable, be alternatively exploited to realise land-based projects in other regions. The development will take place in stages, but initial estimates indicate that the first three stages will represent estimated costs of around NOK 1 billion. The development is projected to provide an annual increase in production in the sea of 8-10,000 GWT. Construction work is scheduled for completion in 2023.

The Group can report significant improvements in production in the sea in 2020. The harvest volume is up from approx. 158,000 tonnes in 2019 to 171,000 tonnes in 2020. Moreover, standing biomass has increased from 111,000 tonnes at year-end 2019 to 119,000 tonnes at year-end 2020. The Group maintains its projections of a harvest volume for 2021, including associates, of 205,000-210,000 tonnes. Ongoing investments and additional improvement initiatives will provide further growth in the years to come.



“ As a new middle manager with experience from a different industry, it's fun to work for an organisation that so warmly welcomes input so they can at all times make sure they choose the best solutions.”

**Håkon Stensen**

Technical Manager, Lerøy Sjøtroll



When the cargo ship “Wilson Parnu” had engine failure south-west of Telavåg on the island of Sotra near Bergen, in the pitch dark of a November night and in rough seas, the crew onboard “Nordtind” came to the rescue in an impressive show of strength. The efforts of captain Frank Bye and the rest of his crew on the Lerøy Havfisk trawler were described as “fantastic”, “heroic” and “excellent seamanship” by the Joint Rescue Coordination Centre.

## Financial information

For the Group, the aim is clear – for this growth, combined with other improvement measures, to provide reductions in the Group's release from stock costs for salmon and trout in 2021 and the following years.

The Group has recently made substantial investments in whitefish. One new vessel was added to the fleet in 2018 – Nordtind – and another in early 2020 – Kongsfjord. Further improvements to fish quality were established as important design criteria for Kongsfjord. Consumers' expectations and quality requirements continue to increase, making high quality and competitiveness key factors for success when competing to attract consumers.

The whitefish industry, also including land-based operations, has suffered significantly from the impact on demand of the COVID-19 pandemic in 2020. It is naturally not possible for the Group to know how long the restrictions will last, but Lerøy's long-term plans remain the same. The work on and investments in making the factories less reliant on seasons continue, along with well-organised and meticulous work on making improvements to each unit. We believe that this process will generate results with time.

For 2021 the quota development is as follows; 17% increase for cod, 22% for haddock, 17% for saithe north of 62 degrees. For saithe south of 62 degrees, the Group projects a reduction in the quota of 43%.

Lerøy works to develop an efficient and sustainable value chain for seafood. This not only provides cost-efficient

solutions, but also quality, availability, a high level of service, traceability, and competitive climate-related and environmental solutions. Investments in recent years in, e.g., a new industrial facility for Lerøy Midt, a new factory in Stamsund and new factories in Spain and the Netherlands, now commissioned, will represent a positive contribution in the years to come. The management and Board of Directors are confident that Lerøy has a good starting point for continued profitable growth and development of Group operations.

The Group's products are healthy and good. Production is financially, climate-related and environmentally sustainable. The management and Board of Directors continue to expect good underlying growth in demand in the years ahead. It is not possible for the management and Board of Directors to estimate how long the COVID-19 pandemic will last, but we are confident in assuming that demand will with time return to historic levels and continue to develop from there.

The Board of Directors underlines that uncertainties related to assessments of future developments are much higher than normal, but current estimates are for earnings in the first half of 2021 to be negatively impacted by the effect on demand of the COVID-19 restrictions. At the same time, the Board is of the opinion that the Group's underlying development is positive, and that Lerøy has an excellent position for improved profitability in the years to come.

The Board of Directors and corporate management would once again like to thank all the Group's employees for their hard work to date during the COVID-19 pandemic.

Bergen, 14 April 2021  
The Board of Directors of Lerøy Seafood Group ASA



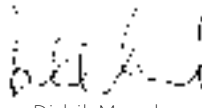
Heølge Singelstad  
Chair of the Board



Arne Møgster  
Board member



Britt Kathrine Drivenes  
Board member



Didrik Munch  
Board member



Karoline Møgster  
Board member



Siri Lill Mannes  
Board member



Hans Petter Vestre  
Board member







## Consolidated financial statements 2020

### Consolidated financial statements consist of

85	Key figures
86	Income statement
87	Statement of comprehensive income
88	Statement of financial positions
90	Statement of cash flows
91	Statement of changes in equity
92	Notes to the consolidated financial statements

### Overview of notes to the consolidated financial statements

92	Note 1	Accounting policies
103	Note 2	Alternative performance measures
105	Note 3	Significant accounting estimates and assessments
109	Note 4	Consolidated companies and allocation to operating segment
111	Note 5	Operating revenue and segment information
116	Note 6	Business combinations and transactions with non-controlling interests
117	Note 7	Intangible assets
124	Note 8	Leases
127	Note 9	Fixed assets
128	Note 10	Associates and other investments
132	Note 11	Biological assets
137	Note 12	Other inventories
138	Note 13	Receivables
141	Note 14	Financial instruments
146	Note 15	Loans, mortgages and guarantees
151	Note 16	Pensions
152	Note 17	Taxation
154	Note 18	Other short-term debt
155	Note 19	Earnings per share
156	Note 20	Dividend per share
157	Note 21	Share capital and shareholder information
159	Note 22	Payroll costs, number of employees, remuneration, loans to staff, etc.
161	Note 23	Items that are combined in the financial statements
162	Note 24	Currency translation differences
163	Note 25	Related parties
165	Note 26	Events after balance sheet date
165	Note 27	Investigation by the competition authorities

## Key Figures for Lerøy Seafood Group Consolidated

(All figures in NOK 1,000)

	2020	2019
LSG stock price last annual trading day	60.56	58.30
Dividend paid per share (distribution year)	1.50	2.00
Dividend per share for payment following year	2.00	1.50
Cash flow from operating activities per share	3.97	4.80
Diluted cash flow from operating activities per share	3,520,768	2,641,431
NIBD	58.5 %	58.8 %
Equity ratio		
	170,849	158,178
Harvest volume (GWT)	68,419	62,497
Catch volume in tonnes (HOG)		
	19,959,652	20,426,902
Operating revenue		
<b>Key figures before fair value adjustments related to biological assets</b>	<b>3,108,795</b>	<b>3,746,276</b>
EBITDA before fair value adjustments	1,949,655	2,734,235
Operating profit (EBIT) before fair value adjustments	1,869,301	2,717,911
Pre-tax profit before fair value adjustments	9.8 %	13.4 %
Operating margin before fair value adjustments	9.4 %	13.3 %
Profit margin before fair value adjustments (pre-tax)	10.5 %	15.5 %
ROCE before fair value adjustments (annualised)	2.46	3.48
Earnings per share before fair value adjustments	11.4	17.3
EBIT/kg before fair value adjustments	10.2	15.5
EBIT/kg exclusive Wildcatch, before fair value adjustments		
<b>Fair value adjustments related to biological assets</b>	<b>-826,751</b>	<b>-333,703</b>
Fair value adjustments related to consolidated companies' inventory (before tax)	-55,666	-18,726
Fair value adjustments related to associates' inventory (after tax)		
<b>Key figures after fair value adjustments related to biological assets</b>	<b>2,280,492</b>	<b>3,412,573</b>
EBITDA	1,122,903	2,400,532
Operating profit (EBIT)	986,884	2,365,482
Pre-tax profit	5.6 %	11.8 %
Operating margin	4.9 %	11.6 %
Profit margin (pre-tax)	5.9 %	12.9 %
ROCE	1.33	3.12
Earnings per share		

## Income statement

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

Lerøy Sefood Group (Consolidated)	Notes	2020	2019
<b>Operating revenue and expenses</b>			
Operating revenue	5/25	19,959,652	20,426,902
Other gains and losses	5	6,569	27,245
Cost of materials	25	11,344,160	11,289,347
Change in stock of biological assets at cost, raw materials and finished products	23	-237,156	-106,155
Salaries and other personnel costs	16/22	3,072,129	2,933,409
Other operating expenses	22	2,678,293	2,591,271
<b>EBITDA before fair value adjustments related to biological assets</b>		<b>3,108,795</b>	<b>3,746,276</b>
Depreciations on intangibles	7	31,921	31,802
Depreciation on right of use assets	8	458,202	426,654
Depreciation on fixed assets	9	667,466	553,585
Impairment loss	7	1,551	0
<b>Operating profit before fair value adjustments related to biological assets</b>		<b>1,949,655</b>	<b>2,734,235</b>
Fair value adjustments related to biological assets	11	-826,751	-333,703
<b>Operating profit (EBIT)</b>		<b>1,122,903</b>	<b>2,400,532</b>
<b>Associates and net financial items</b>			
Income from associates	5/10	105,359	179,749
Net financial items	23	-241,378	-214,799
<b>Profit before tax</b>		<b>986,884</b>	<b>2,365,482</b>
Taxation	17	-196,674	-495,743
<b>Annual profit</b>		<b>790,209</b>	<b>1,869,739</b>
Of which controlling interests		794,335	1,857,172
Of which non-controlling interests		-4,126	12,567
<b>Earnings per share</b>	<b>19</b>	<b>1.33</b>	<b>3.12</b>
Diluted earnings per share	19	1.33	3.12

## Statement of comprehensive income

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

Lerøy Sefood Group (Consolidated)	Notes	2020	2019
<b>Profit for the year</b>		<b>790,209</b>	<b>1,869,739</b>
Estimate differences pension plans (including associates)	10/16	0	-793
Conversion differences that are reclassified to profit and loss in the period	24	-5	15
<b>Items that will not be reclassified to the income statement</b>		<b>-5</b>	<b>-778</b>
Translation differences related to subsidiaries	24	35,088	-12,819
Translation differences from associates	10/24	9,583	24,559
Change in value of financial instruments (cash flow hedges)	14	-34,429	25,711
Change in value from associates	10	-4,947	-3,530
<b>Items that may subsequently be reclassified to the income statement</b>		<b>5,295</b>	<b>33,921</b>
<b>Other comprehensive income for the year</b>		<b>5,290</b>	<b>33,143</b>
<b>Comprehensive income for the year</b>		<b>795,500</b>	<b>1,902,882</b>
Of which controlling interests		799,625	1,890,315
Of which non-controlling interests		-4,126	12,567

The items included in comprehensive income are after tax

Notes 1-27 are an integral part of the consolidated financial statements

## Statement of financial position

(All figures in NOK 1,000)

Lerøy Sefood Group (Consolidated)	Notes	31.12.20	31.12.19
<b>Non-current assets</b>			
Deferred tax asset	17	18,110	2,932
Intangibles	7	8,307,280	8,150,610
Right-of-use assets	8/15	2,429,037	2,378,102
Fixed assets	9/15	6,797,080	6,230,105
Shares in associates	5/10/15	1,055,463	950,017
Other investments	10/14	15,917	13,825
Non-current receivables	13	79,287	71,233
<b>Total non-current assets</b>		<b>18,702,174</b>	<b>17,796,824</b>
<b>Current assets</b>			
Biological assets	11/15	4,913,512	5,574,921
Other inventories	12/15	1,094,571	1,031,155
Trade receivables	13/14/15	1,867,505	2,244,348
Other current receivables	13/14/15	618,928	511,131
Cash and cash equivalents	14/15	2,966,409	3,031,052
<b>Total current assets</b>		<b>11,460,925</b>	<b>12,392,607</b>
<b>Total assets</b>		<b>30,163,099</b>	<b>30,189,431</b>

Notes 1-27 are an integral part of the consolidated financial statements



Lerøy Seafood Group (Consolidated)	Notes	31.12.20	31.12.19
<b>EQUITY</b>			
Share capital	21	59,577	59,577
Treasury shares	21	-30	-30
Share premium reserve		4,778,346	4,778,346
<b>Total paid-in capital</b>		<b>4,837,893</b>	<b>4,837,893</b>
<b>Retained earnings</b>		<b>11,919,158</b>	<b>12,012,739</b>
Non-controlling interests		875,718	912,674
<b>TOTAL EQUITY</b>		<b>17,632,769</b>	<b>17,763,305</b>
<b>LONG-TERM LIABILITIES</b>			
Pension liabilities	16	2,670	2,689
Deferred tax	17	2,320,370	2,474,530
Lease liabilities to credit institutions	8/15	1,041,812	838,270
Lease liabilities to others	8/15	858,164	1,041,322
Loans from credit institutions	15	3,992,432	3,628,044
Other long-term loans	15	1,246	1,449
Other long-term liabilities	14/15	34,176	30,857
<b>Total long-term liabilities</b>		<b>8,250,871</b>	<b>8,017,161</b>
<b>SHORT-TERM LIABILITIES</b>			
Short-term part of long term loans and leases	15	837,138	816,679
Overdrafts and other short term loans	15	815,120	585,128
Trade payables	14	1,194,471	1,554,071
Public duties payable		252,629	279,333
Tax payable	17	349,562	448,813
Other short-term liabilities	14/15/18	830,540	724,941
<b>Total short-term liabilities</b>		<b>4,279,459</b>	<b>4,408,965</b>
<b>TOTAL LIABILITIES</b>		<b>12,530,330</b>	<b>12,426,126</b>
<b>SUM EQUITY AND LIABILITIES</b>		<b>30,163,099</b>	<b>30,189,431</b>

Notes 1-27 are an integral part of the consolidated financial statements

Bergen, 14 April 2021

Board of Directors of Lerøy Seafood Group ASA

  
Helge Singelstad  
Chairman

  
Karoline Møgster  
Board member

  
Arne Møgster  
Board member

  
Didrik Munch  
Board member

  
Britt Kathrine Drivenes  
Board member

  
Siri Lill Mannes  
Board member

  
Hans Petter Vestre  
Employees' representative

  
Henning Beltestad  
CEO  
Lerøy Seafood Group ASA

## Statement of changes in equity

(All figures in NOK 1,000)

Lerøy Sefood Group (Consolidated)	Share capital	Treasury shares	Share premium reserve	Currency translation differences	Cash flow hedges reserve	Other retained earnings	Non- controlling interests <sup>*)</sup>	Total equity
<b>Equity 01.01.19</b>	<b>59,577</b>	<b>-30</b>	<b>4,778,346</b>	<b>83,771</b>	<b>-44,742</b>	<b>11,275,967</b>	<b>981,401</b>	<b>17,134,291</b>
Annual profit 2019					0	1,857,172	12,567	1,869,739
Comprehensive income for the year				11,755	25,711	-4,323	0	33,143
<b>Total profit/loss 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,755</b>	<b>25,711</b>	<b>1,852,849</b>	<b>12,567</b>	<b>1,902,882</b>
<b>Transactions with shareholders</b>								
Dividend payments						-1,191,547	-81,295	-1,272,842
Dividend paid on treasury shares						596		596
Redemption of non-controlling interests						-1,620		-1,620
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,192,572</b>	<b>-81,295</b>	<b>-1,273,867</b>
<b>Equity 31.12.19</b>	<b>59,577</b>	<b>-30</b>	<b>4,778,346</b>	<b>95,526</b>	<b>-19,031</b>	<b>11,936,244</b>	<b>912,673</b>	<b>17,763,305</b>
Annual profit 2020					0	794,335	-4,126	790,209
Comprehensive income for the year				44,666	-34,380	-4,995	0	5,290
<b>Total profit/loss 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,666</b>	<b>-34,380</b>	<b>789,340</b>	<b>-4,126</b>	<b>795,500</b>
<b>Transactions with shareholders</b>								
Dividend payments						-893,661	-31,118	-924,779
Dividend paid on treasury shares						447		447
Redemption of non-controlling interests						7	-1,711	-1,704
Estimation deviation previous year				-1,515	1,515	0	0	0
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,515</b>	<b>1,515</b>	<b>-893,207</b>	<b>-32,829</b>	<b>-926,036</b>
<b>Equity 31.12.20</b>	<b>59,577</b>	<b>-30</b>	<b>4,778,346</b>	<b>138,677</b>	<b>-51,896</b>	<b>11,832,377</b>	<b>875,719</b>	<b>17,632,769</b>

<sup>\*)</sup> Non-controlling interests. Other components of equity are allocated to Lerøy Seafood Group's shareholders.

**Treasury shares**

Seafood Group ASA owns 297,760 treasury shares of a total number of 595,773,680 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where the nominal value of

treasury shares is included in paid-in capital (NOK -30 thousand), and the purchase price exceeding nominal value of treasury shares (NOK -2,389 thousand) is included in retained earnings. The average purchase price for treasury shares is NOK 8.12 per share.

## Statement of cash flows

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

Lerøy Sefood Group (Consolidated)	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Profit before tax		986,883	2,365,482
Taxes paid during the period		-452,693	-690,520
Other gains and losses		-6,570	-27,245
Depreciation	7	1,551	0
Impairment loss	10	-105,358	-179,749
Profit impact associates	10	-105,358	-179,749
Change in fair value adjustments related to biological assets	11	826,751	332,946
Change in inventories/biological assets	11/23	-255,243	-101,136
Change in trade receivables	13	376,843	-91,933
Change in trade payables		-359,600	67,952
Change in net pension liabilities	16	-20	-877
Net financial items classified as financing activities	23	241,378	214,799
Change in other accruals		-44,661	-43,080
<b>Net cash flow from operating activities</b>		<b>2,366,851</b>	<b>2,858,680</b>
<b>Proceeds from sale of fixed assets</b>			
Payments for acquisitions of fixed assets	8	10,892	238,012
Proceeds from sale of right of use assets	8	-1,194,622	-1,430,998
Proceeds from sale of intangible assets	8	1,260	12,292
Payments for acquisitions of intangible assets	7	0	13,495
Proceeds from sale of shares in associates and other businesses	7	-182,787	-15,799
Payments for acquisitions of shares in associates and other businesses	10	0	2,763
Dividend payments received from associates	10	-27,086	-439
Payments for acquisition of Group companies and redemption of minorities	10	28,752	266,452
Interest payments received	6	-1,516	0
Proceeds/payments on other loans (short and long-term)	23	25,550	37,550
Net cash flow from investing activities		-14,656	642
<b>Netto kontantstrøm fra investeringsaktiviteter</b>		<b>-1,354,214</b>	<b>-876,029</b>
<b>Cash flows from financing activities</b>			
Movement in short-term interest-bearing debt	15	229,994	143,958
Proceeds from establishing new long-term debt	15	1,657,920	120,674
Downpayments of long-term debt	15	-1,786,414	-725,812
Interest paid and other financial expenses	23	-254,450	-254,328
Dividends paid (net, after dividend on treasury shares)	20	-924,332	-1,272,246
<b>Net cash flow from financing activities</b>		<b>-1,077,281</b>	<b>-1,987,753</b>
<b>Net cash flow in the accounting period</b>		<b>-64,643</b>	<b>-5,102</b>
Cash and cash equivalents at start of period		3,031,052	3,036,154
<b>Cash and cash equivalents at end of period</b>		<b>2,966,408</b>	<b>3,031,052</b>
<i>This consists of</i>			
Bank deposits, etc.		2,966,408	3,031,052
Of which restricted funds		157,865	132,277
Unutilised overdraft/drawdown facilities		3,459,502	3,610,461

## 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 2020 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 14 April 2021.

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

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

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

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

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

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

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

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

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

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

#### **(C) Principles of consolidation Subsidiaries**

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

The acquisition method is applied to acquisition of businesses. The consideration paid is measured at fair value of transferred assets, liabilities assumed, and equity instruments issued. The consideration also includes the fair value of all assets or liabilities pursuant to the agreement regarding contingent consideration. Identifiable assets, debt and contingent liabilities are recognised at fair value on the date of acquisition. The part of the cost price that cannot be ascribed to specific assets represents goodwill. Acquisitions effectuated before 1 January 2004 have not been corrected as a consequence of the transition to IFRS (use option exercised). In the case of a business combination achieved in stages, the Group's shareholding from former acquisitions will be remeasured at fair value on the control date. Any change in value is recognised on the accounting line for other gains and losses. IFRS 10 and IFRS 3 are mainly based on an entity definition when measuring assets and liabilities in connection with acquisitions which provide control. The one exception is goodwill where there is a use option per acquisition such that companies can choose to recognise only the controlling interest's share or 100%.

For each business combination after 2009, the group has measured components of non controlling interests in the

acquiree at fair value at the acquisition date. This implies that goodwill is recognised also on non-controlling interests proportionate share of the entity's net assets.

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

#### Non-controlling interests

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

#### (D) Operating revenue

Operating revenue from the sale of goods is recognised at a point in time when control is passed to the customer. Control is generally passed when delivered to the customer according to the agreed upon Incoterms (contractual terms). Expected volume discounts are deducted from operating revenue and presented as current provisions. Taxes and duties are also deducted from operating revenue.

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

#### (E) Reporting by segment

Operating segments are reported at a more aggregated level than for internal reporting to the corporate management due to similar economic characteristics such as organisational structure and commercial risk. The Group's operating segments comprise the following: (1) Wildcatch, (2) Farming and (3) Value-added Processing (VAP), sales and distribution. The last segment is also named VAPS&D or VAPSD for short. Please refer to the note on the consolidated companies and division into operating segments for a complete description of the companies in the different segments, both directly and via indirect ownership.

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

However, if the lessor terminates operations, the license 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 only Lerøy Midt AS, and (3) the West Norway region (also known as Lerøy Sjøtroll), comprising Lerøy Vest AS, Sjøtroll Havbruk AS, Lerøy Kjærrelva AS, Norsk Oppdrettservice AS and Lerøy Ocean Harvest AS. These units all operate in the same branch, have the same customers, similar commercial risk and similar processes. Their only distinguishing factor is geography. It has therefore been deemed appropriate to merge these into one operating segment.

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

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

#### (F) Currency

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

#### (G) Intangible assets

##### Goodwill

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



## NOTE 1 cont.

### Accounting policies

#### Licences/rights

The Group's licenses can be split into two main groups: (1) Licences related to farming and (2) licenses 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 licenses involved in this operating segment, in terms of type, number and volume, is provided in the note on intangible assets. A more detailed explanation supporting the assessment that the assets have an indefinite useful life is provided in item (X) at the end of the description of accounting policies.

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

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

#### (H) Fixed assets and right-of-use assets

Until 01.01.2019 fixed assets have included both own fixed assets and financial leases. The new standard on leases, IFRS 16, which was implemented 01.01.2019, the distinction between operational and financial leases has ceased to exist for the lessee. According to the new standard all leases shall be recognised in the balance sheet. Leased assets are

named right-of-use assets in the new standard. The group has chosen to present fixed assets and right-of-use assets as two individual elements in the statement of financial positions. On the date of implementation all leases previously recognised in the statement of financial positions (financial leases) were regrouped from fixed asset to right-of-use assets. In addition, the operational leases, previously only specified in the notes, were recognised in the statement of financial positions.

#### Fixed assets

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

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

#### Right-of-use assets

The Group adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach. As a result, the historic comparable figures were not restated. For leases which had previously been classified as operating leases under the principles of IAS 17, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. Extension periods are included in the leasing calculation when they are reasonably certain to be exercised. The associated right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset is depreciated linearly from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. For leases that were previously classified as financial leasing under IAS 17, the book value of the right-of-use asset and lease liability is brought forward at the date of implementation of IFRS 16 (1 January 2019). Accumulated depreciations on leased assets as of implementation date (depreciations according to IAS 17) were not transferred to the new group with right-of-use assets.

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

terms leases represent lease agreements shorter than 12 months from the date of the contract. Low value assets represent lease agreements that are lower than NOK 50 each. Rent paid on non-recognised leases are presented in the [note on leases](#).

The group distinct between leases with credit institutions and leases with others. The distinction is shown in [note on leases](#). Acquisition of right-of-use assets from leases with credit institutions is considered to be investments in new assets, while acquisition of right-of-use assets from others than credit institutions is not. This distinction is also applied on the debt side, and in the definition of NIBD. See [note on APMs](#) for further information.

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

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

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

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

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

For fish in sea, the fair value is calculated by applying a cash flow based present value model at level three in the fair value hierarchy in IFRS 13. In line with IFRS 13, the highest and best use of the biological assets is applied for the valuation. In accordance with the principle for highest and best use, the Group considers that the fish have optimal weight for harvest when they have a live weight corresponding to 4 kg gutted weight. For information on recalculation factor from gutted weight to live weight, see [note on biological assets](#). As of 31.12 this corresponds to a live weight of 4.65 kg for salmon and 4.76 kg for trout. Fish with a live weight equal to this or more, are classified as ready for slaughter (mature fish), while fish that have still not achieved this weight are classified as not ready for harvest (immature fish). For fish ready for harvest, the highest and best use is defined as harvesting and selling the fish as quickly as possible in the month following the balance sheet date. For fish not yet ready for harvest, the highest and best use is in principle defined as growing the fish to optimal weight for harvest, then harvesting and selling the fish. The harvest date applied in the valuation may however be brought forward if required by situations at a specific locality. Such situations may involve biological challenges (disease, salmon lice infestation etc.).

The cash flow-based present value model does not rely on historical and company-specific factors. On a hypothetical market with perfect competition, a hypothetical buyer of live fish would be willing to pay as a maximum the present value of the estimated future profit from the sale of the fish when it is ready for harvest. The estimated future profit, taking into account all price adjustments and payable fees for completion, constitutes the cash flow. No deductions are made for sales expenses, as these are not observable on the market. Such expenses are also deemed immaterial. Incoming cash flow is calculated as a function of estimated volume multiplied by estimated price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to the optimal weight for harvest. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical license lease and (3) the time value of money. Please refer to the [note on significant accounting estimates and assessments](#) for more detailed information on discounts, and sensitivity analysis.

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

Pricing is based on the Fish Pool forward prices. The reason for this is that there are no effective markets for the sale of

## NOTE 1 cont.

### Accounting policies

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

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

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. Change in fair value of unrealised gain/loss related to financial purchase and sale contracts for fish in Fish Pool, recognised as cash-flow hedges, are recognised in other comprehensive income (OCI). The accounting of Fish Pool contracts is presented in note on financial instruments.

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.

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

#### (J) Inventory

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

#### (K) Trade receivables and trade payables

Trade receivables and other receivables are carried on the balance sheet at nominal amount after deduction of provision for estimated losses. The Group measures expected credit losses by estimating a lifetime expected loss allowance for all trade receivables. Loans and receivables are classified as short-term debt or current assets unless they mature more than 12 months after the balance sheet date. In that

case, they are classified as fixed assets or long-term debt. Receivables and payables in foreign currency are translated at the respective rates of exchange on the balance sheet date.

#### **(L) Associates and joint ventures**

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

#### **(M) Liquid assets**

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

#### **N) Pensions**

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

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

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

The capitalised commitment associated with defined benefit plans is the present value of the defined benefits on the balance sheet date less fair value of the pension assets as adjusted for non-recognised estimate differences and non-

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

#### **(O) Tax**

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

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

#### **(P) Interest-bearing loans and credits**

Loans are booked at fair value when the loan is paid out, less transaction costs. In subsequent periods loans are booked at amortised cost calculated by applying the effective interest rate, and any differences between acquisition cost and redemption value are incorporated over the loan period by using the effective interest rate method. Next year's instalments are classified as short-term debt.

#### **(Q) Dividends**

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

#### **(R) Provisions and other commitments**

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

#### **(S) Share capital and share premium**

Ordinary shares are classified as equity. Expenses directly associated with issuing new shares or options, less tax, are

## NOTE 1 cont.

### Accounting policies

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

#### (T) Statement of cash flows

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

#### (U) Financial risk management

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

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

#### Interest risk

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

#### Price risk

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

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

#### Liquidity risk

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

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

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

#### Credit risk

Credit risk occurs in transactions involving derivatives, deposits with banks and financial institutions in addition



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

#### **(V) Derivatives and hedge accounting**

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

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

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

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

The effective share of the change in fair value of derivatives that qualify as hedging instruments for cash flow hedging is recognised through other comprehensive income. Hedging gains or losses recognised through other comprehensive income and accumulated in equity are re-classified to the income statement during the period in which the hedging

object impacts the income statement. The Group makes use of cash flow hedging related to interest rate swaps and bunker derivatives. If the hedge comes to an end, gains and losses are recognised in the income statement under net 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 favorable terms.

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

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

#### **(X) Indefinite useful life (no amortisation) of licenses**

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 license 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 (licenses). All activities involving aquaculture require a license. It is prohibited to farm salmon/trout without a license from the authorities, cf. section 4 of the Aquaculture Act. All licenses are governed by the same regulations (the current Aquaculture Act with provisions) irrespective of when

## NOTE 1 cont.

### Accounting policies

the license 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 licenses 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 licenses.

#### Main terms and conditions for license type

Since January 2005, the limitations on production established for aquaculture licenses 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 license holder can have at any given time.

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

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

Green farming licenses are licenses that were awarded in 2015 via a dedicated licensing round. Special conditions were attached to these licenses, mainly concerning environmental improvement measures. The licenses were

awarded via open auctions or competitively, based on environmentally focused technology and operating concepts. Demonstration licenses are licenses defined for special purposes. Demonstration licenses are granted to enterprises in order to share knowledge of the aquaculture industry. Such licenses are often operated in cooperation with a non-commercial entity.

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

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

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

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

Juvenile fish licenses are licenses to produce juvenile salmon and trout in fresh water that in total authorise the license 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 license. 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 licenses, 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 licenses 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 license were to be allocated without a time limitation."

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

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

As the licenses are not bound by a time-limited period, there is no need to apply for their renewal. The licenses 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 license. Section 9 states that licenses may be revoked due to gross contravention of the provisions of the Act. We can confirm that no operative licenses for salmon and trout have been revoked in Norway.

Research and development licenses 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 licenses 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 licenses are granted for 15 years at a time, and applications have to be submitted for their renewal, provided that the license 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 licenses have always been approved, in line with the prevailing practice in the industry.

The licenses for slaughter cages are allocated for 10 years at a time. Applications can be submitted for renewal of such licenses 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 licenses are allocated for a period of 10 years. Applications can be submitted for renewal of demonstration licenses provided that the terms for the license are met pursuant to the Aquaculture Act.

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

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

All licenses 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 licenses where transfers and mortgaging are registered. The leasing of aquaculture licenses or license capacity is not permitted. Grow-out licenses and parent fish licenses can be linked to different locations, but there are certain limitations on moving of licenses between the regions

defined by the Directorate of Fisheries. In practice, this means that licenses cannot be moved between defined regions, which typically follow county borders. Juvenile fish licenses are attached to one locality – the locality for which the license applies.

#### **Costs related to licenses**

Payment has been required for new licenses 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 licenses, then there are no costs involved in license renewal.

The costs of maintaining aquaculture licenses in Norway are insignificant. There are no annual fees or other types of duties linked to the actual license. However, there are certain fees to be paid for inspection and control of the licenses. Fees also have to be paid to establish new localities and/or to extend/amend localities. As a main rule, an amount of twelve thousand norwegian kroner is paid per license 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 licenses are not a time-limited right, and licenses should therefore not be subject to amortisation. Where time-limited R&D licenses, demonstration licenses and educational licenses are concerned, these are awarded free of charge so amortisation is normally not relevant. However, in cases where related acquiring or renewing costs are capitalised, they will be subjected to depreciation over the economic life.

#### **Grow-out licenses and juvenile fish licenses**

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

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

It has also been noted that the licenses 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 licenses and juvenile fish licenses, in accordance with IAS 38.90.

#### **Parent fish licenses**

As mentioned above, these licenses are granted for 15 years at a time, and applications can be submitted for renewal.

## NOTE 1 cont.

### Accounting policies

In 2007, the duration of parent fish licenses 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 licenses in item 3.3: "The recommendation implies that the licenses shall be time-limited for a period (...) with clearly defined predictability for extension of new periods. Time-limited licenses may however result in less predictability for the entities than licenses 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 licenses:

a) the entity's licenses 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 license 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 license 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 licenses**

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

#### **Teaching licenses**

With one exception, the Group's teaching licenses have been allocated for 10 years. Applications can be submitted for renewal of teaching licenses provided that the terms for the license are met pursuant to the Aquaculture Act. The Group has also taken over one teaching license pursuant to an open-ended agreement with an educational institution.

Since the agreement has a limited undefined useful life, its duration has been estimated at one year.

#### **(Y) New and amended financial reporting standards**

##### **New standards implemented in 2020**

IASB and EU have not implemented any new standards that have been mandatory to adopt in 2020.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 2020 reporting periods and have not been early adopted by the group. These standards and interpretations are not expected to have a material impact on the group in the future reporting periods and on foreseeable future transactions.

## NOTE 2

### Alternative performance measures

(All figures in NOK 1,000)

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

#### EBIT before fair value adjustments

EBIT before fair value adjustments is an APM utilised by the Group. Pursuant to IFRS, biological assets (fish in the sea) shall be measured at fair value in the statement of financial position (IAS 41). Estimates of fair value require various

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

	2020	2019
Operating profit (EBIT)	1,122,903	2,400,532
- Fair value adjustments	826,751	333,703
<b>= EBIT before fair value adjustments</b>	<b>1,949,655</b>	<b>2,734,235</b>

Fair value adjustments consists of:

1. Change in fair value adjustment on fish in sea
2. Change in fair value adjustment on roe, fry and cleaning fish<sup>\*)</sup>
3. Change in fair value adjustment on onerous contracts (salmon and trout)
4. Change in fair value adjustment on Fish Pool contracts (financial contracts on salmon), not regarded as hedges<sup>\*\*)</sup>

<sup>\*)</sup> For this group historical cost provides the best estimate of fair value.

<sup>\*\*)</sup> In 2020 all changes in fair value on Fish Pool contracts have been recognised in other comprehensive income (cash flow hedging).

See note on biological assets for more details.

#### EBITDA before fair value adjustments

EBITDA before fair value adjustments is an APM. Calculation

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

	2020	2019
EBIT	1,122,903	2,400,532
- Depreciations (intangibles, RoU assets and fixed assets)	667,466	553,585
<b>= EBITDA</b>	<b>1,790,369</b>	<b>2,954,117</b>
- Fair value adjustments	826,751	333,703
<b>= EBITDA before fair value adjustments</b>	<b>2,617,120</b>	<b>3,287,820</b>



## NOTE 2 cont.

### Alternative performance measures

#### EBITDA before tax and fair value adjustments

Profit before tax and fair value adjustments is an APM utilised by the Group. Pursuant to IFRS, biological assets (fish in the sea) shall be measured at fair value in the statement of financial position (IAS 41). The APM demonstrates how the result would have been if IAS 41 not had been applied. This

implies that the FV adjustment on fish in sea are reversed (eliminated). This includes both the group's own FV adjustment and also the FV adjustments included in the income from associated companies (AC) also applying IAS 41, following the equity method. The components included are:

	2020	2019
Profit before tax	986,884	2,365,482
- Fair value adjustments	826,751	333,703
- Fair value adj. incl. in income from AC <sup>*)</sup>	55,666	18,726
<b>= Profit before tax and fair value adjustments</b>	<b>1,869,301</b>	<b>2,717,911</b>

<sup>\*)</sup> See note on associated companies for more details

#### Net-interest-bearing debt (NIBD)

NIBD is an APM utilised by the Group. The figure shows how much capital the Group employs and is an important key figure for stakeholders who are planning to grant financing to the Group and for stakeholders who want to value the company. The Group therefore defines NIBD as interest-bearing commitments, both short-term and long-term, to persons or institutions with the main purpose of providing

financing and/or credit, minus interest-bearing cash or cash equivalents. This implies that long-term interest-bearing receivables (assets) and other lease commitments with the exception of leasing debt to credit institutions (liability) are not included. The latter component comprises most of the new lease commitments carried in connection with implementation of IFRS 16. The following components from the statement of financial position are included:

	31.12.20	31.12.19
Loans from credit institutions <sup>*)</sup>	4,389,042	4,027,759
+ Lease liabilities to credit institutions <sup>*)</sup>	1,280,249	1,056,654
+ Other long term loans <sup>*)</sup>	2,765	2,943
+ Overdrafts and other short term credits	815,120	585,128
- Cash and cash equivalents	-2,966,409	-3,031,052
<b>= Net interest bearing debt (NIBD)<sup>*)</sup></b>	<b>3,520,768</b>	<b>2,641,433</b>

<sup>\*)</sup> Both long-term and short-term portion

<sup>\*\*)</sup> See note on loans, mortgages and guarantees for an overview of changes during the period

## NOTE 3

### Significant accounting estimates and assessments

(All figures in NOK 1,000)

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

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

#### (A) Value adjustment of biological assets

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

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

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

#### (1) Price

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

Ecological produced salmon or ASC-certified fish. The adjustments for exporter margin and clearing costs are observable items estimated by Fish Pool. The adjustment for harvest costs, transport costs and quality differences is based on the Group's historical costs per region and historical quality distribution, while the other adjustments are based on an assessment using historical data and the Group's view of future market developments.

#### (2) Cost

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

#### (3) Volume

Projected harvest volume is calculated on the basis of the estimated number of fish (individuals) on the balance sheet date minus estimated future mortality, multiplied by the estimated harvest weight. There is some uncertainty involving both the number of fish in the sea on the balance sheet date, remaining mortality and estimated harvest weight. The actual harvest volume may therefore differ from the estimated harvest volume either as a result of changes in biological developments or due to special events, such as abnormal mortality. The estimate for number of fish on the balance sheet date is based on the number of smolt released to sea. The number of smolt is adjusted to take into account uncertainties during counting and actual registered mortality related to release. The normal estimated harvest weight (optimal harvest weight) is assessed to be the live weight of fish that results in a gutted weight of 4 kg, unless specific conditions exist on the balance sheet date to indicate that the fish have to be harvested before they reach this weight. If this is the case, the estimated harvest weight is adjusted. Projected mortality during the period from the balance sheet date to the date when the fish reach harvest weight is estimated to be 0.5% to 1.25% of the number of incoming fish per month, depending on region. For recalculation factor from gutted weight to live weight, see note on biological assets.

#### (4) Discounting

Every time a fish is harvested and sold, this generates a positive cash flow. In order to simplify matters, all the remaining expenses are allocated to the same period as the income, so there is only one cash flow per locality. The cash flow is allocated to the month when harvest is estimated to take place. The sum of the cash flows from all the localities where the Group has fish in the sea will then be distributed over the entire period of time it takes to farm the fish in the

## NOTE 3 cont.

### Significant accounting estimates and assessments

(All figures in NOK 1,000)

sea on the balance sheet date. With the current size of the smolt released and the frequency of the smolt releases, this period of time may be up to 18 months. The estimated future cash flow is discounted monthly. The level of discount rate applied has a major impact on the estimate of fair value. The discount rate shall take into account a number of factors. The discount factor comprises three main elements: (1) Risk adjustment, (2) License lease and (3) Time value.

#### 4.1. Risk adjustment

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

#### 4.2. Hypothetical license lease

Salmon and trout farming is not a market with free competition and no barriers to entry. Due to limited access to licenses for farming fish for consumers, such licenses 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 license, locality and other permits required for such production. At the time of writing, leasing of licenses 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 licenses or to cover the lease costs for leased licenses. It is difficult to create a model that would allow a hypothetical annual lease cost to be derived from prices for sold licenses, 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 license 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.

#### 4.4. Evaluation of discount rate

In 2020 a 5% monthly discount rate has been applied, the same as in 2019. In the sensitivity analysis below, it is demonstrated how a change in discount rate would impact the value on fish in sea. The change is a result from a periodic review.

As mentioned above, the hypothetical license lease is one of the main elements when setting the discount rate. In the hypothetical license lease price the future expected margins are an important parameter. The forward price on salmon has a direct impact on the future expected margins. The price level on atlantic salmon and trout is at a lower level as of 31.12.2020 compared with 31.12.2019. Normally the price level increases in the last months of the year, and especially the last few weeks of December. This expected price increase was absent end of 2020. It is assumed that an unexpected low price level at date for measurement will not lead to a simultaneously reduction in hypothetical license lease price for fish in sea, but instead a step by step reduction in future lease price for new smolt releases. This is explained with the fact that it must be assumed that the lease price for the fish in sea is already negotiated for the period until harvest. The point of time when the unexpected price difference became clear, is therefore of relevance. Due to the fact that it was close to year end when the unexpected price difference became clear, the discount rate applied remains unchanged as of 31.12.2020.

In practice this means that the lower price level has led to a corresponding drop in fair value on fish in sea, without any of the effect allocated to fair value on licenses. In case the unexpected low price level should continue into 2021, some of the effect will be allocated to fair value on licenses, through a reduction in discounting rate for 2021. A reduction in fair value on licenses will normally not impact the annual accounts since licenses are not recognised at fair value in the statement of financial position. This approach prevents to smooth out the volatility in fair value on biological assets, by allocating too much of the unexpected price difference at measurement date to other assets in the statement of financial positions that are not measured at fair value.

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

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

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

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

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

			Projected optimal harvest weight per fish in kg gwe				
			3.5	3.8	4.0	4.3	4.5
			Change in projected weight per kg gwe				
			-0.50	-0.25	-	0.25	0.50
Average price per kg (NOK)	44.4	-5.00	3,252,974	3,545,135	3,854,165	4,170,154	4,486,805
	47.4	-2.00	3,630,731	3,942,542	4,272,534	4,610,082	4,948,347
	48.4	-1.00	3,756,650	4,075,011	4,411,991	4,756,724	5,102,194
	49.4	-	3,882,568	4,207,480	<b>4,551,447</b>	4,903,367	5,256,042
	50.4	1.00	4,008,487	4,339,949	4,690,903	5,050,010	5,409,889
	51.4	2.00	4,134,406	4,472,418	4,830,360	5,196,653	5,563,737
	54.4	5.00	4,512,163	4,869,825	5,248,729	5,636,581	6,025,279

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and projected harvest weight per kg gutted weight. For projected harvest weight, the table shows changes in fair value when there is an increase in

projected harvest weight of 250 and 500 grams respectively, and for a corresponding reduction, without any change in remaining cost. For price, the change is per NOK gutted weight after adjustment for slaughtering cost, packaging cost, transport cost to Oslo, quality, size and exporter margin.

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

			Monthly discount rate (%)				
			3.0 %	4.0 %	5.0 %	6.0 %	7.0 %
			Change in monthly discount rate (%)				
			-2.0 %	-1.0 %	0.0 %	1.0 %	2.0 %
Average price per kg (NOK)	44.4	-5.00	4,401,396	4,113,965	3,854,165	3,618,745	3,404,888
	47.4	-2.00	4,888,042	4,564,637	4,272,534	4,008,034	3,767,939
	48.4	-1.00	5,050,257	4,714,862	4,411,991	4,137,797	3,888,955
	49.4	-	5,212,472	4,865,086	<b>4,551,447</b>	4,267,560	4,009,972
	50.4	1.00	5,374,687	5,015,310	4,690,903	4,397,324	4,130,989
	51.4	2.00	5,536,902	5,165,535	4,830,360	4,527,087	4,252,006
	54.4	5.00	6,023,548	5,616,207	5,248,729	4,916,376	4,615,057

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and monthly discount rate. For the

monthly discount rate, the table simulates an absolute change of +/- 1% and +/- 2% (100 and 200 points) respectively.

## NOTE 3 cont.

### Significant accounting estimates and assessments

(All figures in NOK 1,000)

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

		Number of fish in stock (million fish)						
		52.8	54.4	55.5	56.6	58.3		
		Change in number of fish in stock						
		-5 %	-2 %	0 %	2 %	5 %		
Average price per kg (NOK)	Change in price per kg (NOK)	44.4	-5.00	3,547,696	3,731,577	3,854,165	3,976,753	4,160,635
		47.4	-2.00	3,945,146	4,141,579	4,272,534	4,403,490	4,599,923
		48.4	-1.00	4,077,630	4,278,246	4,411,991	4,545,735	4,746,352
		49.4	-	4,210,113	4,414,913	<b>4,551,447</b>	4,687,981	4,892,781
		50.4	1.00	4,342,597	4,551,581	4,690,903	4,830,226	5,039,210
		51.4	2.00	4,475,080	4,688,248	4,830,360	4,972,471	5,185,639
		54.4	5.00	4,872,531	5,098,249	5,248,729	5,399,208	5,624,927

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters price per kg and estimated number of fish in stock on the balance sheet date. For the number of fish in

stock, the table simulates a change of +/- 2% and +/- 5% in the number of fish per locality for all localities with fish in stock.

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

		Monthly discount rate (%)						
		3.0 %	4.0 %	5.0 %	6.0 %	7.0 %		
		Change in monthly discount rate (%)						
		-2.0 %	-1.0 %	0.0 %	1.0 %	2.0 %		
Number of fish in stock (in millions)	Change in number of fish	52.8	-5 %	4,814,017	4,496,756	4,210,113	3,950,480	3,714,734
		54.4	-2 %	5,053,090	4,717,754	4,414,913	4,140,728	3,891,877
		55.0	-1 %	5,132,781	4,791,420	4,483,180	4,204,144	3,950,925
		55.5	-	5,212,472	4,865,086	<b>4,551,447</b>	4,267,560	4,009,972
		56.1	1 %	5,292,163	4,938,752	4,619,714	4,330,977	4,069,020
		56.6	2 %	5,371,854	5,012,418	4,687,981	4,394,393	4,128,068
		58.3	5 %	5,610,927	5,233,416	4,892,781	4,584,641	4,305,210

The table shows changes in estimated fair value (present value) before provision for loss-making contracts for the parameters monthly discount rate and estimated number of fish in stock on the date of the statement of financial position. For the monthly discount rate, the table simulates

an absolute change of +/- 1% and 2% (100 and 200 points) respectively. For the number of fish in stock, the table simulates a change of +/- 1%, 2% and 5% in the number of fish per locality for all localities with fish in stock.

#### (B) Estimated impairment of goodwill and other intangible assets

The Group performs tests to assess impairment of goodwill and other intangible assets, see note on intangible assets. The tests are based on the Group's expected future earnings

as a cash-generating unit, as well as on the synergies that may be realised in the Group. Negative changes in market conditions may lead to reduced estimates of future earnings, and may therefore generate a need for write-downs.



**NOTE 4****Consolidated companies and allocation to operating segment**

(All figures in NOK 1,000)

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

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

## NOTE 4 cont.

### Consolidated companies and allocation to operating segment

(All figures in NOK 1,000)

Company	Ownership	Country	Registered business premises	Year of acquisition	Share 01.01	Share 31.12	
<b>Value-added processing (VAP), sales and distribution</b>							
Lerøy Bulandet AS <sup>**) </sup>	Lerøy Seafood AS	Norway	Askvoll	2005	79 %	83 %	<sup>1)</sup>
Laks- & Vildtcentralen AS	Lerøy Seafood Group ASA	Norway	Oslo	2018	100 %	100 %	
Lerøy Seafood USA Inc	Lerøy Seafood AS	USA	North Carolina	2016	100 %	100 %	
Lerøy Culinair B.V.	Rode Retail B.V.	Netherlands	Urk	2012	100 %	100 %	
Lerøy Seafood Italy SRL	Lerøy Seafood Group ASA	Italy	Porto Viro	2019	100 %	100 %	
Lerøy Germany GmbH	Rode Beheer B.V.	Germany	Witten	2015	50 %	100 %	<sup>2)</sup>
Lerøy Germany GmbH	Lerøy Seafood AS	Germany	Witten	2016	50 %	0 %	<sup>2)</sup>
Lerøy & Strudshavn AS	Lerøy Seafood Group ASA	Norway	Bergen	1927 <sup>*)</sup>	100 %	100 %	
Lerøy Alfheim AS	Lerøy Seafood Group ASA	Norway	Bergen	2005	100 %	100 %	
Lerøy Seafood AB	Lerøy Sverige AB	Sweden	Gothenburg	2001	100 %	100 %	
Lerøy Delico AS	Lerøy Seafood Group ASA	Norway	Stavanger	2006	100 %	100 %	
Lerøy Finland OY	Lerøy Seafood Group ASA	Finland	Turku	2011	100 %	100 %	
Lerøy Fossen AS	Lerøy Seafood Group ASA	Norway	Bergen	2006	100 %	100 %	
Lerøy Nord AS	Lerøy Seafood Group ASA	Norway	Tromsø	2015	51 %	51 %	
Lerøy Nordhav AB	Lerøy Sverige AB	Sweden	Lomma	2001	100 %	0 %	<sup>4)</sup>
Lerøy Portugal Lda	Lerøy Seafood Group ASA	Portugal	Lisboa	2005	100 %	100 %	
Lerøy Processing Spain SL	Lerøy Seafood Group ASA	Spain	Madrid	2012	100 %	100 %	
Lerøy Processing Canarias SL	Lerøy Processing Spain SL	Spain	Canarias	2020	0 %	100 %	<sup>3)</sup>
Lerøy Quality Group AS	Lerøy Seafood AS	Norway	Bergen	2006	100 %	100 %	
Lerøy Seafood AS	Lerøy Seafood Group ASA	Norway	Bergen	1939 <sup>*)</sup>	100 %	100 %	
Lerøy Sjømatgruppen AS	Laks- & Vildtcentralen AS	Norway	Bergen	2006	25 %	25 %	
Lerøy Sjømatgruppen AS	Lerøy Delico AS	Norway	Bergen	2006	18 %	18 %	
Lerøy Sjømatgruppen AS	Lerøy Alfheim AS	Norway	Bergen	2006	24 %	24 %	
Lerøy Sjømatgruppen AS	Lerøy Trondheim AS	Norway	Bergen	2006	8 %	8 %	
Lerøy Sjømatgruppen AS	Lerøy Nord AS	Norway	Bergen	2015	3 %	3 %	
Lerøy Smøgen Seafood AB	Lerøy Sverige AB	Sweden	Smøgen	2002	100 %	100 %	
Lerøy Stockholm AB	Lerøy Sverige AB	Sweden	Stockholm	2001	100 %	0 %	<sup>4)</sup>
Lerøy Sverige AB	Lerøy Seafood Group ASA	Sweden	Gothenburg	2001	100 %	100 %	
Lerøy Trondheim AS	Lerøy Seafood Group ASA	Norway	Trondheim	2006	100 %	100 %	
Lerøy Turkey	Lerøy Seafood Group ASA	Turkey	Istanbul	2015	100 %	100 %	
Rode Beheer B.V.	Lerøy Seafood Group ASA	Netherlands	Urk	2012	100 %	100 %	
Rode Retail B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
Rode Vaestgoed B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
Rode Vis B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
Rode Vis International AS	Rode Beheer B.V.	Norway	Bergen	2012	100 %	100 %	
Royal Frozen Seafood B.V.	Rode Beheer B.V.	Netherlands	Urk	2012	100 %	100 %	
SAS Eurosalmon	SAS Lerøy Seafood France	France	St. Jean d'Ardières	2008	100 %	100 %	
SAS Fishcut	SAS Lerøy Seafood France	France	St. Laurent Blangy	2008	100 %	100 %	
SAS Lerøy Seafood France	Lerøy Seafood AS	France	Boulogne	2008	100 %	100 %	
Sirevaag AS	Lerøy Delico AS	Norway	Hå	2006	100 %	100 %	
Sjømathuset AS	Lerøy Seafood Group ASA	Norway	Oslo	2006	100 %	100 %	
<b>Not allocated</b>							
Lerøy Seafood Group ASA	See note on shareholder information		Bergen	1995			
Preline Fishfarming Sys. AS	Lerøy Seafood Group ASA	Norway	Skien	2015	96 %	96 %	

**Comments on changes**

- 1) Transactions with non-controlling interests
- 2) Change in ownership within the group
- 3) Foundation of new company
- 4) Parent–subsidiary business combination

<sup>\*)</sup> Foundation date. The companies were part of "the old Lerøy group" before Lerøy Seafood Group ASA was founded in 1995.

<sup>\*\*)</sup>  The name has been changed from Bulandet Fiskeindustri AS to Lerøy Bulandet in 2020.

## NOTE 5

### Operating revenues/segment information

(All figures in NOK 1,000)

Operating revenue	2020	2019
Sale of goods and services	19,944,210	20,386,404
Damages received	107	99
Other operating revenue	15,335	40,399
<b>Total operating revenue</b>	<b>19,959,652</b>	<b>20,426,902</b>
Other gains and losses	2020	2019
Gain from disposal of fixed assets	6,569	14,245
Gain from disposal of intangibles	0	13,000
<b>Total other gains</b>	<b>6,569</b>	<b>27,245</b>

#### Operating segments

The Group has the following segments:

- (1) Wildcatch
- (2) Farming
- (3) Value-added processing (VAP), sales and distribution (VAPSD)

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

- (A) North (Lerøy Aurora)
- (B) Central (Lerøy Midt)
- (C) West (Lerøy Sjøtroll)

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

## NOTE 5 cont.

### Operating revenues/segment information

(All figures in NOK 1,000)

2019	Wildcatch	Farming	VAPSD	Elimination/ unallocated	Group
2019	875,033	363,832	19,188,037	0	20,426,902
External operating revenue	1,669,068	8,695,988	200,083	-10,565,139	0
<b>Internal operating revenue</b>	<b>2,544,101</b>	<b>9,059,820</b>	<b>19,388,120</b>	<b>-10,565,139</b>	<b>20,426,902</b>
Total operating revenue	13,000	12,037	2,591	-382	27,245
Other gains and losses	2,263,804	7,006,877	18,910,844	-10,461,613	17,719,912
<b>Operating expenses</b>	<b>293,297</b>	<b>2,064,980</b>	<b>479,867</b>	<b>-103,908</b>	<b>2,734,235</b>
Operating profit (EBIT) before fair value adjustments	0	-349,342	15,639	0	-333,703
<b>Total fair value adjustments related to biological assets</b>	<b>293,297</b>	<b>1,715,638</b>	<b>495,506</b>	<b>-103,908</b>	<b>2,400,532</b>
Operating profit	3,022	159,850	16,877	0	179,749
Profit from associates	-46,254	-137,015	-37,141	5,611	-214,799
<b>Net financial items</b>	<b>250,065</b>	<b>1,738,473</b>	<b>475,242</b>	<b>-98,297</b>	<b>2,365,482</b>
Profit before tax					-495,743
<b>Tax cost</b>					<b>1,869,739</b>
The year's result	11.5 %	22.8 %	2.5 %	1.0 %	13.4 %
Operating margin before fair value adjustments	62,496				62,496
Catch volume (HOG) in tonnes		158,178			158,178
EBIT <sup>*)</sup> /kg harvested salmon and trout	1.9	13.1	3.0	-0.7	17.3
EBIT <sup>*)</sup> in Wildcatch / catch volume in kg	4.7			-0.1	4.5
EBIT <sup>*)</sup> other segments /kg salmon & trout		13.1	3.0	-0.6	15.5
Assets excluding associates	6,249,283	16,848,625	4,968,992	1,172,514	29,239,414
Associates	21,339	800,138	128,540	0	950,017
<b>Total assets</b>	<b>6,270,622</b>	<b>17,648,763</b>	<b>5,097,532</b>	<b>1,172,514</b>	<b>30,189,431</b>
<b>Total liabilities</b>	<b>2,856,865</b>	<b>9,049,175</b>	<b>3,264,645</b>	<b>-2,744,557</b>	<b>12,426,128</b>
<b>NIBD</b>	<b>848,545</b>	<b>3,687,884</b>	<b>-55,421</b>	<b>-1,839,577</b>	<b>2,641,431</b>
<b>Net investments in intangibles and fixed assets<sup>***)</sup></b>	<b>304,631</b>	<b>1,019,155</b>	<b>106,811</b>	<b>28,911</b>	<b>1,459,508</b>
Depreciations on intangibles	28,400	1,020	2,381	0	31,801
Depreciation on right of use assets from credit institutions	17,565	193,566	13,881	0	225,011
Depreciation on fixed assets	113,003	351,325	87,868	1,390	553,585
<b>Total depreciations exclusive RoU assets from others</b>	<b>158,967</b>	<b>545,911</b>	<b>104,129</b>	<b>1,390</b>	<b>810,398</b>
Depreciation on right of use assets from others	3,743	161,639	28,317	7,944	201,643
<b>Total depreciation</b>	<b>162,710</b>	<b>707,550</b>	<b>132,446</b>	<b>9,334</b>	<b>1,012,041</b>

\*) Verdijusteringer knyttet til biologiske eiendeler

\*\*) Hensyntatt lagerendring og tilhørende eliminerings av interfortjeneste

\*\*\*) Investeringene består av netto tilgang (1) varige driftsmidler, (2) immaterielle eiendeler og (3) bruksretteiendeler leid fra kredittinstitusjoner. Med netto tilgang menes brutto tilgang minus mottatt vederlag for solgte driftsmidler.

Bruksretteiendeler leid fra andre enn kredittinstitusjoner ansees ikke som investeringer, og er derfor ikke inkludert.

2020	Wildcatch	Farming	VAPSD	Elimination / unallocated	Total
External operating revenue	981,991	356,643	18,621,003	15	19,959,652
Internal operating revenue	1,592,066	8,732,491	265,216	-10,589,773	0
<b>Total operating revenue</b>	<b>2,574,057</b>	<b>9,089,134</b>	<b>18,886,219</b>	<b>-10,589,758</b>	<b>19,959,652</b>
Other gains and losses	5,302	607	659	0	6,569
Operating expenses	2,374,381	7,708,256	18,411,408	-10,477,479	18,016,566
<b>Operating profit (EBIT) before fair value adjustments</b>	<b>204,978</b>	<b>1,381,485</b>	<b>475,470</b>	<b>-112,279</b>	<b>1,949,655</b>
Total fair value adjustments related to biological assets	0	-826,751	0	0	-826,751
<b>Operating profit</b>	<b>204,978</b>	<b>554,734</b>	<b>475,470</b>	<b>-112,279</b>	<b>1,122,903</b>
Profit from associates	2,175	71,041	32,142	0	105,359
Net financial items	-38,569	-136,894	-42,888	-23,027	-241,378
<b>Profit before tax</b>	<b>168,585</b>	<b>488,881</b>	<b>464,724</b>	<b>-135,306</b>	<b>986,884</b>
Tax cost					-196,674
<b>The year's result</b>					<b>790,209</b>
Operating margin before fair value adjustments	8.0 %	15.2 %	2.5 %	1.1 %	9.8 %
Catch volume (HOG) in tonnes	68,419				68,419
Harvest volume salmon and trout (GWT)		170,849			170,849
EBIT <sup>*)</sup> /kg harvested salmon and trout	1.2	8.1	2.8	-0.7	11.4
EBIT <sup>*)</sup> in Wildcatch / catch volume in kg	3.0			0.1	3.1
EBIT <sup>*)</sup> other segments /kg salmon & trout		8.1	2.8	-0.7	10.2
Assets excluding associates	6,493,514	16,315,354	5,009,798	1,288,970	29,107,636
Associates	22,616	889,888	142,959	0	1,055,463
<b>Total assets</b>	<b>6,516,130</b>	<b>17,205,242</b>	<b>5,152,757</b>	<b>1,288,970</b>	<b>30,163,099</b>
<b>Total liabilities</b>	<b>3,050,330</b>	<b>8,474,125</b>	<b>3,234,774</b>	<b>-2,228,899</b>	<b>12,530,330</b>
<b>NIBD</b>	<b>1,104,387</b>	<b>4,197,332</b>	<b>13,841</b>	<b>-1,794,792</b>	<b>3,520,768</b>
<b>Net investments in intangibles and fixed assets<sup>***)</sup></b>	<b>426,423</b>	<b>1,127,839</b>	<b>264,215</b>	<b>14,719</b>	<b>1,833,196</b>
Depreciations on intangibles	28,400	983	2,538	0	31,920
Depreciation on right of use assets from credit institutions	17,632	204,682	14,875	69	237,257
Depreciation on fixed assets	143,955	419,666	102,025	1,820	667,466
<b>Total depreciations exclusive RoU assets from others</b>	<b>189,986</b>	<b>625,331</b>	<b>119,438</b>	<b>1,889</b>	<b>936,644</b>
Depreciation on right of use assets from others	3,284	182,233	27,483	7,944	220,945
<b>Total depreciation</b>	<b>193,270</b>	<b>807,564</b>	<b>146,921</b>	<b>9,834</b>	<b>1,157,589</b>

<sup>\*)</sup> Fair value adjustments related to biological assets

<sup>\*\*)</sup> Including effect from changes in stock and corresponding elimination for internal profit.

<sup>\*\*\*)</sup> Net investments consist of net addition for (1) fixed assets, (2) intangibles and (3) right-of-use assets from credit institutions. Net investment is total purchase price paid for new assets minus sale price for disposed assets.

Right-of-use assets derived from leases with other than credit institutions are not considered to be investments, and are therefore not included.



## NOTE 5 cont.

### Operating revenues/segment information

(All figures in NOK 1,000)

**Specification per operating segment within Farming**

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

2020	North region (Lerøy Aurora)	Central region (Lerøy Midt)	West region (Lerøy Sjøtroll)	Elimination (group purchases/ sales)	Total Farming
External operating revenue	265,572	53,964	37,108	0	356,643
Internal operating revenue	1,711,155	3,679,933	3,416,603	-75,201	8,732,491
<b>Total operating revenue</b>	<b>1,976,727</b>	<b>3,733,897</b>	<b>3,453,711</b>	<b>-75,201</b>	<b>9,089,134</b>
Other gains and losses	-777	329	1,055	0	607
Operating expenses	1,541,874	2,945,896	3,295,483	-74,997	7,708,256
<b>Operating profit (EBIT) before fair value adjustments</b>	<b>434,076</b>	<b>788,330</b>	<b>159,283</b>	<b>-204</b>	<b>1,381,485</b>
Volume salmon (GWT) <sup>1)</sup>	34,986	67,906	39,949		142,841
Volume trout (GWT)			28,007		28,007
Total volume	34,986	67,906	67,957		170,849
<b>EBIT/kg ***</b>	<b>12.4</b>	<b>11.6</b>	<b>2.3</b>	<b>-0.0</b>	<b>8.1</b>

\*) GWT = Gutted weight in tonnes.

\*\*) Before fair value adjustments related to biological assets.

**Information on product area**

Operating revenue in NOK by product area

Operating revenue	2020	%	2019	%
Whole salmon	7,626,623	38.2	7,809,266	38.2
Processed salmon	5,028,634	25.2	4,698,506	23.0
Whitefish	3,364,016	16.9	3,521,372	17.2
Trout	1,894,768	9.5	1,820,936	8.9
Shellfish	867,367	4.3	1,124,252	5.5
Pelagic	83,354	0.4	96,054	0.5
Other	1,094,892	5.5	1,356,518	6.6
<b>Total operating revenue</b>	<b>19,959,652</b>	<b>100.0</b>	<b>20,426,902</b>	<b>100.0</b>

**Information on currency**

Operating revenue in NOK by currency

Driftsinntekter	2020	%	2019	%
NOK	4,610,800	23.1	6,887,150	33.7
SEK	1,521,865	7.6	1,287,310	6.3
GBP	200,239	1.0	491,796	2.4
EUR	9,139,666	45.8	7,491,644	36.7
USD	3,333,440	16.7	3,087,950	15.1
JPY	897,849	4.5	877,109	4.3
Other currency	255,795	1.3	303,944	1.5
<b>Total operating revenue</b>	<b>19,959,652</b>	<b>100.0</b>	<b>20,426,902</b>	<b>100.0</b>

Sales in foreign currency from Group companies in Norway normally take place at an approximate transaction rate (week rates). However, contractual sales are hedged and the sales revenue is adjusted with the effect from the currency forward contracts. Sales from foreign Group companies in

foreign currency are in principle translated to NOK on the basis of the accumulated monthly average exchange rate in the accounting period. Significant individual transactions are translated at transaction date rate.

**Information on geographic areas**

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

Operating revenue	2020	%	2019	%
EU	19,959,652	100.0	20,426,902	100.0
Norway	3,996,937	20.0	3,845,273	18.8
Asia	3,322,732	16.6	3,291,352	16.1
USA & Canada	851,006	4.3	1,007,012	4.9
Rest of Europe	1,396,749	7.0	849,347	4.2
Other	164,441	0.8	190,570	0.9
<b>Total operating revenue</b>	<b>19,959,652</b>	<b>100.0</b>	<b>20,426,902</b>	<b>100.0</b>

Eiendeler	2020	%	2019	%
Norway <sup>*)</sup>	28,103,881	93.2	28,263,382	93.6
EU	1,940,382	6.4	1,774,742	5.9
Other countries	118,836	0.4	151,307	0.5
<b>Total assets</b>	<b>30,163,099</b>	<b>100.0</b>	<b>30,189,431</b>	<b>100.0</b>

<sup>\*)</sup> Most of the trade receivables in the subsidiary Lerøy Seafood AS are from customers abroad. At year-end, this amounted to NOK 872,597 out of NOK 1,010,065 (NOK 1,010,634 out of NOK 1,134,254 previous year). Most of the trade receivables are covered by credit insurance.

Net investments	2020	%	2019	%
Norway	1,606,210	87.6	1,373,480	94.1
EU	225,910	12.3	85,952	5.9
Other countries	1,076	0.1	76	0.0
<b>Total net investments</b>	<b>1,833,196</b>	<b>100.0</b>	<b>1,459,508</b>	<b>100.0</b>

## NOTE 6

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

(All figures in NOK 1,000)

#### **Business combinations and transactions with non-controlling interests in 2020**

There has not been any business combinations in 2020. The group acquired additional 4.4% of shares in the subsidiary Lerøy Bulandet AS from transactions with non-controlling interests. Consideration paid was NOK 1,523.

#### **Business combinations in 2021 (events after balance sheet date)**

The Group has increased its share holding in the associated company Dragøy Grossist AS the 1st of January 2021, from 34% to 51%. The company is from this date a subsidiary of Lerøy Nord AS. The company will be consolidated from 01.01.2021.

It is expected that the Group will obtain the final necessary approvals from the Competition Authorities to increase its share holding in the associated company Seafood Danmark A/S, bringing the ownership up from 33.33% to above 50%. Seafood Danmark A/S will after the transaction become a subsidiary of Lerøy Seafood Group ASA. Seafood Danmark A/S including its subsidiaries, will be consolidated from date of control.

## NOTE 7

### Intangible assets

(All figures in NOK 1,000)

#### Reconciliation carrying value, gross value and life

2019	Goodwill	Licences	Other rights	Total
<b>As of 1 January</b>				
Acquisition cost	2,218,430	5,984,638	73,113	8,276,181
Accumulated amortisation		-66,265	-43,840	-110,105
<b>Carrying value as of 01.01.</b>	<b>2,218,430</b>	<b>5,918,373</b>	<b>29,273</b>	<b>8,166,076</b>
<b>Movements during the year</b>				
Carrying value as of 01.01	2,218,430	5,918,372	29,273	8,166,075
Translation differences	-2,160	0	-58	-2,218
Additions from business combinations	3,251	0	0	3,251
Acquisition of intangible assets		15,753	45	15,798
Reclassification (to right-of-use assets)			-495	-495
Amortisation for the year		-28,400	-3,402	-31,802
<b>Carrying value as of 31.12.</b>	<b>2,219,521</b>	<b>5,905,725</b>	<b>25,363</b>	<b>8,150,609</b>
<b>As of 31 December</b>				
Acquisition cost	2,219,521	6,000,390	72,599	8,292,510
Accumulated amortisation		-94,664	-47,236	-141,900
<b>Carrying value as of 31.12.</b>	<b>2,219,521</b>	<b>5,905,726</b>	<b>25,363</b>	<b>8,150,610</b>
Assets with unlimited useful life	2,219,521	5,586,327	2,100	7,807,948
Assets with limited useful life		319,399	23,263	342,662
<b>Carrying value as of 31.12.</b>	<b>2,219,521</b>	<b>5,905,726</b>	<b>25,363</b>	<b>8,150,610</b>
<b>2020</b>				
<b>Movements during the year</b>				
Carrying value as of 01.01	2,219,521	5,905,726	25,363	8,150,610
Translation differences	7,212	0	143	7,355
Additions from business combinations <sup>*)</sup>	-37	0	0	-37
Acquisition of intangible assets		179,940	2,884	182,824
Reclassification (to right-of-use assets)			0	0
Impairment loss of the year <sup>**)</sup>		-28,400	-3,521	-31,921
	-1,551			-1,551
<b>Carrying value as of 31.12.</b>	<b>2,225,145</b>	<b>6,057,266</b>	<b>24,869</b>	<b>8,307,280</b>
<b>As of 31 December</b>				
Acquisition cost	2,225,145	6,180,330	73,280	8,478,755
Accumulated amortisation		-123,064	-48,411	-171,475
<b>Carrying value as of 31.12.</b>	<b>2,225,145</b>	<b>6,057,266</b>	<b>24,869</b>	<b>8,307,280</b>
Assets with unlimited useful life	2,225,145	5,766,267	2,100	7,993,512
Assets with limited useful life		291,000	22,769	313,769
<b>Carrying value as of 31.12.</b>	<b>2,225,145</b>	<b>6,057,266</b>	<b>24,869</b>	<b>8,307,280</b>

<sup>\*)</sup> Estimation deviation from previous year

<sup>\*\*)</sup> TNOK -1,551 is an impairment loss on acquired goodwill in 2019, related to Goda Salatprodukter AB.

## NOTE 7 cont.

### Intangible assets

(All figures in NOK 1,000)

#### Specification of intangible assets per acquisition, per segment

31.12.2019	Region	Acquisition year	Goodwill	Licences	Other rights	Total
<b>Wildcatch</b>						
Lerøy Havfisk AS		2016		3.600.800	<sup>5)</sup>	3.600.800
Lerøy Norway Seafoods AS		2017	2.646		100	2.746
<b>Total</b>			<b>2.646</b>	<b>3.600.800</b>	<b>100</b>	<b>3.603.546</b>
<b>Farming</b>						
Lerøy Midt AS group	Central	2003, 2006	<sup>1)</sup> 956,509	644,100		1,600,609
Lerøy Vest AS	West	2007	535,001	507,718	14,562	<sup>3)</sup> 1,057,281
Sjøtroll Havbruk AS	West	2010	205,954	673,513		879,467
Lerøy Aurora AS group	North	2005, 2014	<sup>2)</sup> 134,567	398,891	2,000	535,458
Norsk Oppdrettservice AS	West	2015	13,295	40,000		53,295
<b>Total</b>			<b>1,845,326</b>	<b>2,264,222</b>	<b>16,562</b>	<b>4,126,110</b>
<b>VAP, sales and distribution</b>			<sup>4)</sup> <b>371,550</b>	<b>0</b>	<b>8,701</b>	<sup>3)</sup> <b>380,251</b>
<b>Lerøy Seafood Group ASA</b>		<b>2017-2019</b>		<b>40,704</b>	<sup>6)</sup>	<b>40,704</b>
<b>Total</b>			<b>2,219,521</b>	<b>5,905,726</b>	<b>25,363</b>	<b>8,150,610</b>
<b>31.12.2019</b>						
31.12.2019	Region	Acquisition year	Goodwill	Licences	Other rights	Total
<b>Wildcatch</b>						
Lerøy Havfisk AS		2016		3,572,400	<sup>5)</sup>	3,572,400
Lerøy Norway Seafoods AS		2017	2,646		100	2,746
<b>Total</b>			<b>2,646</b>	<b>3,572,400</b>	<b>100</b>	<b>3,575,146</b>
<b>Farming</b>						
Lerøy Midt AS	Midt	2003, 2006	<sup>1)</sup> 956,509	700,260		1,656,769
Lerøy Vest AS	Vest	2007	535,001	507,718	13,579	<sup>3)</sup> 1,056,298
Sjøtroll Havbruk AS	Vest	2010	205,954	673,513		879,467
Lerøy Aurora AS group	Nord	2005, 2014	<sup>2)</sup> 134,567	508,572	2,000	645,139
Norsk Oppdrettservice AS	Vest	2015	13,295	40,000		53,295
<b>Total</b>			<b>1,845,326</b>	<b>2,430,063</b>	<b>15,579</b>	<b>4,290,968</b>
<b>VAP, sales and distribution</b>			<sup>4)</sup> <b>377,175</b>	<b>0</b>	<b>9,189</b>	<sup>3)</sup> <b>386,365</b>
<b>Lerøy Seafood Group ASA</b>		<b>2017-2020</b>		<b>54,803</b>	<sup>6)</sup>	<b>54,803</b>
<b>Total</b>			<b>2,225,147</b>	<b>6,057,265</b>	<b>24,869</b>	<b>8,307,280</b>

1) Consists of the Midnor acquisition from 2003 and the Hydrotech acquisition from 2006. The companies are now merged.

2) Consists of the Aurora acquisition from 2005, the Villa acquisition from 2014, in addition to paid amount for increased volume in 2017, 2018 and 2020.

3) Rights with a definite useful life and are subject to amortisation.

4) The change in goodwill comes mainly from the currency translation differences related to foreign subsidiaries to NOK (IAS 21).

5) A certain part of the total value of licences acquired from business combination (Lerøy Havfisk AS) has a definite useful life, and is subject to amortisation.

6) Consists of initial costs related to R&D licence granted to LSG ASA, and in process of being accepted. Will be operated by Lerøy Vest AS.

## Licences

### Licences in the Farming segment

The net book value of licences in the Farming segment is NOK 2 484 865 including the capitalized costs related to the renewal of the R&D licence in Lerøy Seafood Group ASA.

Below is a list of the licences owned by LSG at the end of the financial year according to type, number and volume. The list is based on data registered in the Aquaculture Register.

Grow-out licences	Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total Group	
	Number	Volume (GWT)	Number	Volume (GWT)	Number	Volume (GWT)	Number	Volume (GWT)
<b>Changes in 2020</b>								
Status as of 01.01	57	44,980	53	41,340	25	24,898	135	111,218
Temporary deductions in PA 4 and PA 5		-967		-374		0		-1,341
Growth of 1% purchased at fixed price in PA 6, PA 11 and PA 13		0		351		249		600
Growth purchased on auction in PA13						355		355
<b>Status as of 31.12</b>	<b>57</b>	<b>44,013</b>	<b>53</b>	<b>41,317</b>	<b>25</b>	<b>25,502</b>	<b>135</b>	<b>110,832</b>
<b>Grow-out licences as of 31.12 per production area (PA)</b>								
PA 3 Yellow	37	28,860					37	28,860
PA 4 Red	20	15,153					20	15,153
PA 5 Red			8	5,866			8	5,866
PA 6 Green			45	35,451			45	35,451
PA 11 Green					17	16,962	17	16,962
PA 13 Green					8	8,540	8	8,540
<b>Status as of 31.12</b>	<b>57</b>	<b>44,013</b>	<b>53</b>	<b>41,317</b>	<b>25</b>	<b>25,502</b>	<b>135</b>	<b>110,832</b>

The colors relate to the "traffic light system". The traffic light system is described in the note on accounting principles under section about licences.

**Red area:** Temporary reduction in volume of 6%, which equals a reduction of 1342 tons. The color will be subjected to a new evaluation in 2022.

**Yellow area:** No changes in volume. The color will be subjected to a new evaluation in 2022.

**Green area:** Is opened for growth. The Group bought all the growth offered at fixed price. The offered growth was 1%, which equals 600 tons for the Group. The total purchase price was NOK 95 160. In addition, the Group purchased 355 tons on auction. The total auction price was NOK 70 681. The color will be subjected to a new evaluation in 2022.

Salmon and trout licences	Lerøy Vest and Sjøtroll Havbruk		Lerøy Midt		Lerøy Aurora		Total Group	
	Number	Volume (GWT)	Number	Volume (GWT)	Number	Volume (GWT)	Number	Volume (GWT)
Grow-out licences	57	44,013	53	41,317	25	25,502	135	110,832
Slaughter cage licences	1	780	1	780	2	1,800	5	4,140
R&D licences 1)			3	2,340	1	780	4	3,120
Green farming licences	1	780					1	780
Demonstration licences	1	780	1	780	1	780	3	2,340
Teaching licences 2)	1	780	1	780	1	390	3	1,950
Parent fish licences 3)	2	1,560	2	1,560	1	780	5	3,900
<b>Total number and volume</b>	<b>63</b>	<b>48,693</b>	<b>61</b>	<b>47,557</b>	<b>31</b>	<b>30,032</b>	<b>156</b>	<b>127,062</b>

1) **The R&D licences** are time-limited with a duration of three years, from time of project start. The licences have zero purchase price, and therefore no depreciation. The R&D licence allocated to Lerøy Aurora in the table above legally belongs to Akvaplan Niva (third party), but is operated by Lerøy Aurora. The 3 R&D licences allocated to Lerøy Midt in the table above is attached to a specific project that ended in March 2021, and is therefore expired from April 2021.

2) **The teaching licences** are considered time-limited with a duration of 10 years. The licences have zero purchase price, and therefore no depreciation. The teaching licence allocated to Lerøy

Aurora in the table above legally belongs to Troms- og Finnmark Fylkeskommune (third party), but is operated by Lerøy Aurora.

3) **The parent fish licence** allocated on Lerøy Aurora in the table above legally belongs to Lerøy Midt AS (group company), but is operated by Lerøy Aurora.

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



## NOTE 7 cont.

### Intangible assets

(All figures in NOK 1,000)

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

The Group has also licences to cultivate seaweed in connection with two localities for the production of salmon. The licences permit cultivation of 420 and 480 decares (approx. 105 and

120 acres) respectively. The licences have initially been awarded for a period of 10 years and will be subject to evaluation by the authorities at the end of period.

#### Licences in the Wildcatch segment

Licences (quotas) for wildcatch	NBV in acquired company on date of acquisition	Excess value iden- tified in PPA, and allocated	Accumulated amortisation (01.09.16 - 31.12.18)	NBV as of 31.12.2017
Basic quotas for cod, shrimp and greater silver	339,806	2,941,594		3,281,400
Structural quotas, cod trawling	414,064		-123,064	291,000
<b>Total</b>	<b>753,870</b>	<b>2,941,594</b>	<b>-123,064</b>	<b>3,572,400</b>

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

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

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

A licence for cod, haddock and saithe is a licence that entitles the holder to trawl for whitefish in the zone north of 62 degrees

latitude and in the North Sea at certain times of the year. Correspondingly, a licence for shrimp and greater silver entitles the holder to fish for shrimp and greater silver. In 2020 (2019), each vessel was permitted up to four (four) quota units, including the quota connected to the vessel. The volume of fish allowed per licence unit is stipulated annually by the Norwegian Ministry of Trade, Industry and Fisheries. Moreover, transfers may be made between the different groups of vessels throughout the year, in the event that one group of vessels is not able to fish its share of the quota. This is known as "re-allocation". As of end of year 2020 (2019), one cod licence entitled the holder to fish for an annual volume of 1,196 (1,109) tonnes of cod, 474 (430) tonnes of haddock and 440 (380) tonnes of saithe in the zone north of 62 degrees latitude. When compared with the final volumes per quota, after re-allocations, in 2019 (2018), this is a change of +8% (-10%) for cod, +10% (+2%) for haddock and +16% (-26%) for saithe. During the year, the quota for both haddock and saithe was increased and some quotas were re-allocated for these species. The shrimp and greater silver licences have no limit in terms of volume.

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

2007 have a duration of 25 years starting in 2008, while quotas allocated after 2008 have a duration of 20 years.

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

Lerøy Havfisk AS – and Lerøy Norway Seafoods AS to a limited extent – is involved in fishing in Norway pursuant to the provisions in inter alia the Act relating to the right to participate in fishing and catches (Participant Act). Lerøy Havfisk AS has been given an exemption from the requirement stating that the controlling interest must be an active fisherman. The Participant Act and supporting legislation stipulate inter alia that any changes to ownership of a company that directly or indirectly owns fishing vessels requires approval by the relevant authorities. The Ministry of Trade, Industry and Fisheries' approval of Lerøy Seafood Group ASA's acquisition of the majority shareholding in Lerøy Havfisk AS was granted on the basis of Lerøy Seafood Group ASA's ownership on the date of the approval. The approval also states that no new applications are required for future changes in ownership of Lerøy Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA provided that Lerøy Seafood Group ASA

continues to own minimum 60% of the shares in Lerrøy Havfisk AS and that Austevoll Seafood ASA continues to own minimum 50% of the shares in Lerøy Seafood Group ASA. However, the approval does not allow for changes in ownership that result in Laco AS directly owning less than 55.55% of the shares in Austevoll Seafood ASA. Any significant changes in ownership in Laco AS also require approval. The approval also requires continuation of the prevailing terms related to permits for the vessels and structural quotas, in addition to compliance with the nationality requirement in section 5 of the Participant Act. Pursuant to the nationality requirement in section 5 of the Participant Act, operating permits can only be granted to parties that are Norwegian citizens or have status that equals Norwegian citizenship. According to the second paragraph (letra a) of the provision, limited companies, public limited companies and other companies with limited liability have equal status to Norwegian citizens when the company's head office and Board of Directors are located in Norway, when the majority of the Board members, including the Chairman of the Board, are Norwegian citizens resident in Norway and who have lived in Norway for the last two years, and when Norwegian citizens own shares or stocks corresponding to minimum 6/10 of the company's capital and have voting rights in the company with minimum 6/10 of the votes. Lerøy Havfisk AS, Lerøy Seafood Group ASA and Austevoll Seafood ASA are obliged to submit an overview twice a year detailing the company's shareholders, including specification of the shares held by foreign shareholders. Ultimately, a breach of the above-mentioned licence provisions could result in Lerøy Havfisk AS losing its licence rights.

### Other rights

In addition to goodwill and licences, intangible assets also comprise other rights.

These rights comprise the following subcategories in each segment:

	Amortisation method	Wildcatch	Farming	VAP, sale and distribution	Total
<b>Time indefinite</b>	<b>none</b>				
Water rights		0	2,000		2,000
Other rights		100			100
<b>Total</b>		<b>100</b>	<b>2,000</b>	<b>0</b>	<b>2,100</b>
<b>Accumulated purchase price</b>		<b>100</b>	<b>2,000</b>	<b>0</b>	<b>2,100</b>
<b>Limited</b>	<b>straight line depr.</b>				
Water rights	25 years		13,579		13,579
Contracts with customers	10 years			4,250	4,250
Other rights (software etc.)	3 - 5 years			4,939	4,939
<b>Total</b>		<b>0</b>	<b>13,579</b>	<b>9,189</b>	<b>22,769</b>
Accumulated purchase price		0	44,973	28,307	73,280
Accumulated amortisation		0	-31,394	-17,017	-48,411
<b>Total other rights</b>		<b>100</b>	<b>15,579</b>	<b>9,189</b>	<b>24,869</b>

## NOTE 7 cont.

### Intangible assets

(All figures in NOK 1,000)

#### Cash-generating units (CGU)

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

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

#### Farming

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

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

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

The region for West Norway has five units – Lerøy Vest AS, Sjøtroll Havbruk AS, Lerøy Sjøtroll Kjærelva AS, Norsk Oppdrettservice AS and Lerøy Ocean Harvest AS – which have been combined to one CGU. The two units Lerøy Vest AS and Sjøtroll Havbruk AS, which comprise most of the CGU, are managed according to a joint operation agreement from 2014, which means that they have a joint management and operate in practice as one unit. In addition the cleaner

fish production company Norsk Oppdrettservice AS, the smolt production company Lerøy Sjøtroll Kjærelva AS, and the R&D company Lerøy Ocean Harvest AS are included in the same CGU, due to the fact that these are small sized companies, which more or less sell all their products internally within the same CGU, and with basically the same management.

#### Wildcatch

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

#### VAP, sales and distribution

For the Group to succeed in being the first choice of the largest and most well-recognised customers, it is important to be present in the end market. Through local presence the Group can supply the freshest products, portions and packaging adjusted to local requirements and demand, and developing the seafood category even further together with the customers. The group has established several fish-cuts in the end markets. A fish-cut means a relatively simple processing activity in addition to the sale office, that perform some specialized value-added processing based on specification set by the customer. The fish-cuts are an integrated part of the value chain, and an important tool for efficient global sale. In order to simplify matters and by requirement, the impairment test of goodwill is summarised for the segment in total, with the exception of the foreign subsidiary Rode Beheer BV (group), which is presented separately due to its size.

Book value of intangible assets per CGU	Goodwill	Licences	Other rights	Total
Lerøy Havfisk AS and Lerøy Norway Seafoods AS	2,646	3,572,400 <sup>2)</sup>	100	3,575,146
Farming - region Northern Norway	134,567	508,572	2,000	645,139
Farming - region Central Norway	956,509	700,260	-	1,656,769
Farming - region Western Norway	754,250	1,221,231	13,579 <sup>1)</sup>	1,989,060
Rode Beheer BV Group	148,553	-	-	148,553
Other VAP, sales and distribution companies	228,623	-	9,189 <sup>1)</sup>	237,812
Lerøy Seafood Group ASA	-	54,803 <sup>3)</sup>	-	54,803
<b>Total</b>	<b>2,225,147</b>	<b>6,057,265</b>	<b>24,869</b>	<b>8,307,280</b>
"Book value of intangible assets that are amortised:				313,769
"				7,993,512
Book value of intangible assets that are not amortised but tested for impairment:				
<b>Total</b>				<b>8,307,280</b>

1) Rights with definite useful life and subject to amortisation.

2) Structural quotas included in this amount, has a definite economic life time, and are subjected to amortisation.

3) Capitalised costs related to development licences - in the process of being granted

### Tests of possible impairment loss

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

The impairment test did not produce grounds for write-down of goodwill or intangible assets with an indefinite useful life in 2020. The management's calculations show that this conclusion is robust in the face of reasonable changes in conditions in the future.

The critical value for the required rate of return on total assets before tax is between 7.4% and 30.2%.

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

of catches per species, estimated future prices per species and required rate of return.

In farming the Group has historically experienced a significant production growth per licence in Norway. But from 2012 and until today, there has been practically no growth in production at all. The model is based on an assumption of zero growth in volume, which is a very conservative projection in a long-term perspective. It is probable that such a low growth rate would result in a margin expansion, a condition which is barely covered by the model. The remaining CGUs in the Farming segment have a critical value between 19% and 30%. The Farming segment requires an EBIT in the terminal element of an amount from NOK - 0.3 to NOK 1.9 per kg. This amount corresponds by a good margin with the historical figures reported. The management has also carried out tests of sensitivity related to price, cost and volume. With the implemented WACC and best estimate for the terminal element, the tests show that this value is also robust in the face of changes in these parameters.

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

### Key premises and sensitivity estimates

Key premises	2020	2019
Discount rate (WACC) before tax	6.67 %	7.63 %
Discount rate (WACC) after tax	6.05 %	6.80 %
Nominal rate of growth	1% - 2%	1% - 2%

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

Sensitivity analysis per CGU	Bokført verdi som testes	Kritisk verdi i terminal-leddet (v/benyttet WACC)	Kritisk WACC	Benyttet WACC
<b>Lerøy Havfisk AS and Lerøy Norway Seafoods AS</b>	<b>3,284,146</b>	<b>7.8 %</b> <sup>6)</sup>	<b>7.4 %</b>	<b>6.7 %</b>
Farming - region Northern Norway	645,139	-0.3 <sup>4)</sup>	30.2 %	6.7 %
Farming - region Central Norway	1,656,769	1.0 <sup>4)</sup>	23.6 %	6.7 %
Farming - region Western Norway	1,975,481	1.9 <sup>4)</sup>	18.6 %	6.7 %
<b>Total</b>	<b>4,277,388</b>	<b>1.0</b> <sup>4)</sup>	<b>23.2 %</b>	<b>6.7 %</b>
<b>Lerøy Seafood Group ASA</b>	<b>54,803</b>	<b>1.9</b> <sup>4,5)</sup>	<b>18.6 %</b>	<b>6.7 %</b>
Rode Beheer BV Group	148,553	2.1 % <sup>6)</sup>	8.6 %	6.7 %
Other VAPSD	228,623	0.0 % <sup>6)</sup>	28.8 %	6.7 %
<b>Total</b>	<b>377,175</b>	<b>0.1 %</b> <sup>6)</sup>	<b>22.7 %</b>	<b>6.7 %</b>
<b>Total</b>	<b>7,993,512</b>			<b>6.7 %</b>

4) The terminal value for farming is a NOK amount estimated on the basis of EBIT/kg after an explicit period (the terminal component) that gives a total value in use similar to net book value.

5) Development licences in process of being granted will be operated by Lerøy Vest. Thus the same parameters as for region Western Norway have been applied.

6) The terminal values for Wild Catch and VAPSD is a percentage calculated on the basis of the profit margin, after an explicit period (the terminal component) that gives a total value in use similar to net book value.

## NOTE 8 LEASES

(All figures in NOK 1,000)

With effect from 1 January 2019, the Group implemented IFRS 16 Leases. This new standard, that replaced IAS 17, requires carrying of practically all lease agreements, as operating and financial lease agreements for the lessee are no longer to be differentiated. According to IFRS 16, the asset (right of use) and the obligation to pay lease are recognised in the financial statements.

The Group applied the modified, retrospective method for implementation on 1 January 2019. This implies the right of use are the same at the time of implementation. The new right-of-use assets and lease liabilities are valued at the current value of the future lease payments. For leases where the interest rate implicit for the lease can be readily determined, this rate is applied. Otherwise, the lease payments are discounted by the Group's incremental borrowing rate, estimated to 4%. This rate is deemed as representative of all leases in the Group, as the majority are in NOK, and the Group principally makes use of the same credit institutions, which provide relatively similar terms. For leases previously classified as financial leasing according to IAS 17, the carried book value of the right-of-use assets and lease liabilities were retained on the implementation date for IFRS 16 (1 January 2019).

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

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

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

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

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

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

2019	Real estate	Real estate	Vessels	Machines, fixtures, equip., etc.	Total right of use assets	Of which from	
						Credit institution	Others
<b>At 01.01.2019</b>							
Implementation effect of IFRS 16 (operational leases according to IAS 17)	49,807	529,034	705,290	125,944	1,410,075	87,463	1,322,612
Reclassified from fixed assets (financial leases according to IAS 17)		15,257		1,007,822	1,023,079	1,009,255	13,824
<b>Carried value 01.01.</b>	<b>49,807</b>	<b>544,291</b>	<b>705,290</b>	<b>1,133,766</b>	<b>2,433,154</b>	<b>1,096,718</b>	<b>1,336,436</b>
<b>Financial year 2019</b>							
Carried value 01.01.	49,807	544,291	705,290	1,133,766	2,433,154	1,096,718	1,336,436
Translation differences		-739		-357	-1,096	-365	-731
Addition of new right-of-use assets		651	107,826	276,510	384,987	276,510	108,477
Disposals				-12,290	-12,290	-12,291	1
Depreciation for the year	-3,899	-56,698	-141,046	-225,011	-426,654	-225,011	-201,643
<b>Carried value 31.12.</b>	<b>45,908</b>	<b>487,505</b>	<b>672,071</b>	<b>1,172,618</b>	<b>2,378,102</b>	<b>1,135,561</b>	<b>1,242,541</b>
<b>As of 31 December 2019</b>							
Acquisition cost <sup>*)</sup>	49,807	544,271	813,117	1,397,584	2,804,779	1,360,526	1,444,253
Accumulated depreciation <sup>*)</sup>	-3,899	-56,767	-141,046	-224,966	-426,678	-224,965	-201,713
<b>Carried value 31.12.</b>	<b>45,908</b>	<b>487,505</b>	<b>672,071</b>	<b>1,172,618</b>	<b>2,378,102</b>	<b>1,135,561</b>	<b>1,242,541</b>
Book value of mortgaged assets					1,135,561	1,135,561	0
2020	Real estate	Real estate	Vessels	Machines, fixtures, equip., etc.	Total right of use assets	Of which from	
						Credit institution	Others
<b>Financial year 2020</b>							
Carried value 01.01.	45,908	487,505	672,071	1,172,618	2,378,102	1,135,561	1,242,541
Reclassification	-1,798	1,796		2	0	18,759	-18,759
Translation differences		3,016		1,125	4,141	1,215	2,926
Addition of new right-of-use assets		105,312	26,229	374,772	506,313	467,940	38,373
Disposals				-1,317	-1,317	-1,317	
Depreciation for the year	-3,838	-55,525	-141,746	-257,094	-458,202	-237,257	-220,945
<b>Carried value 31.12.19</b>	<b>40,272</b>	<b>542,103</b>	<b>556,555</b>	<b>1,290,106</b>	<b>2,429,037</b>	<b>1,384,901</b>	<b>1,044,136</b>
<b>As of 31 December 2019</b>							
Acquisition cost <sup>*)</sup>	47,991	655,099	839,346	1,771,958	3,314,394	1,845,663	1,468,731
Accumulated depreciation <sup>*)</sup>	-7,719	-112,996	-282,792	-481,852	-885,358	-460,762	-424,596
<b>Carried value 31.12.19</b>	<b>40,272</b>	<b>542,103</b>	<b>556,555</b>	<b>1,290,106</b>	<b>2,429,037</b>	<b>1,384,901</b>	<b>1,044,136</b>
Book value of mortgaged assets					1,384,901	1,384,901	0

\*) Including translation differences



## NOTE 8 cont.

### LEASES

(All figures in NOK 1,000)

**Lease liabilities**

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

2019	Total lease liabilities	To credit institutions			To others		
		Total credit institutions	Short term portion	Long term portion	Total credit institutions	Short term portion	Long term portion
<b>Per 1. januar 2019</b>							
Leieforpliktelser 01.01.2019 før IFRS 16 implementering	940.718	926.893	185.048	741.845	13.825	700	13.125
IFRS 16 implementeringseffekt 01.01.2019	1.410.075	87.474			1.322.601		
<b>Balanseført verdi 01.01.</b>	<b>2.350.793</b>	<b>1.014.367</b>			<b>1.336.426</b>		
<b>Regnskapsåret 2019</b>							
Balanseført verdi 01.01.	2.350.793	1.014.367			1.336.426		
Omregningsdifferanser	-1.024	-374			-650		
Ny leasinggjeld	384.987	276.510			108.477		
Avdrag leasinggjeld	-439.692	-233.849			-205.843		
<b>Balanseført verdi 31.12.</b>	<b>2.295.064</b>	<b>1.056.654</b>	<b>218.384</b>	<b>838.271</b>	<b>1.238.410</b>	<b>197.088</b>	<b>1.041.322</b>

2020	Total lease liabilities	To credit institutions			To others		
		Total credit institutions	Short term portion	Long term portion	Total credit institutions	Short term portion	Long term portion
<b>Financial year 2020</b>							
Carried value 01.01.	2,295,064	1,056,654	218,384	838,271	1,238,410	197,088	1,041,322
Long term portion previous year become short term portion	0	0	176,445	-176,445	0	183,481	-183,481
Translation differences	4,090	1,072	0	1,072	3,018	0	3,018
New leasing debt	506,313	467,941	89,026	378,915	38,372	41,068	-2,696
Redeemed	-466,484	-245,418	-245,418	0	-221,066	-221,066	0
<b>Carried value 31.12.</b>	<b>2,338,983</b>	<b>1,280,250</b>	<b>238,437</b>	<b>1,041,813</b>	<b>1,058,734</b>	<b>200,571</b>	<b>858,163</b>

Payment profile on instalments and interests, see note 15.

**Lease payments**

2020	Accounting	2020			2019		
		Lease cost paid	Of which to credit institutions	Of which to others	Lease cost paid	Of which to credit institutions	Of which to others
Lease costs paid on non-carried agreements	Operating cost	24,403	2,521	21,882	250	0	250
Instalments paid	Reduction in debt	466,484	245,418	221,066	439,692	233,849	205,843
Interest costs paid	Financial cost	77,365	30,060	47,305	80,925	31,540	49,385
<b>Outgoing cash flows related to leases</b>		<b>568,252</b>	<b>277,999</b>	<b>290,253</b>	<b>520,867</b>	<b>265,389</b>	<b>255,478</b>
<b>Lease costs paid on non-carried agreements comprise</b>							
Lease on agreements with exemption for short-term agreements		17,866	0	17,866	15,050	0	15,050
Lease on agreements with exemption for low value assets		4,482	2,521	1,961	4,200	2,000	2,200
Expenses related to variable lease, not included in the carried amount		2,055	0	2,055	0	0	0
Income from sub-lease		0	0	0	0	0	0
Gain/loss from sale and leaseback agreements		0	0	0	0	0	0
<b>Total</b>		<b>24,403</b>	<b>2,521</b>	<b>21,882</b>	<b>19,250</b>	<b>2,000</b>	<b>17,250</b>

Instalments paid, to both credit institutions and to others, are included in downpayments of long-term debt under financing activities in the cash flow statement.

## NOTE 9

### Fixed assets and right-of-use assets

(All figures in NOK 1,000)

2019	Prepay- ments to suppliers	Projects in progress	Real estate	Buildings	Vessels (fishing boats)	Machines, fixtures, equip., etc.	Total
<b>1 January 2019</b>							
Acquisition cost	111,743	541,821	218,641	2,207,916	1,398,027	5,889,939	10,368,087
Accumulated depreciation			0	-433,560	-127,638	-3,163,489	-3,724,687
Accumulated impairment loss			0	-15,791	0	-20,661	-36,452
<b>Carrying value 01.01.</b>	<b>111,743</b>	<b>541,821</b>	<b>218,641</b>	<b>1,758,565</b>	<b>1,270,389</b>	<b>2,705,789</b>	<b>6,606,948</b>
<b>Financial year 2019</b>							
Carrying value 01.01.	111,743	541,821	218,641	1,758,565	1,270,389	2,705,789	6,606,948
Reclassification to right-of-use assets (IFRS 16)				-15,257		-1,007,822	-1,023,079
Reclassification between categories				350,000		-350,000	0
Allocation of completed projects in progress		-541,821	25,000	400,000		116,821	0
Foreign currency translation differences	-7	-244	-420	-4,172		-2,818	-7,660
Operating assets acquired	22,676	206,076	18,381	895,934	63,036	224,895	1,430,998
Disposal	-227		-2,720	-15,658	0	-204,912	-223,517
Depreciation for the year			0	-357,305	-89,723	-106,557	-553,585
<b>Carrying value 31.12.</b>	<b>134,185</b>	<b>205,832</b>	<b>258,882</b>	<b>3,012,107</b>	<b>1,243,702</b>	<b>1,375,396</b>	<b>6,230,105</b>
<b>31 December 2019</b>							
Acquisition cost	134,185	205,832	258,882	3,793,075	1,461,064	3,446,759	9,299,797
Accumulated depreciation			0	-765,182	-217,362	-2,050,701	-3,033,245
Accumulated impairment loss			0	-15,786	0	-20,661	-36,447
<b>Carrying value 31.12.</b>	<b>134,185</b>	<b>205,832</b>	<b>258,882</b>	<b>3,012,107</b>	<b>1,243,702</b>	<b>1,375,397</b>	<b>6,230,105</b>
Interests capitalised	0	0	0	0	0	0	0
<b>2020</b>							
<b>Accounting year 2020</b>							
Carrying value 01.01.	134,185	205,832	258,882	3,012,107	1,243,702	1,375,397	6,230,105
Allocation of completed projects in progress	-134,072	-185,964	3,000	169,079	133,977	13,980	0
Foreign currency translation differences	13	2,022	3,058	30,077		8,917	44,087
Operating assets acquired	1,827	312,671	23,327	149,387	358,404	349,004	1,194,622
Disposal			-750	-304	-2,308	-905	-4,267
Depreciation for the year			0	-255,521	-106,686	-305,260	-667,466
<b>Carrying value 31.12.</b>	<b>1,953</b>	<b>334,561</b>	<b>287,518</b>	<b>3,104,825</b>	<b>1,627,090</b>	<b>1,441,134</b>	<b>6,797,080</b>
<b>31 December 2020</b>							
Acquisition cost	1,953	334,561	287,518	4,138,829	1,951,138	3,838,772	10,552,770
Accumulated depreciation			0	-1,018,166	-324,048	-2,376,977	-3,719,191
Accumulated impairment loss			0	-15,838	0	-20,661	-36,499
<b>Carrying value 31.12.</b>	<b>1,953</b>	<b>334,561</b>	<b>287,518</b>	<b>3,104,825</b>	<b>1,627,090</b>	<b>1,441,134</b>	<b>6,797,080</b>
Interests capitalised	0	0	0	0	0	0	0

Eiendomsretten til driftsmidler hvor det er betalt forskudd til leverandører, overføres til konsernet på overleveringstidspunktet. Eiendomsretten til prosjekter under arbeid overføres til konsernet i takt med ferdigstillingen. Opplysninger om forventet utnyttbar levetid for varige driftsmidler står i avsnitt (H) i note om regnskapsprinsipper. Opplysninger om pantstillelse av varige driftsmidler finnes i note om gjeld og pantstillelse. Leasede driftsmidler er fra og med 01.01.2019 inkludert i den nye gruppen "bruksretteiendeler". Se note om leieavtaler.

## NOTE 10

### Shares in associates and other investments

(All figures in NOK 1,000)

#### Shares in associates

##### Classification of associates

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

Associates	Owner (in LSG group)	Operating segment	Country	Place of business	Owner-ship/ voting share 01.01	Owner-ship/ voting share 31.12	Net book value 31.12
<b>Associates considered as material</b>							
Norskott Havbruk AS - group	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	682,503
Seistar Holding AS - group	Lerøy Seafood Group ASA	Farming	Norway	Austevoll	50 %	50 %	197,789
Seafood Danmark A/S - group	Lerøy Seafood Group ASA	VAPSD <sup>1)</sup>	Denmark	Hirtshals	33 %	33 %	139,476
<b>Total material associates</b>							<b>1,019,768</b>
<b>Other associates</b>							
Neset Kystfiske AS	Sørvær Kystfiskeinvest AS	Wildcatch	Norway	Hasvik	34 %	34 %	852
Holmen Fiske AS	Sørvær Kystfiskeinvest AS	Wildcatch	Norway	Hasvik	34 %	34 %	9,705
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Hasvik	39 %	39 %	513
Båtsfjord Bedriftshelsetjeneste AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Båtsfjord	28 %	28 %	133
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Båtsfjord	34 %	34 %	289
Itub AS	Lerøy Norway Seafoods AS	Wildcatch	Norway	Ålesund	22 %	22 %	5,325
Finnmark Kystfiske AS	Lerøy Havfisk AS	Wildcatch	Norway	Hammerfest	48 %	48 %	2,981
Vestvågøy Kystrederi AS	Lerøy Havfisk AS	Wildcatch	Norway	Vestvågøy	50 %	50 %	2,818
Ocean Forest	Lerøy Seafood Group ASA	Farming	Norway	Bergen	50 %	50 %	131
Kirkenes Processing AS	Lerøy Aurora AS	Farming	Norway	Kirkenes	50 %	50 %	0
Romsdal Processing AS	Lerøy Aurora AS	Farming	Norway	Midsund	44 %	44 %	7,066
Norway Salmon AS	Lerøy Midt AS	Farming	Norway	Rørvik	50 %	50 %	436
Sporbarhet AS	Lerøy Seafood Group ASA	Farming	Norway	Trondheim	22 %	27 %	1,964
Dragøy Grossist AS	Lerøy Nord AS	VAPSD	Norway	Tromsø	34 %	34 %	2,089
Silverbå AS	Sirevaag AS	VAPSD	Norway	Karmøy	49 %	49 %	0
Vågen Fiskeriselskap AS	Sirevaag AS	VAPSD	Norway	Hå	50 %	50 %	895
The Seafood Innovation Cl. AS	Lerøy Seafood Group ASA	VAPSD	Norway	Bergen	20 %	20 %	498
<b>Total other associates</b>							<b>35,695</b>
<b>Grand total</b>							<b>1,055,463</b>

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

## Carrying value on associates and income from associates

	Seafood Danmark A/S Group	Seistar Holding AS Group	Norskott Havbruk AS Group	Other associates	Total associates
<b>Acquisition year</b>	<b>2017</b>	<b>2015</b>	<b>2001</b>		
<b>2019</b>					
<b>Opening balance 01.01</b>	<b>112,395</b>	<b>108,309</b>	<b>761,339</b>	<b>33,514</b>	<b>1,015,556</b>
Companies acquired	0	0	0	135	135
Companies sold	0	0	0	-1	-1
Share of this year's profit	18,716	54,500	106,492	41	179,749
Dividend distributed	-6,423	-6,000	-252,900	-1,129	-266,452
Currency translation differences <sup>*)</sup>	-849	0	25,408	0	24,559
Other changes over equity	0	0	-3,530	0	-3,530
<b>Closing balance as of 31.12</b>	<b>123,838</b>	<b>156,809</b>	<b>636,809</b>	<b>32,560</b>	<b>950,016</b>
Acquisition cost	77,170	61,500	163,273		
Income from associate					
Share of this year's profit	18,716	54,500	106,492	41	179,749
Gain from disposal of associate	0	0	0	0	0
<b>Income from associates</b>	<b>18,716</b>	<b>54,500</b>	<b>106,492</b>	<b>41</b>	<b>179,749</b>
Fair value adjustments on biological assets (after tax) from associates			-18,726		-18,726
<b>Income from associates, before fair value adjustments</b>	<b>18,716</b>	<b>54,500</b>	<b>125,218</b>	<b>41</b>	<b>198,475</b>
<b>2020</b>					
<b>Opening balance 01.01</b>	<b>123,838</b>	<b>156,809</b>	<b>636,809</b>	<b>32,560</b>	<b>950,016</b>
Companies acquired		25,000			25,000
Companies sold					0
Share of this year's profit	31,662	18,980	48,986	5,732	105,359
Dividend distributed	-23,950	-3,000	0	-2,598	-29,548
Currency translation differences <sup>*)</sup>	9,219		264		9,483
Other changes over equity	-1,293		-3,555		-4,848
<b>Closing balance as of 31.12</b>	<b>139,476</b>	<b>197,789</b>	<b>682,503</b>	<b>35,694</b>	<b>1,055,463</b>
Acquisition cost	77,170	86,500	163,273		
Income from associate					
Share of this year's profit	31,662	18,980	48,986	5,732	105,359
Gain from disposal of associate	0	0	0	0	0
<b>Income from associates</b>	<b>31,662</b>	<b>18,980</b>	<b>48,986</b>	<b>5,732</b>	<b>105,359</b>
Fair value adjustments on biological assets (after tax) from associates			-55,666		-55,666
<b>Income from associates, before fair value adjustments</b>	<b>31,662</b>	<b>18,980</b>	<b>104,652</b>	<b>5,732</b>	<b>161,025</b>

<sup>\*)</sup> Currency translation differences relate to translation for (1) the sub-group Scottish Seafarms, owned by Norskott Havbruk AS, where functional and reporting currency is GBP, and currency translation differences related to (2) the sub-group Seafood Danmark A/S, where functional and reporting currency is DKK.

## NOTE 10 cont.

### Shares in associates and other investments

(All figures in NOK 1,000)

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

Information on subsidiaries of associates

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

#### Financial information (100%)

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

Consolidated figures	Seafood Danmark A/S Group		Seistar Holding AS Group		Norskott Havbruk AS Group	
	2020	2019	2020	2019	2020	2019
Revenue	1,685,253	1,732,991	201,312	180,236	1,698,652	1,799,311
Other gains (+) and losses (-)	0	0	0	82,497	0	0
Operating profit (EBIT) before fair value adjustments	101,873	87,202	51,649	115,780	308,411	291,942
Operating profit (EBIT)	101,873	87,202	51,649	115,780	165,676	243,927
Pre-tax profit	98,156	81,590	37,455	108,160	143,219	228,776
Annual profit	86,621	63,591	36,500	107,584	97,970	212,984
<b>Other comprehensive income</b>	<b>-3,880</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,111</b>	<b>-7,060</b>
Fixed assets	398,025	375,884	750,380	515,609	1,664,679	1,598,027
Current assets	413,948	350,353	67,619	171,931	1,283,686	1,048,123
<b>Total assets</b>	<b>811,973</b>	<b>726,237</b>	<b>817,999</b>	<b>687,539</b>	<b>2,948,365</b>	<b>2,646,150</b>
Long-term debt	89,178	99,650	435,696	379,952	902,069	1,011,663
Short-term debt	297,660	240,656	28,673	35,808	681,291	360,869
<b>Total debt</b>	<b>386,837</b>	<b>340,306</b>	<b>464,369</b>	<b>415,760</b>	<b>1,583,360</b>	<b>1,372,532</b>
Net interest-bearing debt	214,910	150,957	385,887	227,336	1,079,027	1,021,283
<b>Equity</b>	<b>425,135</b>	<b>385,931</b>	<b>353,630</b>	<b>271,779</b>	<b>1,365,005</b>	<b>1,273,618</b>

**Information on biological assets in associates**

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

Information on fish in sea and harvested volume in the period, in tonnes	2020		2019	
Ownership	100 %	50 %	100 %	50 %
Total fish in sea (LWT)	24.403	12.202	13.087	6.544
Total harvest volume in the period (GWT):	23.968	11.984	25.866	12.933

Fair value adjustment related to biological assets in the statement of financial position	2020		2019	
Ownership	100 %	50 %	100 %	50 %
Fair value adjustment as of 01.01	129,226	64,613	177,241	88,621
Fair value adjustment through the income statement	-142,735	-71,367	-48,015	-24,008
Fair value adjustment as of 31.12	-13,509	-6,754	129,226	64,613
Cost price of fish in sea 31.12	1,009,447	504,724	602,718	301,359
Cost price of roe, fry and smolt 31.12	71,087	35,543	79,999	39,999
<b>Carrying value of biological assets 31.12</b>	<b>1,067,025</b>	<b>533,513</b>	<b>811,942</b>	<b>405,971</b>

Fair value adjustment related to biological assets in the income statement	2020		2019	
Ownership	100 %	50 %	100 %	50 %
Profit and loss impact before tax	-142,735	-71,367	-48,015	-24,008
Tax cost before effect of change in tax rate	31,402	15,701	10,563	5,282
Effect of change in tax rate (change in deferred tax in the balance sheet)	0	0	0	0
<b>Net fair value adjustment, after tax<sup>*)</sup></b>	<b>-111,333</b>	<b>-55,666</b>	<b>-37,452</b>	<b>-18,726</b>

*\*) Alternative performance measures (APM), presented as "pre-tax profit before fair value adjustments related to biological assets", are adjusted with this amount.*

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

**Other investments**

Other shares as of 31.12.2020	Ownership / voting share	Cost price	Fair value	Carrying value
Various minor shareholdings	Insignificant	15,917	15,917	15,917
<b>Total</b>		<b>15,917</b>	<b>15,917</b>	<b>15,917</b>

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



## NOTE 11

### Biological assets

(All figures in NOK 1,000)

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

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

Fair value adjustment recognised in the period related to biological assets comprises: (1) Change in fair value adjustment of biological assets, (2) change in fair value of onerous contracts (loss-making contracts) and (3) change in unrealised gain/loss of financial sale and purchase contracts (derivatives) for fish in Fishpool. The last mentioned adjustment does only include Fish Pool contracts included in the balance

sheet at the beginning of the year. For contracts entered into from 2019 the effective portion of change in fair value are recognized as other comprehensive income (OCI) due to cash flow hedging.

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

Recognised fair value adjustment related to biological assets consist of	2020	2019
Change in fair value adjustment of biological assets (fish in sea)	-853,236	-374,799
Change in fair value of onerous contracts	26,485	25,457
Change in fair value of Fish Pool contracts	0	15,638
<b>Fair value adjustments related to biological assets</b>	<b>-826,751</b>	<b>-333,703</b>

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

Reconciliation of carrying amount of fair value related to biological assets	2020	2019
Fair value adjustment of biological assets 01.01	1,172,782	1,547,580
Change in fair value adjustment on fish in sea	-853,236	-374,799
<b>Fair value adjustment of biological assets 31.12</b>	<b>319,546</b>	<b>1,172,782</b>

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

Reconciliation of carrying amount of onerous contracts	2020	2019
Carrying amount of onerous contracts 01.01	-26,517	-51,974
Change in fair value of onerous contracts	26,485	25,457
<b>Carrying amount of onerous contracts 31.12</b>	<b>-32</b>	<b>-26,517</b>

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

Reconciliation of carrying amount of Fish Pool contracts	2020	2019
Fish Pool contracts 01.01	0	-15,633
Change in fair value of Fish Pool contracts included profit and loss	0	15,638
Translation differences - recognised in OCI	0	-5
<b>Fish Pool contracts 31.12</b>	<b>0</b>	<b>0</b>

Fish Pool contracts are financial instruments. Fair value of Fish Pool contracts recognised in OCI are presented in note on financial instruments

Carrying amount of biological assets consist of	2020	2019
Fish in sea at historical cost <sup>*)</sup>	4,231,901	4,058,953
Roe, fry, smolt and cleaner fish at cost <sup>*)</sup>	362,065	343,187
<b>Total biological assets before fair value adjustment</b>	<b>4,593,966</b>	<b>4,402,140</b>
Fair value adjustment of biological assets (fish in sea)	319,546	1,172,782
<b>Total biological assets 31.12</b>	<b>4,913,512</b>	<b>5,574,922</b>
Fish in sea at fair value	4,551,447	5,231,735
Roe, fry, smolt and cleaner fish at fair value	362,065	343,187
<b>Total biological assets 31.12</b>	<b>4,913,512</b>	<b>5,574,922</b>

*\*) Historical cost minus expensed mortality*

Reconciliation of carrying amount of biological assets	Roe, fry, smolt and cleaner fish <sup>*)</sup>	Fish in sea (salmon and trout) <sup>*)</sup>	Fair value adjustment	Total biological assets
<b>Biological assets 01.01.2019</b>	<b>270,234</b>	<b>3,746,633</b>	<b>1,547,580</b>	<b>5,564,447</b>
<b>Changes in 2019</b>				
Increase from biological transformation (released and net growth)	676,814	6,226,933		6,903,746
Reduction due to sale and internal use (smolt and cleaner fish)	-603,861			-603,861
Reduction due to harvest (salmon and trout)		-5,726,934		-5,726,934
Reduction due to incident-based mortality		-187,674		-187,674
Reduction due to accidental release		-3		-3
Net change in fair value (fish in sea)			-374,799	-374,799
<b>Biological assets 31.12.2019</b>	<b>343,187</b>	<b>4,058,953</b>	<b>1,172,782</b>	<b>5,574,921</b>
<b>Changes in 2020</b>				
Increase from biological transformation (released and net growth)	839,709	6,522,938		7,362,647
Reduction due to sale and internal use (smolt and cleaner fish)	-820,831			-820,831
Reduction due to harvest (salmon and trout)		-6,088,900		-6,088,900
Reduction due to incident-based mortality		-261,058		-261,058
Reduction due to accidental release		-31		-31
Net change in fair value (fish in sea)			-853,236	-853,236
<b>Biological assets 31.12.2020</b>	<b>362,065</b>	<b>4,231,901</b>	<b>319,546</b>	<b>4,913,512</b>

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

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

Reconciliation of volume (LWT) for stock of fish in sea	2020	2019
<b>Live weight of fish in sea at 01.01 (tonnes)</b>	<b>111,263</b>	<b>110,105</b>
<b>Changes through the year</b>		
Increase from biological transformation (released and net growth)	221,358	207,971
Reduction due to harvesting in LWT	-200,935	-190,495
Reduction due to incident-based mortality	-12,277	-16,319
Reduction due to accidental release	-2	0
<b>Live weight of fish in sea at 31.12 (tonnes)</b>	<b>119,407</b>	<b>111,263</b>

## NOTE 11 cont. Biological assets

(All figures in NOK 1,000)

Harvest volume in GWT	2020	2019
Salmon	142,841	128,699
Trout	28,007	29,479
<b>Total volume</b>	<b>170,849</b>	<b>158,178</b>

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)	2020	2019
<i>Distribution by live weight</i>		
Fish in sea, 0-1 kg	10,348	11,664
Fish in sea, 1-2 kg	14,726	9,969
Fish in sea, 2-3 kg	36,427	17,499
Fish in sea, 3-4 kg	31,108	37,749
Fish in sea: 4-4.65 kg for salmon / 4-4.8 kg for trout	18,996	18,064
Fish in sea: more than 4.65 kg for salmon / more than 4.8 kg for trout (fish ready for harvest)	7,802	16,318
<b>Fish in sea, total salmon and trout</b>	<b>119,407</b>	<b>111,263</b>
<i>Distribution according to type of fish</i>		
<b>Fish ready for harvest</b>	<b>7,802</b>	<b>16,318</b>
Salmon (2020: fish with live weight > 4.65 kg. 2019: > 4.8 kg)	7,802	16,318
Trout (fish with live weight > 4.8 kg)	0	0
<b>Fish not ready for harvest (fish with live weight &lt; 4.8 kg)</b>	<b>111,605</b>	<b>94,945</b>
Salmon (2020: fish with live weight < 4.65 kg. 2019: < 4.8 kg)	97,943	78,175
Trout (fish with live weight < 4.8 kg)	13,662	16,770
<b>Total volum of fish in sea (LWT):</b>	<b>119,407</b>	<b>111,263</b>
Salmon	105,745	94,493
Trout	13,662	16,770
<i>Number of individuals</i>		
<b>Number of individuals, all groups (in 1,000)</b>	<b>55,527</b>	<b>55,055</b>

## Parameters applied for calculation of fair value

## Price parameters

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

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

2020 - Estimated future price during expected harvesting period	Forward-price <sup>*)</sup>	Exporter fee	Clearing cost	Net forward price
Q1 2021	50.33	-0.75	-0.185	49.40
Q2 2021	56.77	-0.75	-0.185	55.83
Q3 2021	53.67	-0.75	-0.185	52.73
Q4 2021	55.83	-0.75	-0.185	54.90
Q1 2022	60.30	-0.75	-0.185	59.37
Q2 2022	63.40	-0.75	-0.185	62.47

\*) Quarterly forward price based on monthly forward prices sourced from Fish Pool 31 December 2020.

Det justeres også for	2020	2019
Price premium (+/-) for trout	-6.00	-3.00
Price premium (+/-) for ecological salmon	30.00	0.00
Reduction for quality differences, salmon	-0.79	-0.79
Reduction for quality differences, trout	-1.68	-1.68
Reduction for size differences, salmon	-0.21	-0.18
Reduction for size differences, trout	-0.80	-0.80

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

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

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

Other parameters	2020	2019
Estimated average net price, all sizes (kr/kg), after primary processing and freight costs	49.4	53.3
Projected mortality in relation to number of individuals per month in North Norway	0.50 %	0.50 %
Projected mortality in relation to number of individuals per month in Central Norway	0.67 %	0.67 %
Projected mortality in relation to number of individuals per month in West Norway	1.25 %	1.25 %
Slaughtering loss for salmon, for recalculation from live weight to gutted weight	14 %	16 %
Slaughtering loss for trout, for recalculation from live weight to gutted weight	16 %	16 %
Weight (live weight) for when the fish is considered to be ready for harvest, salmon	4.65 kg	4.76 kg
Weight (live weight) for when the fish is considered to be ready for harvest, trout	4.76 kg	4.76 kg
Discount rate (monthly)	5 %	5 %

## NOTE 11 cont. Biological assets

(All figures in NOK 1,000)

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

#### Rømming i 2020

Konsernet ser på all rømming som alvorlig og har som mål at rømming ikke skal forekomme. Rømming kan likevel skje fra tid til annen på grunn av uforutsette hendelser. Ved eventuell rømming blir dette rapportert til Fiskeridirektoratet uavhengig av rømmingens størrelse. Dette gjelder selv om kun ett individ har rømt. I 2020 har ikke konsernet opplevd rømming av økonomisk betydning. Totalt rømte kun 208 individ, av en beholdning på 56 millioner individ. Rømmingen er fordelt på sju mindre hendelser. Hendelsene er nærmere beskrevet i konsernets bærekraftsrapport, tilgjengelig på [www.leroyseafood.com](http://www.leroyseafood.com).

#### Hendelsesbasert dødelighet

Konsernet har som utgangspunkt at dødeligheten er unormal dersom mer enn 1,5 % av samlet antall fisk dør i løpet av en måned. Se nærmere beskrivelse under prinsippnoten om biologiske eiendeler (I).

Dødelighet utover normalt regnes som hendelsesbasert dødelighet og kostnadsføres i den perioden som den inntreffer. I 2020 har dødeligheten vært dominert av ettervirkninger fra behandling mot lus.

Fiskehelse, herunder minimering av dødelighet, er helt sentralt i konsernets strategi. Utviklingen i antall lusebehandlinger og dødelighet forbundet med disse, har fortsatt den positive utviklingen i 2021.

## NOTE 12

### Other inventories

(All figures in NOK 1,000)

<b>Other inventories consist of</b>	<b>2020</b>	<b>2019</b>
Feed, packaging materials, auxiliary and other raw materials	454,597	419,983
Finished goods / goods for sale	655,527	624,996
Write-down of inventories re obsolescence	-15,553	-13,824
<b>Total other inventories</b>	<b>1,094,571</b>	<b>1,031,155</b>
<b>Change in stock of biological assets at cost, raw materials and finished products</b>	<b>2020</b>	<b>2019</b>
Biological assets at cost	4,593,966	4,402,140
Total other inventories	1,094,571	1,031,155
<b>Total inventory at cost</b>	<b>5,688,537</b>	<b>5,433,295</b>
Total inventory at cost 01.01.	5,433,295	5,332,159
Total inventory at cost 31.12.	5,688,537	5,433,295
<b>Change</b>	<b>255,243</b>	<b>101,136</b>
<i>Positive change in inventory represents a cost reduction</i>		
<i>Negative change in inventory represents a cost increase</i>		
Change in inventory included in translation differences related to subsidiaries - through OCI	18,087	-5,019
<b>Change in inventory - through the income statement</b>	<b>237,156</b>	<b>106,155</b>



## NOTE 13

### Receivables

(All figures in NOK 1,000)

#### Total receivables

Receivables as of 31.12	Classification	2020	2019
Non-current receivables	Non-current	79,287	71,233
Trade receivables	Current	1,867,505	2,244,348
Other current receivables	Current	618,928	511,131
<b>Total</b>		<b>2,565,720</b>	<b>2,826,712</b>

#### Non-current receivables

Non-current receivables	2020	2019
Loan to associates	17,475	19,905
Loans to employees, including CEOs	5,146	3,309
Loans to fishermen	34,747	30,477
Loans to others	280	0
Financial instruments with positive fair value, non-current	0	6,602
Deposits (mainly Norges Råfisklag)	21,419	5,847
Other receivables and periodisations	220	5,093
<b>Total</b>	<b>79,287</b>	<b>71,233</b>

Non-current receivables by currency	2020	2019
NOK	72,653	67,501
EUR	6,615	3,710
Other currencies	19	22
<b>Total</b>	<b>79,287</b>	<b>71,233</b>

#### Trade receivables

Trade receivables	2020	2019
Nominal value	1,891,192	2,261,329
Provision for bad debts	-23,688	-16,982
<b>Total trade receivables</b>	<b>1,867,505</b>	<b>2,244,347</b>

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

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

By the end of February 2020, 97.5% of trade receivables (nominal value) had been collected, compared with 90.8% in the previous year. This represents 98.7% of book value, compared with 91.5% in the previous year.

<b>Trade receivables 31.12 - aging</b>	<b>2020</b>	<b>2019</b>
Not due	1,559,717	1,975,161
Due, 0 to 3 months	235,878	254,488
Due, 3 to 6 months	67,901	11,221
Due, more than 6 months	27,697	20,459
<b>Total</b>	<b>1,891,192</b>	<b>2,261,329</b>
<b>Trade receivables 31.12 - provision</b>	<b>2020</b>	<b>2019</b>
Not due	881	8,715
Due, 0 to 3 months	3,901	2,998
Due, 3 to 6 months	2,298	298
Due, more than 6 months	16,607	4,972
<b>Total</b>	<b>23,688</b>	<b>16,982</b>
<b>Trade receivables 31.12 - no provision</b>	<b>2020</b>	<b>2019</b>
Not due	1,558,836	1,966,446
Due, 0 to 3 months	231,977	251,490
Due, 3 to 6 months	65,603	10,923
Due, more than 6 months	11,090	15,488
<b>Total</b>	<b>1,867,505</b>	<b>2,244,347</b>
<b>Lifetime expected loss allowance for provision</b>	<b>2020</b>	<b>2019</b>
Not due	0.1 %	0.4 %
Due, 0 to 3 months	1.7 %	1.2 %
Due, 3 to 6 months	3.4 %	2.7 %
Due, more than 6 months	60.0 %	24.3 %
<b>Total</b>	<b>1.3 %</b>	<b>0.8 %</b>
<b>Movements in provision for bad debt are as follows</b>	<b>2020</b>	<b>2019</b>
Provision 01.01	16,982	28,962
Business combinations	0	0
This years change in provisions, recognised in the income statement	6,542	-12,004
Currency translation differences	163	23
<b>Provision 31.12</b>	<b>23.688</b>	<b>16,982</b>
<b>Net loss on account receivables included in the income statement</b>	<b>2020</b>	<b>2019</b>
Net change in provision for bad debt	6,542	-12,004
Receivables written off during the year as uncollectable	7,622	3,274
Receivables written off, recovered	-2,137	-406
<b>Total cost (+) / cost reduction (-)</b>	<b>12,027</b>	<b>-9,136</b>
<i>Included in other operating expenses</i>		
<b>Trade receivables by currency, per 31.12</b>	<b>2020</b>	<b>2019</b>
NOK	681,965	880,847
SEK	154,615	154,757
GBP	17,018	31,527
EUR	761,140	839,917
USD	184,950	262,515
JPY	28,984	32,847
Other currencies	38,833	41,937
<b>Total trade receivables</b>	<b>1,867,505</b>	<b>2,244,347</b>

## NOTE 13 cont. Receivables

(All figures in NOK 1,000)

The Group has international operations and is exposed to currency risk in several currencies. Receivables are recognised at market rate on balance sheet date. Forward contracts

are utilised to the greatest extent possible to eliminate currency risk related to outstanding trade receivables. See the note on financial instruments.

### Other current receivables

Other current receivables are due within a year, and classified as current assets.

Other current receivables per 31.12	2020	2019
VAT to be refunded	249,026	301,595
Financial instruments measured at fair value (see note 14)	110,616	104,519
Pre-payments	101,862	41,470
Current loans and credits given	20,076	0
Other	137,349	63,547
<b>Total</b>	<b>618,928</b>	<b>511,131</b>

In the group "other" accrued insurance claim related to the fire at the smolt facility in Laksefjord in 2019, received in 2021

is included with 37 millions. The remaining amount in this group is related to other year end accruals.

Other current receivables as of 31.12. by currency	2020	2019
NOK	579,044	479,768
SEK	13,724	6,427
EUR	15,544	18,465
Other currencies	10,616	6,471
<b>Total</b>	<b>618,928</b>	<b>511,131</b>

## NOTE 14

### Financial instruments

(All figures in NOK 1,000)

#### Financial instruments by category

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

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
<b>31.12.2019</b>				
<b>Assets</b>				
Other investments		13,825		13,825
Loans and other long term receivables	71,233			71,233
Trade receivables and other short term receivables <sup>*)</sup>	2,228,274	103,200	7,921	2,339,395
Cash and cash equivalents	3,031,052			3,031,052
<b>Total</b>	<b>5,330,559</b>	<b>117,025</b>	<b>7,921</b>	<b>5,455,505</b>
<b>Liabilities</b>				
Long-term liabilities (interest rate swaps)			30,591	30,591
Loans (excl. finance leases)	4,030,703			4,030,703
Finance leases	1,056,654			1,056,654
Overdraft facility and other short term loans and credits	585,126			585,126
Trade payables and other short-term liabilities	2,279,015			2,279,015
<b>Total</b>	<b>7,951,498</b>	<b>0</b>	<b>30,591</b>	<b>7,982,089</b>
<b>31.12.2020</b>				
<b>Assets</b>				
Other investments		15,917		15,917
Loans and other long term receivables	79,287			79,287
Trade receivables and other short term receivables <sup>*)</sup>	2,126,791	110,616		2,237,407
Cash and cash equivalents	2,966,408			2,966,408
<b>Total</b>	<b>5,172,486</b>	<b>126,533</b>	<b>0</b>	<b>5,299,019</b>
<b>Liabilities</b>				
Long-term liabilities (interest rate swaps)			34,176	34,176
Loans (excl. finance leases)	4,391,807			4,391,807
Lease liabilities to credit institutions	1,280,249			1,280,249
Overdraft facility and other short term loans and credits	815,120			815,120
Trade payables and other short-term liabilities	1,992,763		32,248	2,025,011
<b>Total</b>	<b>8,479,939</b>	<b>0</b>	<b>66,424</b>	<b>8,546,363</b>

<sup>\*)</sup> Trade receivables and other receivables excl. advance payments and public duties receivable (amounts to NOK 249,026, ref note 13).

## NOTE 14 cont. Financial instruments

(All figures in NOK 1,000)

### 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)

	Level 1	Level 2	Level 3
<b>31.12.2019</b>			
<b>Assets</b>			
<i>Financial instruments used for hedging</i>			
- Currency forward contracts (fair value hedging) - fair value through profit or loss		103,200	
- Fish Pool contracts (cash flow hedging) - fair value through other comprehensive income		757	
- Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		562	
- Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		6,602	
<i>Other financial instruments</i>			
- Other shares - fair value through profit or loss			13,825
<b>Total</b>	<b>0</b>	<b>111,121</b>	<b>13,825</b>
<b>Liabilities</b>			
<i>Financial instruments used for hedging</i>			
- Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		30,591	
<b>Total</b>	<b>0</b>	<b>30,591</b>	<b>0</b>
<b>31.12.2020</b>			
<b>Assets</b>			
<i>Financial instruments used for hedging</i>			
- Currency forward contracts (fair value hedging) - fair value through profit or loss		110,616	
<i>Other financial instruments</i>			
- Other shares - fair value through profit or loss			15,917
<b>Total</b>	<b>0</b>	<b>110,616</b>	<b>15,917</b>
<b>Liabilities</b>			
<i>Financial instruments used for hedging</i>			
- Fish Pool contracts (cash flow hedging) - fair value through other comprehensive income		2,939	
- Bunker derivatives (cash flow hedging) - fair value through other comprehensive income		15,296	
- Interest rate swaps (cash flow hedging) - fair value through other comprehensive income		48,189	
<b>Total</b>	<b>0</b>	<b>66,424</b>	<b>0</b>

### Change in fair value on financial instruments included in receivables and debt, and related items

The table below presents the the accounting of financial instruments included in receivables and debt. Each type of financial instruments is further explained below the table.

	Fair value as of 01.01.2020	Fair value through profit or loss	Fair value through other comprehensive income	Currency translation differences	Fair value as of 31.12.2020
<b>Financial instruments included in non-current receivables</b>					
Interest rate swap agreements	6,602		-6,602		0
<b>Total</b>	<b>6,602</b>	<b>0</b>	<b>-6,602</b>	<b>0</b>	<b>0</b>
<b>Financial instruments included in other current receivables</b>					
Currency forward contracts - recognised hedge objects	67,469	-29,155			38,314
Currency forward contracts - non-recognised hedge objects	35,731	36,571			72,302
Bunker derivatives	562		-562		0
Fish Pool contracts	757		-805	48	0
<b>Total</b>	<b>104,519</b>	<b>7,416</b>	<b>-1,367</b>	<b>48</b>	<b>110,616</b>
<b>Financial instruments included in other long-term liabilities</b>					
Interest rate swap agreements	-30,591		-3,584		-34,175
<b>Total</b>	<b>-30,591</b>	<b>0</b>	<b>-3,584</b>	<b>0</b>	<b>-34,175</b>
<b>Financial instruments included in other short-term liabilities</b>					
Interest rate swap agreements	0		-14,014		-14,014
Bunker derivatives	0		-15,296		-15,296
Fish Pool contracts	0		-2,939		-2,939
<b>Total</b>	<b>0</b>	<b>0</b>	<b>-32,248</b>	<b>0</b>	<b>-32,248</b>
<b>Hedged foreign exchange gain/loss on firm commitments, included in other short-term debt<sup>*)</sup></b>					
Currency effect on signed sales contracts, non-recognised <sup>*)</sup>	-35,731	-36,571			-72,302
<b>Total</b>	<b>-35,731</b>	<b>-36,571</b>	<b>0</b>	<b>0</b>	<b>-72,302</b>
<b>Net value before tax</b>	<b>44,799</b>	<b>-29,155</b>	<b>-43,801</b>	<b>48</b>	<b>-28,109</b>
Deferred tax asset (-) / liability (+), financial instruments	-17,550	-1,632	9,373		-9,809
Deferred tax asset (-) / liability (+), hedging object included above	7,861	8,046			15,906
<b>Net value after tax</b>	<b>35,110</b>	<b>-22,741</b>	<b>-34,429</b>	<b>48</b>	<b>-22,012</b>
<b>Changes through OCI after tax, per type of instrument</b>					
Changes interest rate swap agreements			-18,876		
Changes bunker derivatives			-12,369		
Changes Fish Pool contracts			-3,183		
<b>Total</b>			<b>-34,429</b>		

<sup>\*) This item is not a hedging instrument, but a currency effect on a hedged non-recognised object. Information included in note on other short-term debt.</sup>



## NOTE 14 cont. Financial instruments

(All figures in NOK 1,000)

### Currency forward contracts

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

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

At 31.12.2020 (2019) Lerøy Seafood Group has currency forward contracts with a net positive (positive) fair value of NOK 110.6 (103.2) million. The currency forward contracts is classified as short-term receivables (receivables) at 31.12.2020 (2019). NOK 72.3 (38.8) million of the net positive value is offset against the off-balance item signed sales contracts, and is classified as a other short-term debt (other short-term debt).

The change in fair value on currency forward contracts and hedged foreign exchange gain/loss on firm commitments is recognized as foreign exchange gain/loss classified as cost of materials in the income statement, as it relates to the inventory cycle.

### Financial purchase and sales contracts for salmon (fish pool contracts)

At 31.12.2020 Lerøy Seafood Group has some open financial purchase contracts for salmon (Fish Pool contracts) with a total negative fair value of NOK 2.94 million. At the end of 2019 the Group had open contracts with a positive fair value of NOK 0.76 million.

The contracts expire within one year. Unrealised gains and losses on the Fish Pool contracts, which also represent market value, are settled daily by means of crediting/debiting the settlement account. The Group's bank accounts with locked-in deposits and daily clearing ensure the contractual parties receive full settlement of the contract.

Hedge accounting is applied for the Fish Pool contracts. The fair value of the Fish Pool derivatives (gross asset/debt) is carried under the item for "other short-term receivables" when positive and other short-term debt when negative. The effective share of the change in value of the derivatives is recorded through other comprehensive income (cash flow

hedging). The gross liability carried is a taxable temporary difference. The change in deferred tax caused by the change in gross carrying amount is also recorded through other comprehensive income, and is therefore not included in the tax cost for the year in the income statement. When realised, the effect is charged to cost of goods.

In 2020 a negative value change (after tax) of NOK 3.18 million was included in other comprehensive income. In 2019 the negative impact was NOK 0.76 million.

### Bunker derivatives

At the end of 2020 Lerøy Seafood Group has open financial purchase contracts for bunkers (bunker derivatives) with a negative fair value of NOK 15.3 million. At the end of 2019 the group had contracts with a total positive fair value of NOK 0.56 million.

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

In 2020 a negative value change (after tax) of NOK 12.37 million was included in other comprehensive income. In 2019 the impact was positive with NOK 6.48 million.

### Interest rate swaps

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

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

**At year-end, the Group had the following interest rate swaps**

**Agreement from 2011:** NOK 500,000, Start date when agreement was signed, Duration 10 years, Terminates 16.11.2021, Interest rate 3.55%, in 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%, in LSG ASA

**Agreement from 2020:** NOK 360.938, Start 15.04.2020. Duration 7 years, Terminates 15.04.2027, Interest rate 1.438%, in Lerøy Havfisk AS.

**Agreement from 2020:** NOK 360.938, Start 15.04.2020. Duration 7 years, Terminates 15.04.2027, Interest rate 1.440%, in Lerøy Havfisk AS.

Initial hedged amount on each of the two agreements in Lerøy Havfisk AS was NOK 370,313. The amount on the interest rate swap decreases during the life time to reflect the instalments paid on the hedged debt.

The periodic interest payments related to the hedging instrument (interest rate swaps) are calculated as the difference between fixed and floating interest rate multiplied

with the nominal value of the agreement. The fixed rate, expectations about the future floating rate, and the remaining life time to expiry, are the most important parameters in the calculation of the fair value.

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

	2020	2019
<b>Nominal value on interest rate swap agreements</b>		
<b>Nominal amount 01.01</b>	<b>1,647,000</b>	<b>1,647,000</b>
Agreements expired during the period	-647,000	0
New agreements during the period	740,625	0
Change in nominal value on existing agreements	-18,750	0
<b>Nominal amount 31.12</b>	<b>1,721,875</b>	<b>1,647,000</b>
<b>Book value 01.01.</b>		
Fair value of interest rate swaps at 01.01	-23,989	-49,611
Deferred tax asset related to interest rate swaps	5,278	10,915
<b>Net value after tax 01.01</b>	<b>-18,712</b>	<b>-38,697</b>
Tax rate applied	22 %	22 %
<b>Change through other comprehensive income (FVOCI)</b>		
Change in fair value of interest rate swaps	-24,200	25,622
Change in related deferred tax	5,324	-5,637
<b>Net change in fair value through other comprehensive income (cash flow hedging)</b>	<b>-18,876</b>	<b>19,985</b>
Tax rate applied	22 %	22 %
<b>Book value 31.12</b>		
Fair value of interest rate swaps at 31.12	-48,189	-23,989
Deferred tax asset related to interest rate swaps	10,602	5,278
<b>Net value after tax 31.12</b>	<b>-37,588</b>	<b>-18,712</b>
Tax rate applied	22 %	22 %
<b>Fair value of interest rate swaps at 31.12</b>		
Herby long term liability	34,175	23,989
Herby short term liability, included in other short term debt	14,014	0

## NOTE 15

### Loans, mortgages and guarantees

(All figures in NOK 1,000)

#### Long-term debt

Debt is split on short-term and long-term debt. Payments that matures within 12 months from balance sheet date is presented as short-term debt.

Both short-term and long-term debt consist of interest bearing and non-interest bearing debt. Interest bearing

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

Long-term debt as of 31.12	Included in interest bearing debt	2020			2019		
		Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Pension liabilities		0	2,670	2,670	0	2,689	2,689
Deferred tax		0	2,317,256	2,317,256	0	2,474,530	2,474,530
Lease liabilities to credit institutions	Yes	238,437	1,041,812	1,280,249	218,384	838,270	1,056,654
Lease liabilities to others		200,571	858,164	1,058,736	197,087	1,041,322	1,238,409
Loans from credit institutions	Yes	396,610	3,992,432	4,389,042	399,715	3,628,044	4,027,759
Other long-term loans	Yes	1,519	1,246	2,765	1,494	1,449	2,943
Other long-term liabilities		0	34,176	34,176	0	30,857	30,857
<b>Total</b>		<b>837,138</b>	<b>8,247,757</b>	<b>9,084,894</b>	<b>816,679</b>	<b>8,017,161</b>	<b>8,833,840</b>
<b>Herby net interest bearing debt</b>		<b>636,567</b>	<b>5,035,490</b>	<b>5,672,057</b>	<b>619,592</b>	<b>4,467,763</b>	<b>5,087,355</b>

For further description of the basis for classifying debt as interest bearing, see note on alternative performance measures.

Pension liabilities is considered to be long-term only, and is further described in note on pension liabilities.

Deferred tax is considered to be long-term only, and is further described in note on tax

Lease liabilities is further described in note on leases. Payment profile is described below.

Loans from credit institutions is described below. Other long-term loans are loans from suppliers.

Other long-term liabilities concerns interest rate swaps with negative fair value, with more than 12 months to expiry date. See note on financial instruments.

**Interest bearing debt and net interest bearing debt (NIBD))**

In the table below also current interest bearing debt are included. Total interest bearing debt consists of both long-term and short-term items. Total interest bearing debt is

specified by currency below. Bank deposits are interest bearing. Net interest bearing debt (NIBD) is defined as interest bearing debt minus bank deposits. Changes in NIBD during the year is presented in a table below.

	2020			2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
<b>Interest bearing debt as of 31.12.</b>						
Lease liabilities to credit institutions	238,437	1,041,812	1,280,249	218,384	838,270	1,056,654
Loans from credit institutions	396,610	3,992,432	4,389,042	399,715	3,628,044	4,027,759
Other long-term loans	1,519	1,246	2,765	1,494	1,449	2,943
Overdrafts and other short term credits	815,120	0	815,120	585,128	0	585,128
<b>Total</b>	<b>1,451,687</b>	<b>5,035,490</b>	<b>6,487,177</b>	<b>1,204,720</b>	<b>4,467,763</b>	<b>5,672,483</b>
<b>Interest bearing debt as of 31.12. by currency</b>						
NOK			5,862,643			5,343,696
SEK			126,747			115,415
EUR			491,548			200,735
Other currencies			6,239			12,637
<b>Total</b>			<b>6,487,177</b>			<b>5,672,483</b>
<b>Net interest bearing debt (NIBD) as of 31.12.</b>						
Interest bearing debt			6,487,177			5,672,483
Bank deposits			-2,966,409			-3,031,052
<b>NIBD</b>			<b>3,520,768</b>			<b>2,641,431</b>

Reconciliation of changes in NIBD	Assets	Current debt		Non-current debt incl. ST-portion			Total
	Bank-deposits	Overdrafts	Other short term credits	Loans from credit inst.	Leases from credit inst.	Other loans	
<b>NIBD as of 01.01.2019</b>	<b>-3,036,154</b>	<b>441,168</b>	<b>0</b>	<b>4,197,457</b>	<b>940,718</b>	<b>3,223</b>	<b>2,546,412</b>
Implementation effect from IFRS 16					73,640		73,640
Change in bank deposits	5,102						5,102
Cash flows - in		128,297	15,661	120,674			264,632
Cash flows - out				-285,855	-233,849	-267	-519,971
Business combinations							0
New leases from credit institutions					276,510		276,510
Currency translation differences				-2,538	-364	-13	-2,915
Currency gain/loss on NIBD items in foreign currency				-1,979			-1,979
Other non-cash movements							0
<b>NIBD as of 31.12.2019</b>	<b>-3,031,052</b>	<b>569,465</b>	<b>15,661</b>	<b>4,027,759</b>	<b>1,056,654</b>	<b>2,943</b>	<b>2,641,431</b>
Change in bank deposits	64,643						64,643
Cash flows - in		198,154	31,840	1,657,920			1,887,914
Cash flows - out				-1,319,643	-245,418	-287	-1,565,348
Business combinations							0
New leases from credit institutions					467,941		467,941
Currency translation differences				10,526	1,072	109	11,707
Currency gain/loss on NIBD items in foreign currency				12,480			12,480
Other non-cash movements							0
<b>NIBD as of 31.12.2020</b>	<b>-2,966,409</b>	<b>767,619</b>	<b>47,501</b>	<b>4,389,042</b>	<b>1,280,249</b>	<b>2,765</b>	<b>3,520,768</b>

## NOTE 15 cont.

### Loans, mortgages and guarantees

(All figures in NOK 1,000)

Reconciliation of cash flows out, as specified above, against the statement of cash flows	2020	2019
Cash flows out - related to NIBD (according to table above)	-1,565,348	-519,971
Cash flow out - related to instalment on lease liabilities to others (according to note 8)	-221,066	-205,841
<b>Downpayments of long-term debt (according to statment of cash flows)</b>	<b>-1,786,414</b>	<b>-725,812</b>

#### Payment profile financial liabilities and interest risk etc.

Payment profile financial liabilities	2021	2022	2023	2024	2025	Later	Total
<b>Instalment profile long-term debt</b>							
Instalments on loans from credit institutions	396,610	671,619	496,211	464,698	300,692	2,059,212	4,389,042
Instalments on leasing debt to credit institutions	238,437	215,011	276,248	224,578	128,538	197,437	1,280,249
Instalments on other long-term interest-bearing debt	1,519	308	265	255	262	156	2,765
<b>Total instalments on long-term interest-bearing debt</b>	<b>636,567</b>	<b>886,938</b>	<b>772,724</b>	<b>689,531</b>	<b>429,492</b>	<b>2,256,805</b>	<b>5,672,056</b>

#### Instalment profile on other long term liabilities

<b>Instalments on lease liabilities to others than credit institutions</b>	<b>200,571</b>	<b>186,120</b>	<b>164,063</b>	<b>69,725</b>	<b>102,195</b>	<b>336,062</b>	<b>1,058,736</b>
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#### Interest payment profile long-term debt

Interest on loans from credit institutions <sup>*)</sup>	134,905	97,912	82,208	69,683	59,667	130,854	575,229
Interest on leasing debt to credit institutions	29,869	24,036	17,717	11,275	6,733	9,474	99,104
Interest on lease liabilities to others than credit institutions	39,475	31,512	24,300	19,486	15,946	56,486	187,204
Interest on other long-term interest-bearing debt	80	44	32	22	11	3	193
<b>Total</b>	<b>204,329</b>	<b>153,504</b>	<b>124,258</b>	<b>100,466</b>	<b>82,356</b>	<b>196,817</b>	<b>861,729</b>

<sup>\*)</sup> The impact from interest swap contracts is included in the amounts.

#### Other short-term financial liabilities

Overdraft	767,619						767,619
Other short term credits and loans	47,501						47,501
Accrued interests	17,119						17,119
Trade payables	1,194,471						1,194,471
Other short-term liabilities, excl. FV on interest rate swaps <sup>*)</sup>	798,292						798,292
<b>Total</b>	<b>2,825,002</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,825,002</b>

<b>Grand total</b>	<b>3,866,469</b>	<b>1,226,562</b>	<b>1,061,045</b>	<b>859,722</b>	<b>614,043</b>	<b>2,789,683</b>	<b>10,417,524</b>
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<sup>\*)</sup> Already included in the interest payment profile above

<b>Guaranties on behalf of associated companies and others</b>	<b>9,710</b>
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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.

#### Cash available as of 01.01.2020

Bank deposits	2,966,409
Unutilized drawing facilities	3,459,502
<b>Total</b>	<b>6,425,911</b>

<b>Interest risk related to existing interest-bearing debt</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Later</b>
Interest-bearing debt 01.01		6,487,177	5,035,490	4,148,552	3,375,828	2,686,297	2,256,805
Instalments		-1,451,687	-886,938	-772,724	-689,531	-429,492	-2,256,805
<b>Interest-bearing debt 31.12</b>	<b>6,487,177</b>	<b>5,035,490</b>	<b>4,148,552</b>	<b>3,375,828</b>	<b>2,686,297</b>	<b>2,256,805</b>	<b>0</b>
<b>Interest-bearing debt 31.12 secured with fixed interest as of 31.12</b>							
NOK 500 mill, until 16.01.2022	500,000	0	0	0	0	0	0
NOK 500 mill, until 16.11.2021	500,000	500,000	0	0	0	0	0
NOK 360.9 mill, 15.14.2020 - 15.04.2027	360,938	342,188	323,438	304,688	285,938	267,188	248,438
NOK 360.9 mill, 15.14.2020 - 15.04.2027	360,938	342,188	323,438	304,688	285,938	267,188	248,438
<b>Secured interest-bearing debt</b>	<b>1,721,875</b>	<b>1,184,375</b>	<b>646,875</b>	<b>609,375</b>	<b>571,875</b>	<b>534,375</b>	<b>496,875</b>
<b>Unsecured interest-bearing debt</b>	<b>4,765,302</b>	<b>3,851,115</b>	<b>3,501,677</b>	<b>2,766,453</b>	<b>2,114,422</b>	<b>1,722,430</b>	<b>1,760,719</b>
<b>Total interest-bearing debt</b>	<b>6,487,177</b>	<b>5,035,490</b>	<b>4,148,552</b>	<b>3,375,828</b>	<b>2,686,297</b>	<b>2,256,805</b>	<b>2,257,594</b>
Portion exposed to interest rate changes	73 %	76 %	84 %	82 %	79 %	76 %	78 %
<b>The exposure of the group's borrowings to interest rate changes and the contractual repricing dates</b>							
	<b>2020</b>						<b>2019</b>
6 months or less	0						0
6-12 months	500,000						0
1-5 years	500,000						1,647,000
Over 5 years	721,875						0
<b>Total</b>	<b>1,721,875</b>						<b>1,647,000</b>

An increase (reduction) in the interest level of 1% would have caused an increase (reduction) in interest costs of NOK 41.2 million for 2021. Average interest-bearing debt according to the payment profile above amounts to NOK 5 761 million, and has been used as the base for this calculation.

#### **Fair value, borrowing costs**

The book value of long-term debt approximates fair value. The book value of long-term debt includes negative fair value on 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.

#### **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 2020.



## NOTE 15 cont.

### Loans, mortgages and guarantees

(All figures in NOK 1,000)

#### Loans secured by mortgages and mortgaged assets

Loans secured by mortgages consists of	2020	2019
Long-term loans from credit institutions, etc.	4,370,880	4,027,759
Leasing liabilities to credit institutions	1,280,249	1,056,654
Other long-term interest-bearing debt	0	2,943
Short-term debt to credit institutions	767,619	569,465
Other short term interest bearing loans and credits	47,501	15,661
<b>Total liabilities secured by mortgages as of 31.12</b>	<b>6,466,249</b>	<b>5,672,482</b>

Mortgaged assets	2020	2019
Trade and other receivables	1,425,061	834,423
Shares in associates (Norskott Havbruk AS)	615,422	636,809
Biological assets and other goods	5,359,998	6,323,378
Fixed assets	6,354,994	5,552,426
Right-of-use assets from credit institutions	1,373,602	1,135,561
Licences <sup>*)</sup>	1,190,802	937,200
<b>Total mortgaged assets as of 31.12</b>	<b>16,319,878</b>	<b>15,419,797</b>

<sup>\*)</sup> Mortgaged licences concern licences owned by Lerøy Midt AS and Lerøy Vest AS.

## NOTE 16

### Pensions

(All figures in NOK 1,000)

All the norwegian companies in the Group satisfy the requirements in the Act relating to mandatory occupational pensions (Norwegian: OTP). The schemes are mainly established as defined contribution pension schemes. Most of the benefit shemes by beginning of the year have been replaced with contribution shemes during 2020, together with a paid-up-policy to the previous members. The remaining net liabilities

are calculated based on common actuarial assumptions. In addition some companies within the group have some small unsecured schemes which are financed by operations. These schemes are considered to be immaterial regarding further disclosure in the notes. Information on the pension cost for the year is also provided in the note on payroll costs.

<b>Defined benefit scheme</b>	<b>2020</b>	<b>2019</b>
Present value of future pension liabilities	4,503	12,433
Fair value of pension funds	-1,833	-9,744
<b>Net pension liabilities</b>	<b>2,670</b>	<b>2,689</b>
<b>Change in capitalised liabilities</b>	<b>2020</b>	<b>2019</b>
Carrying value as of 01.01	2,689	3,556
Costs booked during the year	244	360
Estimate differences recognised through comprehensive income (before tax)	0	1,016
Pension payments and payments of pension premiums	-263	-2,243
Change in liability from business combination	0	0
<b>Carrying value at 31.12. defined benefit scheme</b>	<b>2,670</b>	<b>2,689</b>
<b>Total pension cost through profit or loss</b>	<b>2020</b>	<b>2019</b>
Net pension cost, defined contribution scheme	103,765	120,059
Net pension cost, defined benefit scheme	244	360
<b>Total</b>	<b>104,009</b>	<b>120,419</b>
<b>Total pension cost through comprehensive income</b>	<b>2020</b>	<b>2019</b>
Net pension cost (before tax) from benefit plans - comprehensive income	0	1,016
<b>Total pension cost through comprehensive income</b>	<b>0</b>	<b>1,016</b>

## NOTE 17

### Taxation

(All figures in NOK 1,000)

Tax cost	2020	2019
Tax payable	355,789	461,042
Change in deferred tax	-159,116	34,701
<b>Total tax cost</b>	<b>196,674</b>	<b>495,743</b>

Expensed tax payable is higher than the Group's carried tax payable at 31 December. This is principally due to the fact that parts of the year's tax payable in foreign companies has been paid in advance at 31 December. In addition to some additional tax paid during the year related to previous years.

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

	2020	2019
Pre-tax profit/loss	986,884	2,365,482
Tax based on tax rates in the various countries	215,075	523,244
22% of net permanent differences etc.	3,880	2,347
22% of share of profit/loss from associate	-23,178	-39,545
Other differences	897	9,697
<b>Tax cost</b>	<b>196,674</b>	<b>495,743</b>
Effective tax rate	19,9 %	21,0 %

Change in book value of deferred tax	2020	2019
Capitalised value 01.01	2,471,598	2,429,645
Tax effect through total profit/loss (equity)	-10,222	7,252
Recognised change	-169,338	34,701
<b>Net capitalised value 31.12</b>	<b>2,302,260</b>	<b>2,471,598</b>
Capitalised deferred tax asset <sup>*)</sup>	-18,110	-2,932
<b>Capitalised deferred tax</b>	<b>2,320,370</b>	<b>2,474,530</b>

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

Deferred tax liabilities (+)	Licences, rights and goodwill	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2019	1,111,360	110,019	1,215,967	0	26,952	2,464,298
Recognised in the period	424	22,024	-2,230	0	31,811	52,029
Deferred tax on records through other comprehensive income	0	0	0	0	7,252	7,252
<b>31.12.2019</b>	<b>1,111,784</b>	<b>132,043</b>	<b>1,213,737</b>	<b>0</b>	<b>66,015</b>	<b>2,523,579</b>
Recognised in the period	131	1,984	-136,651	0	-9,312	-143,848
<b>31.12.2020</b>	<b>1,111,915</b>	<b>134,027</b>	<b>1,077,086</b>	<b>0</b>	<b>56,703</b>	<b>2,379,731</b>

Deferred tax assets (-)	Loss carry-forward	Operating assets and leases	Goods/ biological assets	Receivables	Other differences	Total
01.01.2019	-17,258	-7,384	0	-5,574	-4,437	-34,653
Recognised in the period	-21,452	2252	0	2,912	-1,040	-17,328
<b>31.12.2019</b>	<b>-38,710</b>	<b>-5,132</b>	<b>0</b>	<b>-2,662</b>	<b>-5,477</b>	<b>-51,981</b>
Recognised in the period	-5,136	-3,020	0	-8,392	1,280	-15,268
Deferred tax on records through other comprehensive income	0	0	0	0	-9,373	-9,373
Currency translation differences	0	0	0	0	-849	-849
<b>31.12.2020</b>	<b>-43,846</b>	<b>-8,152</b>	<b>0</b>	<b>-11,054</b>	<b>-14,419</b>	<b>-77,471</b>

*(All figures in NOK 1,000)*

<b>Deferred tax</b>	<b>2020</b>	<b>2019</b>
Deferred tax on positive temporary differences 31.12.	2,379,731	2,523,579
Deferred tax on negative temporary differences 31.12.	-77,471	-51,981
<b>Net</b>	<b>2,302,260</b>	<b>2,471,598</b>
Short-term tax positions	1,066,032	1,211,075
Long-term tax positions	1,236,228	1,260,523
<b>Total</b>	<b>2,302,260</b>	<b>2,471,598</b>

## NOTE 18

### Other short-term debt

(All figures in NOK 1,000)

Other short-term debt	2020	2019
Fair value of financial instruments, with due date within a year	32,248	0
Hedged foreign exchange loss on firm commitments	72,302	35,731
Onerous contracts (related to fair value adjustment of biological assets)	32	26,517
Accrued wages and holiday pay	326,638	333,822
Accrued interest costs	17,119	10,432
Accrued customer bonus	74,407	51,315
Accrued other expenses	305,075	191,425
Other short term debt (prepayments from customer etc)	2,718	75,699
<b>Total other short-term debt</b>	<b>830,540</b>	<b>724,941</b>

Accrued other expenses includes freight, claims, treatment expenses on fish in sea, clean up costs for closed sites, bonuses and various other operational and inventory related

costs. Accrued freight on products sold is the the largest single item, with NOK 55 millions.

## NOTE 19

### Earnings per share

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

Earnings per share	2020	2019
<b>This year's earnings to LSG shareholders (NOK 1,000)</b>	<b>794.335</b>	<b>1.857.172</b>
Number of issued shares as of 31.12 (in 1,000)	595.774	595.774
Number of treasury shares as of 31.12 (in 1,000)	-298	-298
<b>Number of outstanding shares as of 31.12 (in 1,000)</b>	<b>595.476</b>	<b>595.476</b>
Average number of outstanding shares (in 1,000)	595.476	595.476
Average number of outstanding shares with dilution (in 1,000)	595.476	595.476
<b>Earnings per share</b>	<b>1,33</b>	<b>3,12</b>
Diluted earnings per share	1,33	3,12

#### Earnings per share since the date of listing

Year	After fair value adjustment			Before fair value adjustment <sup>*)</sup>		
	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 <sup>*)</sup>	Earnings per share <sup>*)</sup>	Recommended dividend relative to profit <sup>*)</sup>
2020	794,335	1.33	150 %	1,467,617	2.46	81 %
2019	1,857,172	3.12	48 %	2,073,426	3.48	43 %
2018	3,437,042	5.77	35 %	2,918,324	4.90	41 %
2017	1,749,494	2.94	51 %	2,919,657	4.90	31 %
2016	3,224,143	5.65	24 %	2,192,909	3.84	35 %
2015	1,179,718	2.16	56 %	1,057,767	1.94	62 %
2014	1,055,916	1.93	62 %	1,312,258	2.40	50 %
2013	1,733,352	3.18	31 %	1,152,700	2.11	47 %
2012	480,797	0.88	79 %	278,958	0.51	137 %
2011	382,705	0.70	100 %	825,625	1.51	46 %
2010	1,419,507	2.62	38 %	1,193,765	2.21	46 %
2009	729,488	1.36	51 %	685,940	1.28	55 %
2008	124,730	0.23	120 %	151,416	0.28	99 %
2007	277,014	0.57	35 %	279,611	0.58	34 %
2006	651,516	1.59	33 %	575,141	1.40	37 %
2005	319,312	0.87	22 %	248,443	0.67	29 %
2004	83,402	0.24	36 %	82,216	0.24	37 %
2003	30,518	0.12	68 %	30,518	0.12	68 %
2002	25,650	0.11	69 %	25,650	0.11	69 %
<b>Sum</b>	<b>19,555,810</b>	<b>30.92</b>	<b>46 %</b>	<b>19,471,941</b>	<b>29.01</b>	<b>47 %</b>

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



## NOTE 20

### Dividend per share

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

#### Distributed dividend in current financial year

Distributed dividend in 2020, based on 2019 profit, was NOK 1.50 per share. This amounts to NOK 893 661.

#### Recommended dividend

Based on the 2020 profit, a corresponding dividend of NOK 2.00 per share is recommended for distribution in 2021. This amounts to NOK 1 191 547. A final decision will be made by the general meeting on 24 May 2021.

Year	Dividend recommended			Dividend distributed		
	Number of issued shares 31.12 (in 1,000)	Recommended dividend per share	Recommended dividend	Number of shares as basis for distribution (in 1,000)	Dividend distributed per share	Dividend distributed
2020	595,774	2.00	1,191,547	595,774	1.50	893,661
2019	595,774	1.50	893,661	595,774	2.00	1,191,547
2018	595,774	2.00	1,191,547	595,774	1.50	893,661
2017	595,774	1.50	893,661	595,774	1.30	774,506
2016	595,774	1.30	774,506	545,774	1.20	654,928
2015	545,774	1.20	654,928	545,774	1.20	654,928
2014	545,774	1.20	654,928	545,774	1.00	545,774
2013	545,774	1.00	545,774	545,774	0.70	382,042
2012	545,774	0.70	382,042	545,774	0.70	382,042
2011	545,774	0.70	382,042	545,774	1.00	545,774
2010	545,774	1.00	545,774	535,774	0.70	375,042
2009	535,774	0.70	375,042	535,774	0.28	150,017
2008	535,774	0.28	150,017	535,774	0.18	96,439
2007	535,774	0.18	96,439	535,774	0.40	214,309
2006	427,774	0.50	214,309	427,770	0.18	76,999
2005	393,774	0.18	70,879	378,848	0.08	30,308
2004	344,408	0.09	30,308	344,408	0.06	20,665
2003	344,408	0.06	20,664	294,408	0.06	17,664
2002	294,408	0.06	17,664	194,408	0.06	11,664
<b>Sum</b>		<b>16.15</b>	<b>9,085,732</b>		<b>14.10</b>	<b>7,911,968</b>
<b>Accumulated dividend distributed, plus dividend recommended for distribution in 2021</b>					<b>16.10</b>	<b>9,103,515</b>

**NOTE 21****Share capital and shareholder information**

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

Lerøy Seafood Group ASA had 15,227 shareholders at 31.12.20. The corresponding number at year end 2019 was 10,520. All shares confer the same rights in the company. End of 2020 it was 796 foreign shareholders. The corresponding number

at year end 2019 was 738. End of 2020 foreign shareholders owned 144,245,745 shares in total, representing 24.2% of the total capital. Corresponding numbers at year end 2019 was 150,183,499 shares, representing 25.21% of the total capital.

Overview of the 20 largest shareholders at 31.12	2020		2019	
	No. of shares	Ownership	No. of shares	Ownership
AUSTEVOLL SEAFOOD ASA	313,942,810	52.69 %	313,942,810	52.69 %
FOLKETRYGDFONDET	35,413,842	5.94 %	30,450,319	5.11 %
State Street Bank and Trust Comp (OM80)	9,498,444	1.59 %	9,376,141	1.57 %
Banque Degroof Petercam Lux. SA	7,873,207	1.32 %	4,742,795	0.80 %
PARETO AKSJE NORGE VERDIPAPIRFOND	7,179,409	1.21 %	6,300,609	1.06 %
The Bank of New York Mellon SA/NV	6,932,098	1.16 %		0.00 %
FERD AS	6,811,248	1.14 %	4,231,710	0.71 %
State Street Bank and Trust Comp (OMNIBUS F, REF:OM06)	6,602,121	1.11 %	6,405,077	1.08 %
BNP PARIBAS SECURITIES SERVICES	6,361,787	1.07 %	4,634,202	0.78 %
JPMorgan Chase Bank, N.A., London (A/C Vanguard bbh lending account)	4,595,280	0.77 %	4,299,712	0.72 %
DANSKE INVEST NORSKE INSTIT. II.	4,398,211	0.74 %	4,997,559	0.84 %
VERDIPAPIRFOND ODIN NORGE	4,263,903	0.72 %	5,418,053	0.91 %
J.P. Morgan Bank Luxembourg S.A.	3,910,086	0.66 %		0.00 %
CLEARSTREAM BANKING S.A.	3,838,554	0.64 %	4,811,190	0.81 %
The Bank of New York Mellon	3,816,291	0.64 %		0.00 %
JPMorgan Chase Bank, N.A., London	3,644,123	0.61 %		0.00 %
SIX SIS AG	3,531,246	0.59 %		0.00 %
State Street Bank and Trust Comp	3,317,053	0.56 %	4,931,028	0.83 %
VERDIPAPIRFONDET DNB NORGE	3,122,534	0.52 %	5,267,052	0.88 %
VERDIPAPIRFONDET KLP AKSJENORGE IN	3,115,240	0.52 %		0.00 %
ARCTIC FUNDS PLC			6,069,262	1.02 %
Pictet & Cie (Europe) S.A.			5,846,177	0.98 %
Euroclear Bank S.A./N.V.			4,552,067	0.76 %
State Street Bank and Trust Comp (OM01)			4,444,037	0.75 %
HANDELSBANKEN Nordiska Smabolag			4,139,000	0.69 %
HANDELSBANKEN NORDEN			4,138,000	0.69 %
<b>Total 20 largest shareholders</b>	<b>442,167,487</b>	<b>74.22 %</b>	<b>438,996,800</b>	<b>73.69 %</b>
Others	153,606,193	25.78 %	156,776,880	26.31 %
<b>Total share capital</b>	<b>595,773,680</b>	<b>100.00 %</b>	<b>595,773,680</b>	<b>100.00 %</b>

## NOTE 21 cont.

### Share capital and shareholder information

#### Shares owned by members of the Board and their related parties

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

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

#### Shares owned by the Executive Management and their related parties

Name	Position	2020	2019
Henning Beltestad	CEO	42,200	20,000
Sjur Malm	CFO	15,000	0
Siren Grønhaug	EVP HR	1,200	
<b>Total</b>		<b>58,400</b>	<b>20,000</b>

The Executive Vice President VAPSD has indirect ownership in Lerøy Seafood Group ASA through the parent company Austevoll Seafood ASA, where he owns 552 shares.

**NOTE 22****Payroll costs, number of employees, remuneration, loans to staff, etc.***(All figures in NOK 1,000)*

<b>Payroll costs</b>	<b>2020</b>	<b>2019</b>
Salary	2,428,749	2,364,729
Employer's national insurance contribution	212,182	218,092
Hired personnel	204,569	138,201
Pension costs	104,009	120,419
Other remuneration	35,934	29,551
Other personnel expenses	86,686	62,417
<b>Total</b>	<b>3,072,129</b>	<b>2,933,409</b>

<b>Employees</b>	<b>2020</b>	<b>2019</b>
Number of full-time equivalents	4,293	4,693
Number of employees	4,912	4,693
Number of men employed	3,120	3,035
Number of women employed	1,792	1,658
<b>Percentage of women employed</b>	<b>36.5 %</b>	<b>35.3 %</b>

<b>Remuneration of senior executives in 2019</b>	<b>Salary</b>	<b>Bonus</b>	<b>Pension</b>	<b>Other</b>	<b>Total</b>
CEO	3,042	3,000	166	11	6,219
CFO	2,588	1,786	169	10	4,553
EVP Farming	2,523	1,518	164	135	4,340
EVP Wildcatch	2,420	1,500	97	12	4,029
EVP VAPSD <sup>*)</sup>	1,695	404	136	14	2,249
EVP HR <sup>*)</sup>	1,552	682	139	10	2,383

*\*) Two new positions with senior executives were established 01.02.2019, Executive Vice President VAPSD and Executive Vice President HR. The remuneration presented is from the same date with 11 months.*

<b>Remuneration of senior executives in 2020</b>	<b>Salary</b>	<b>Bonus</b>	<b>Pension</b>	<b>Other</b>	<b>Total</b>
CEO	3,292	3,000	172	11	6,475
CFO	2,644	1,964	176	10	4,794
EVP Farming	2,815	1,518	169	136	4,638
EVP Wildcatch <sup>*)</sup>	2,317	2,000	107	11	4,435
EVP VAPSD	1,637	1,000	170	24	2,831
EVP HR	1,455	1,000	173	22	2,650

*\*) The Executive vice President Wildcatch, Webjørn Barstad, left the Group 31.11.2020. The position was not continued. Thus, the remuneration for 2020 includes only 11 months of the year.*

No remuneration with mandatory reporting is paid to the Chairman of the Board. Lerøy Seafood Group ASA is invoiced for the services of the Chairman, and for consultancy fees from the Group's ultimate parent company, Laco AS, where the Chairman of the Board is an employee. See also on transactions with related parties. Remuneration of other board members totalled NOK 1 245 in 2020 (equally distributed). The remuneration in 2019 was NOK 1 200. The number of Board members is also the same as it was previous year.

Remuneration of the nomination committee is unchanged compared to the previous year, and amounts to NOK 105 in

2020. As for the members of the Board, the remuneration is equally distributed.

Remuneration of the audit committee is NOK 100 in 2020. In 2019 the remuneration was also NOK 100. 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.

## NOTE 22 cont.

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

(All figures in NOK 1,000)

#### Mandates granted to the Board of Directors

Mandates are granted to the Board of Directors in accordance with the Public Limited Companies Act (Norway), cf. in particular chapters 8, 9 and 10 of the Act.

The first time the Board was authorised to acquire the company's own shares was at the ordinary general meeting on 12 May 2000. This mandate has been replaced with a new mandate at the ordinary general meeting on 27 May 2020. The mandate remains valid for 18 months from the date on which the resolution was adopted. The Board has authority to acquire up to 50 million shares, each with a face value of NOK 0.1. The lowest price to be paid is NOK 1 per share, and the highest price per share is NOK 100. The mandate has not been exercised in 2020. Renewal of the mandate will be recommended to the general meeting on 26 May 2021.

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

mandate be approved by the ordinary general meeting on 26 May 2021.

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

#### Loans to employees

No loans have been granted to the CEO, Chairman of the Board or other related parties. No single loan or guarantee to employees 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 2020, and have been as follows:

Fees to auditor	2020	2019
Auditing fees Group auditor	6,683	6,306
Auditing fees other auditors	1,375	1,392
Other certification services Group auditor	747	1,233
Other certification services other auditors	160	687
Tax advice Group auditor	983	754
Tax advice other auditors	83	37
Other services Group auditor	2,169	312
Other services other auditors	0	131
<b>Total</b>	<b>12,200</b>	<b>10,852</b>

Other services paid to PWC in 2020 consists of other assurance services (special purpose audits), legal advice and technical

assistance regarding restructuring, HR services and services related to financial reporting.

**NOTE 23****Items that are combined in the financial statements***(All figures in NOK 1,000)***Net financial items**

<b>Financial revenue</b>	<b>2020</b>	<b>2019</b>
Other interest revenue	25,550	37,550
Currency gain <sup>*)</sup>	39,598	9,566
Income from other investments	3,978	8,231
Other financial revenue	3,264	6,099
<b>Total financial revenue</b>	<b>72,390</b>	<b>61,446</b>
<b>Financial costs</b>	<b>2020</b>	<b>2019</b>
Other interest costs	235,704	238,475
Capitalised interests	0	0
Currency loss <sup>*)</sup>	66,833	15,311
Other financial costs	11,231	22,459
<b>Total financial costs</b>	<b>313,768</b>	<b>276,245</b>
<b>Net financial items</b>	<b>-241,378</b>	<b>-214,799</b>

*\*) 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 2020 is NOK 39.9 million. In 2019, net gain was NOK 72.7 million.*

<b>Other interest costs consist of</b>	<b>2020</b>	<b>2019</b>
Interest on long term bank loans	108,045	120,672
Interest on interest swap agreements	30,053	16,687
Interest on lease liabilities to credit institutions	30,060	31,540
Interest on lease liabilities to others	47,305	49,385
Other interest cost	20,241	20,191
<b>Total</b>	<b>235,704</b>	<b>238,475</b>

## NOTE 24

### Currency translation differences

(All figures in NOK 1,000)

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

In the event of a disposal of a foreign enterprise, the relevant accumulated translation differences allocated to the parent

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

	LSG shareholders	Non-controlling interests	Total
<b>Accumulated currency translation differences as of 01.01.19</b>	<b>83,771</b>	<b>0</b>	<b>83,771</b>
Translation differences related to subsidiaries	-12,819	0	-12,819
Translation differences from associates	24,559	0	24,559
Conversion differences that are reclassified to profit and loss in the period	15	0	15
<b>Accumulated currency translation differences as of 31.12.19</b>	<b>95,526</b>	<b>0</b>	<b>95,526</b>
<b>Accumulated currency translation differences as of 01.01.20</b>	<b>95,526</b>	<b>0</b>	<b>95,526</b>
Translation differences related to subsidiaries	35,088	0	35,088
Translation differences from associates	9,583	0	9,583
Conversion differences that are reclassified to profit and loss in the period	-5	0	-5
Reclassification to (+) / from (-) cash flow hedges reserve	-1,515	0	-1,515
<b>Accumulated currency translation differences as of 31.12.20</b>	<b>138,677</b>	<b>0</b>	<b>138,677</b>



## NOTE 25

### Related parties

(All figures in NOK 1,000)

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

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

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

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

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

NCI means "non controlling interests"

Dividend received from associated companies is specified in the note on associated companies

## NOTE 25 cont.

### Related parties

(All figures in NOK 1,000)

2020	Ownership	Sales	Purchases	Receivables	Liabilities
<b>Transactions with parent company and its related parties</b>					
Laco AS	"Konsernspiss"	0	5,565	0	6,956
Fitjar Mekaniske Verksted AS	Laco AS (100 %)	15	19,342	0	1,916
Pelagia AS	Austevoll Seafood ASA (50%)	559	519	0	0
Austevoll Seafood ASA	Laco AS (55,55 %)	0	120	0	0
Hordafor AS	Pelagia AS (50 %)	40,577	17,281	11,416	864
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100 %)	1,563	179,223	226	20,587
Brødrene Birkeland Farming AS	Austevoll Seafood ASA (51,69 %)	0	0	0	0
Kobbevig og Furuholmen Oppdrett AS	Brødrene Birkeland Farming AS (100 %)	134	0	0	0
<b>Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries</b>					
Norskott Havbruk AS	Lerøy Seafood Group ASA (50 %)	51	0	16	0
Scottish Seafarms	Norskott Havbruk AS (100 %)	0	113,794	0	10,750
Seistar Holding AS konsern	Lerøy Seafood Group ASA (50 %)	784	144,024	0	767
Seafood Danmark AS konsern	Lerøy Seafood Group ASA (33,33 %)	26,866	8,042	5,946	0
Sporbarhet AS	Lerøy Seafood Group ASA (27 %)	0	4,848	0	0
Ocean Forrest AS	Lerøy Seafood Group ASA (50 %)	200	3,000	71	1,500
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20 %)	0	780	0	0
Finnmark Kystfiske AS	Havfisk AS (48 %)	0	0	8,500	0
Vestvågøy Kystrederi AS	Lerøy Havfisk AS (49,6%)	0	0	0	0
Sørøya Isanlegg AS	Lerøy Norway Seafoods AS (44,7 %)	407	1,187	1,200	0
Båtsfjord Laboratorium AS	Lerøy Norway Seafoods AS (33,5 %)	0	886	0	3
Båtsfjord Bedriftshelsetjeneste AS	Lerøy Norway Seafoods AS (28,2%)	0	43	0	0
Itub AS	Lerøy Norway Seafoods AS (22,3 %)	0	8,548	0	403
Neset Kystfiske AS	Sørvær Kystfiskeinvest AS (34%)	0	0	560	0
Holmen Fiske AS	Sørvær Kystfiskeinvest AS (34 %)	0	0	1,715	0
Romsdal Processing AS	Lerøy Aurora AS (50 %)	0	80,926	20	10,408
Kirkenes Processing AS	Lerøy Aurora AS (50 %)	0	17,210	7,493	3,500
Norway Salmon AS	Lerøy Midt AS (20 %)	0	0	2,000	0
Dragøy Grossist AS	Lerøy Nord AS (34 %)	0	2,634	0	233
Vågen Fiskeriselskap AS	Sirevaag AS (49,9 %)	0	0	3,500	0
IKE i datterselskaper		0	0	0	284
<b>Total transactions and intercompany accounts with all identified related parties</b>		<b>71,156</b>	<b>607,971</b>	<b>42,664</b>	<b>58,170</b>

IKE er en forkortelse for "ikke-kontrollerende eierinteresser".

Mottatte utbytter fra tilknyttede selskaper fremkommer i note om tilknyttede selskaper

Lerøy Seafood Group (Lerøy Vest AS) leases wellboats from Seistar Holding. The leases are recognised in the accounts according to IFRS 16, where leases with a lease period more than one year, is capitalised. The net book value of the right-to-use assets as of 31.12 is TNOK 265.483. The net book value on the lease liability is TNOK 276.672. These amounts

are not included in the table above. Repayment and interests on capitalized leases with Seistar Holding amounted to TNOK 54.688, and are included in the table above as purchases. Rent paid on non-capitalized short-term leases, for temporary hire of additional capacity, amounted to TNOK 10.112 i 2020, and is also included in the table above as purchases.

## NOTE 26

### Events after balance sheet date

#### **Verdict from the court regarding farming companies case against the Norwegian Government**

In 2017 a new regulatory framework for mitigating growth in Norwegian aquaculture was implemented. In this system the Norwegian coastline was divided into 13 different production areas. With a frequency of 2 years, the different areas are colored red, yellow, or green, based on certain criteria. In areas colored red the maximum production volumes are reduced with 6%. In yellow areas there is no change. In green areas, it is opened for growth.

Production area 4 was colored red in 2020, and consequently the maximum capacity was reduced with 6%. 25 farmers, including Lerøy Seafood Group ASA, sued the Norwegian Government, claiming that the decision about reduction in

volume was not legally binding. In the court the 17th of March 2021, the verdict was ready. The farming companies lost the case against the Norwegian Government, and the decision about volume reduction remains.

The fish farming companies have appealed the decision to a higher court, but processing of the appeal has not started yet.

#### **Business combinations in 2021**

See note on business combinations for information about changes in ownership in associated companies, both completed and expected, bringing the share holding into a subsidiary. New subsidiaries will be consolidated from date of control.

## NOTE 27

### Investigation by the competition authorities

#### **Investigation by the competition authorities**

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

may result in sanctions or other negative consequences for the companies involved.

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

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

## Parent company financial statements 2020

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### Parent company financial statements consist of

167	Income statement
168	Balance sheet
170	Statement of cash flows
171	Notes to the parent company financial statements

### Overview of the notes to the parent company financial statements

171	Note 1	Accounting policies
172	Note 2	Equity
173	Note 3	Transactions and balances with subsidiaries and associates
175	Note 4	Intangibles and fixed assets
176	Note 5	Shares in subsidiaries
178	Note 6	Shares in associates and other shares
179	Note 7	Other receivables
180	Note 8	Loans, mortgages and guarantees
181	Note 9	Interest rate swaps
182	Note 10	Taxation
184	Note 11	Payroll costs, number of employees, remuneration, loans to staff, etc.
185	Note 12	Items that are combined in the financial statements
187	Note 13	Related parties

## Income statement

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

Lerøy Seafood Group ASA	Notes	2020	2019
<b>Operating revenue and costs</b>			
Operating revenue	1	128,161	79,800
Wages and other personnel costs	11	88,047	63,395
Loss on disposal of fixed assets	4	0	133
Other operating costs	4/11	155,825	113,983
Depreciation	4	1,889	1,390
<b>Total operating costs</b>		<b>245,761</b>	<b>178,901</b>
<b>Operating profit</b>		<b>-117,600</b>	<b>-99,101</b>
<b>Financial revenue and costs</b>			
Income from investments in subsidiaries	3	936,826	2,003,085
Income from investments in associates	3	26,950	265,323
Income from investments in other shares	3	3,695	7,632
Change in fair value of financial instruments at fair value	9	1,299	24,869
Impairment loss on financial assets	5	-160,617	-151,036
Other financial items, net	12	5,312	7,817
<b>Profit before tax</b>		<b>695,865</b>	<b>2,058,589</b>
<b>Total tax cost (-)</b>	<b>10</b>	<b>-127,298</b>	<b>-363,180</b>
<b>The year's profit</b>		<b>568,567</b>	<b>1,695,409</b>
<b>Information regarding</b>			
Transferred to (+) / from (-) other equity	2	-622,981	801,748
Allocated to dividend	2	1,191,547	893,661

## Balance sheet

All figures in NOK 1,000

Lerøy Seafood Group ASA	Notes	31.12.20	31.12.19
<b>Non-current assets</b>			
<b>Intangibles</b>			
Licences	4	54,803	40,704
Deferred tax assets	10	0	0
<b>Total intangibles</b>		<b>54,803</b>	<b>40,704</b>
<b>Fixed assets</b>			
Buildings and real estate	4	1,562	1,562
Other fixtures	4	14,286	15,557
<b>Total fixed assets</b>		<b>15,848</b>	<b>17,119</b>
<b>Financial assets</b>			
Shares in subsidiaries	5	7,747,848	7,641,331
Shares in associates	6	327,125	302,125
Shares in other companies	6	12,086	10,037
Loans to subsidiaries	3	91,020	152,020
Other long-term receivables	7	10,255	0
<b>Total non-current financial assets</b>		<b>8,188,334</b>	<b>8,105,513</b>
<b>Total non-current assets</b>		<b>8,258,985</b>	<b>8,163,336</b>
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from Group companies	3	1,824,024	2,399,198
Other receivables	7	22,397	25,307
<b>Total receivables</b>		<b>1,846,421</b>	<b>2,424,505</b>
<b>Cash and cash equivalents</b>		<b>1,971,930</b>	<b>2,072,963</b>
<b>Total current assets</b>		<b>3,818,351</b>	<b>4,497,468</b>
<b>Total assets</b>		<b>12,077,336</b>	<b>12,660,804</b>

## Balance sheet

All figures in NOK 1,000

Lerøy Seafood Group ASA	Notes	31.12.20	31.12.19
<b>Equity</b>			
Share capital	2	59,577	59,577
Treasury shares	2	-30	-30
Share premium reserve	2	4,778,346	4,778,346
Other paid in capital	2	104,572	104,572
<b>Total paid in capital</b>		<b>4,942,466</b>	<b>4,942,466</b>
Other equity	2	5,346,896	5,969,432
<b>Total retained earnings</b>		<b>5,346,896</b>	<b>5,969,432</b>
<b>Total equity</b>		<b>10,289,363</b>	<b>10,911,897</b>
<b>Long-term liabilities</b>			
Deferred tax asset	10	5,176	1,244
Other long-term liabilities	9	29,293	30,591
<b>Total long-term liabilities</b>		<b>34,470</b>	<b>31,835</b>
<b>Long-term debt</b>			
Mortgage debt	8	189,095	248,344
<b>Total long-term debt</b>		<b>189,095</b>	<b>248,344</b>
<b>Short-term debt</b>			
Trade payables		25,039	25,832
Taxes payable	10	77,424	304,962
Public duties payable		5,275	3,061
Allocated to dividend	2	1,191,547	893,661
Short-term Group debt	3	242,022	222,509
Other short-term debt	8	23,102	18,704
<b>Total short-term debt</b>		<b>1,564,409</b>	<b>1,468,728</b>
<b>Total debt</b>		<b>1,787,974</b>	<b>1,748,907</b>
<b>TOTAL EQUITY AND DEBT</b>		<b>12,077,336</b>	<b>12,660,804</b>

Bergen, 14 April 2021

The Board of Directors of Lerøy Seafood Group ASA

Helge Singelstad  
Chairman

Karoline Møgster  
Board member

Arne Møgster  
Board member

Didrik Munch  
Board member

Britt Kathrine Drivenes  
Board member

Siri Lill Mannes  
Board member

Hans Petter Vestre  
Employees' representative

Henning Beltestad  
CEO  
Lerøy Seafood Group ASA



## Statement of cash flows

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

Lerøy Seafood Group ASA	2020	2019
<b>Cash flow from operating activities</b>		
Pre-tax result	695,865	2,058,589
Taxes paid during the period	-305,004	-510,970
Depreciation	1,889	1,390
Write-down of financial assets	160,617	151,036
Change in trade receivables	-11,497	-6,093
Change in trade payables	-6,993	1,537
Effect from currency rate changes	12,479	-1,979
Items classified as investing activities	-1,009,726	-2,276,290
Change in financial instruments recognised at fair value	-1,298	-24,869
Other items classified as financing activities	-11,288	-5,837
Change in other accruals	70,853	-8,695
<b>Net cash flow from operating activities</b>	<b>-404,104</b>	<b>-622,049</b>
<b>Cash flow from investing activities</b>		
Payments for acquisitions of fixed assets and intangibles	-14,664	-28,911
Payments for acquisitions of Group companies and associates	-25,000	-232
Proceeds from sale of shares in other companies	0	7,882
Proceeds from previous year's accrual of group contributions and dividends from subsidiaries	1,469,682	2,827,445
Payment for previous year's accrual of group contribution to subsidiaries	-5,412	-187,064
Proceeds from dividends received during the year from associates	26,950	265,323
Proceeds/payments for short-term intragroup receivables (loans)	-245,632	-470,548
Proceeds/payments for long-term intragroup receivables (loans)	61,000	-13,300
Proceeds/payments for other long-term receivables (loans)	-10,255	0
<b>Net cash flow from investing activities</b>	<b>1,254,620</b>	<b>2,394,500</b>
<b>Cash flow from financing activities</b>		
Instalments paid on long-term liabilities	-71,728	-70,052
Net interest paid and financial expenses	13,394	8,265
Payment of dividends	-893,661	-1,191,547
Proceeds from dividends on treasury shares	447	596
<b>Net cash flow from financing activities</b>	<b>-951,548</b>	<b>-1,252,739</b>
<b>Net cash flow for the accounting period</b>	<b>-101,032</b>	<b>519,712</b>
Cash and cash equivalents at the start of the period	2,072,963	1,553,251
<b>Cash and cash equivalents at the end of the period</b>	<b>1,971,930</b>	<b>2,072,963</b>
<i>Consists of</i>		
Bank deposits etc,	1,971,930	2,072,963
Of which restricted funds	2,899	1,886
<b>Unutilised overdraft/drawdown facilities</b>	<b>950,000</b>	<b>1,100,000</b>
<b>Additional information</b>	<b>2020</b>	<b>2019</b>
<i>Net cash flow from operating activities can also be summarised as follows</i>		
Operating profit	-117,600	-99,101
Depreciation	1,889	1,390
Taxes paid during the period	-305,004	-510,970
Change in capital employed	16,611	-13,368
<b>Net cash flow from operating activities</b>	<b>-404,104</b>	<b>-622,049</b>

## NOTE 1

### Accounting policies

#### (A) Comments on accounting policies

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

#### (B) Sales revenue

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

#### (C) Classification and assessment of balance sheet items

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

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

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

#### (D) Receivables

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

#### (E) Short-term investments

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

#### (F) Long-term investments

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

#### (G) Associates

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

#### (H) Fixed assets

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

#### (I) Tax

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

#### (J) Interest rate swaps (derivatives)

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

#### (F) Currency

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

## NOTE 2

### Equity

(All figures in NOK 1,000)

2019	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.19	59,577	-30	4,778,346	104,572	5,167,088	10,109,553
The year's result to equity					1,695,409	1,695,409
Dividend received on treasury shares					596	596
Group contribution given to subsidiaries					-168,708	-168,708
Change in value of shares in subsidiaries due to Group contribution					168,708	168,708
Provision for dividend (kr 1.50 per share)					-893,661	-893,661
<b>Equity as of 31.12.19</b>	<b>59,577</b>	<b>-30</b>	<b>4,778,346</b>	<b>104,572</b>	<b>5,969,432</b>	<b>10,911,897</b>

2020	Share capital	Treasury shares	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.20	59,577	-30	4,778,346	104,572	5,969,432	10,911,897
The year's result to equity					568,567	568,567
Dividend received on treasury shares					447	447
Group contribution given to subsidiaries					-162,737	-162,737
Change in value of shares in subsidiaries due to Group contribution					162,737	162,737
Provision for dividend (kr 2.00 per share)					-1,191,547	-1,191,547
<b>Equity as of 31.12.20</b>	<b>59,577</b>	<b>-30</b>	<b>4,778,346</b>	<b>104,572</b>	<b>5,346,897</b>	<b>10,289,362</b>

Aksjekapital	Total number of shares	Nominal value per share	Book value
Ordinary shares	595,773,680	0.10	59,577,368
<b>Total</b>	<b>595,773,680</b>		<b>59,577,368</b>

#### Dividend

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

#### Number of shareholders

Lerøy Seafood Group ASA had 15,227 shareholders as per 31.12.20. All shares confer the same rights in the company. An overview of share capital and the 20 largest shareholders are shown in the note on shareholders for the Group.

#### Treasury shares

Lerøy Seafood Group ASA owns 297,760 treasury shares of a total number of 595,773,680 shares. The ratio of treasury shares is 0.05%. The purchase price paid for treasury shares is split into two different categories, where nominal value of treasury shares is included in "paid in capital" (- NOK 30,000), and the purchase price exceeding nominal value of treasury shares (- NOK 2,389,000) is included in "other equity". The average purchase price of own shares is NOK 8.12 per share.

**NOTE 3****Transactions and balances with subsidiaries and associates***(All figures in NOK 1,000)*

<b>Income from investments in subsidiaries</b>	<b>2020</b>	<b>2019</b>
Intragroup contributions received from subsidiaries	684,196	1,704,505
Dividend received from subsidiaries	252,630	298,580
Gain from disposal of subsidiaries	0	0
<b>Total income from investments in subsidiaries</b>	<b>936,826</b>	<b>2,003,085</b>
<b>Intragroup contributions received from subsidiaries</b>	<b>2020</b>	<b>2019</b>
Lerøy Seafood AS	400,000	326,798
Lerøy Midt AS	273,560	840,387
Laks- & Vildtcentralen AS	10,636	0
Lerøy Aurora AS	0	533,403
Lerøy Delico AS	0	2,382
Lerøy Trondheim AS	0	1,535
<b>Total intragroup contributions received from subsidiaries</b>	<b>684,196</b>	<b>1,704,505</b>
<b>Dividend received from subsidiaries</b>	<b>2020</b>	<b>2019</b>
Dividend received from Lerøy Havfisk AS	200,000	200,000
Dividend received from Sjøtroll Havbruk AS	24,438	76,368
Dividend received from Laks- & Vildtcentralen AS	12,000	0
Dividend received from Rode Beheer BV	11,210	17,280
Dividend accrued from Norsk Oppdrettsservice AS	4,982	4,932
<b>Total dividend received from subsidiaries</b>	<b>252,630</b>	<b>298,580</b>
<b>Income from investments in associates</b>	<b>2020</b>	<b>2019</b>
Dividend received from Norscott Havbruk AS	0	252,900
Dividend received from Seafood Danmark A/S	23,950	6,423
Dividend received from Seistar Holding AS	3,000	6,000
<b>Total income from investments in associates</b>	<b>26,950</b>	<b>265,323</b>
<b>Long-term loans to subsidiaries</b>	<b>2020</b>	<b>2019</b>
Lerøy Italy	60,433	20,715
Lerøy Alfheim AS	17,604	19,850
Sjømathuset AS	8,060	9,858
Lerøy Turkey	4,923	1,112
Lerøy Processing Spain SL	0	100,484
<b>Total long-term loans to subsidiaries</b>	<b>91,020</b>	<b>152,020</b>
<b>Short-term receivables from subsidiaries</b>	<b>2020</b>	<b>2019</b>
Intragroup contributions received from subsidiaries	684,196	1,704,505
Other short-term receivables from subsidiaries	1,139,828	694,693
<b>Total short-term receivables from subsidiaries</b>	<b>1,824,024</b>	<b>2,399,198</b>

**Intragroup contributions received from subsidiaries**

For specification see table above in this note under headline Income from investments in subsidiaries.

**NOTE 3 cont.****Transactions and balances with subsidiaries and associates**

(All figures in NOK 1,000)

<b>Other short-term receivables from subsidiaries</b>	<b>2020</b>	<b>2019</b>
Lerøy Aurora AS	618,245	99,106
Lerøy Norway Seafoods AS	248,446	329,554
Lerøy Vest AS	192,335	187,912
Lerøy Sverige AB	48,797	42,725
Lerøy Fossen AS	17,142	25,150
Lerøy Midt AS	10,719	2,675
Sjøtroll Havbruk AS	1,545	1,188
Lerøy Seafood Italy SLR	850	0
Laks- & Vildtcentralen AS	625	1,125
Sjømathuset AS	319	0
Lerøy Nord AS	306	0
Lerøy Alfheim AS	253	0
Lerøy Trondheim AS	83	0
Lerøy Delico AS	66	0
Lerøy Seafood USA Inc	53	0
Lerøy Sjømatgruppen AS	47	0
Lerøy Turkey	0	5,191
Lerøy Seafood AS	0	69
<b>Total other short-term receivables from subsidiaries</b>	<b>1,139,828</b>	<b>694,693</b>
<b>Short-term debt to Group companies</b>	<b>2020</b>	<b>2019</b>
Intragroup contributions distributed	208,637	216,292
Other short-term debt to Group companies	33,385	6,217
<b>Total short-term debt to Group companies</b>	<b>242,022</b>	<b>222,509</b>
<b>Intragroup contributions distributed</b>	<b>2020</b>	<b>2019</b>
Lerøy Norway Seafoods AS	199,656	192,520
Lerøy Alfheim AS	6,200	1,798
Lerøy Fossen AS	2,118	18,360
Lerøy Ocean Harvest AS	590	3,538
Lerøy Quality Group AS	36	38
Lerøy & Strudshavn AS	37	38
<b>Total</b>	<b>208,637</b>	<b>216,292</b>
<b>Other short-term debt to Group companies</b>	<b>2020</b>	<b>2019</b>
Lerøy Seafood AS	32,945	4,577
Lerøy Vest AS	173	89
Lerøy Aurora AS (konsern)	124	124
Sjøtroll Havbruk AS	89	0
Lerøy Alfheim AS	28	137
Sjømathuset AS	25	5
Lerøy Midt AS	0	1,255
Lerøy Trondheim AS	0	22
Lerøy Delico AS	0	9
<b>Total other short-term debt to Group companies</b>	<b>33,385</b>	<b>6,217</b>

## NOTE 4

### Intangibles, fixed assets and leases

(All figures in NOK 1,000)

#### Intangible assets

2020	Development licences
Capitalised expenses 2017	6,150
Capitalised expenses 2018	18,801
Capitalised expenses 2019	15,753
Capitalised expenses 2020	14,099
<b>Carrying value at 31.12</b>	<b>54,803</b>

The intangible assets consists of capitalized expenses related to development-licences based on the concept "Pipefarm". The project, and Lerøy Seafood Group ASA, has been awarded with a volume of 1350 MTB. The company is still in the process of deciding on whether the awarded volume should be accepted or not, and the project should be developed

further. The development-licences have a definite life time of 5 years from date of acceptance, but on expiry date it will be subjected to renewal and tranformation to an ordinary grow-out licence on request, for a fee amounting to NOK 10 million per licence equivalent (780 MTB). Depreciation will start after the award process is completed.

#### Fixed assets

2019	Financial leases	Buildings (apartment)	Other fixtures	Total
Acquisition cost per 01.01	0	1,695	3,827	5,522
Additions	0	0	13,158	13,158
Disposals	0	-133	-38	-171
<b>Acquisition cost per 31.12</b>	<b>0</b>	<b>1,562</b>	<b>16,947</b>	<b>18,509</b>
Accumulated depreciations 01.01	0	0	38	38
The year's depreciation	0	0	1,390	1,390
Disposal of accumulated depreciations	0	0	-38	-38
<b>Accumulated depreciations 31.12</b>	<b>0</b>	<b>0</b>	<b>1,390</b>	<b>1,390</b>
<b>Carrying value at 31.12</b>	<b>0</b>	<b>1,562</b>	<b>15,557</b>	<b>17,119</b>
Economic life time	2 years	Indefinite	3-5 years	
Depreciation plan	Linear	n/a	Lienar	
<b>2020</b>	<b>Financial leases</b>	<b>Buildings (apartment)</b>	<b>Other fixtures</b>	<b>Total</b>
Acquisition cost per 01.01	0	1,562	16,947	18,509
Additions	121	0	498	619
Disposals	0	0	0	0
<b>Acquisition cost per 31.12</b>	<b>121</b>	<b>1,562</b>	<b>17,445</b>	<b>19,128</b>
Accumulated depreciations 01.01	0	0	1,390	1,390
The year's depreciation	69	0	1,820	1,889
Disposal of accumulated depreciations	0	0	0	0
<b>Accumulated depreciations 31.12</b>	<b>69</b>	<b>0</b>	<b>3,210</b>	<b>3,279</b>
<b>Carrying value at 31.12</b>	<b>52</b>	<b>1,562</b>	<b>14,234</b>	<b>15,848</b>
Economic life time	2 years	Indefinite	3-5 years	
Depreciation plan	Linear	n/a	Lienar	

#### Leases

##### Leases recognised in the balance sheet

Leases wiht credit institutions are regarded as financial leases. Financial leases are recognised in the balance sheet, and depreciated over the lease period period. Financial leases are included in the fixed assets, and in other long term liabilities.

##### Leases not recognised int the balance sheet

Leases wiht other than credit institutions are regarded as operational leases. Operational leases are expensed as over the lease period as rent. Head quarter office is rented externally from GC Rieber AS. The rental agreement is for 10 years, beginning December 2018, with an option for additional 10 years. Annual expensed rent amounts to NOK 12 million.

## NOTE 5

### Shares in subsidiaries

(All figures in NOK 1,000)

#### Changes in subsidiaries and ownership during the period

Subsidiary	Country	Place of business	Acquisition year	Ownership/ voting share 01.01	Additions (+)	Disposals (-)	Ownership / voting share 31.12
Lerøy Seafood Italy SRL	Italy	Porto Viro	2019	100.0 %			100.0 %
Lerøy Ocean Harvest AS	Norway	Bergen	2018	100.0 %			100.0 %
Laks- & Vildtcentralen AS	Norway	Oslo	2018	100.0 %			100.0 %
Lerøy Havfisk AS	Norway	Ålesund	2016	100.0 %			100.0 %
Lerøy Norway Seafoods AS	Norway	Oslo	2016	100.0 %			100.0 %
Lerøy Turkey	Turkey	Istanbul	2015	100.0 %			100.0 %
Preline Fishfarming Sys. AS	Norway	Skien	2015	95.9 %			95.9 %
Lerøy Nord AS	Norway	Tromsø	2015	51.0 %			51.0 %
Norsk Oppdrettsservice AS	Norway	Flekkefjord	2015	51.0 %			51.0 %
Lerøy Processing Spain SL	Spain	Madrid	2012	100.0 %			100.0 %
Rode Beheer B.V.	Netherlands	Urk	2012	100.0 %			100.0 %
Lerøy Finland OY	Finland	Turku	2011	100.0 %			100.0 %
Sjøtroll Havbruk AS	Norway	Austevoll	2010	50.7 %			50.7 %
Lerøy Vest AS	Norway	Bergen	2007	100.0 %			100.0 %
Lerøy Fossen AS	Norway	Bergen	2006	100.0 %			100.0 %
Sjømathuset AS	Norway	Oslo	2006	100.0 %			100.0 %
Lerøy Delico AS	Norway	Stavanger	2006	100.0 %			100.0 %
Lerøy Trondheim AS	Norway	Trondheim	2006	100.0 %			100.0 %
Lerøy Alfheim AS	Norway	Bergen	2005	100.0 %			100.0 %
Lerøy Portugal Lda	Portugal	Lisboa	2005	100.0 %			100.0 %
Lerøy Aurora AS	Norway	Tromsø	2005	100.0 %			100.0 %
Lerøy Midt AS	Norway	Hitra	2003	100.0 %			100.0 %
Lerøy Sverige AB	Sweden	Göteborg	2001	100.0 %			100.0 %
Lerøy Seafood AS	Norway	Bergen	1939 <sup>*)</sup>	100.0 %			100.0 %
Lerøy & Strudshavn AS	Norway	Bergen	1927 <sup>*)</sup>	100.0 %			100.0 %

<sup>\*)</sup> The date for establishment. The companies were a part of the "old Lerøy-group" before LSG ASA was established in 1995.



## Change in book value of shares in subsidiaries

Subsidiary	Net book value in LSG ASA 0 1.01	New companies purchased	Redemption of non-controlling interests	Transaction costs capitalised	Establishments and capital increases	Increase in value from Group contributions	Impairment loss (-)/reversal of impairment loss (+)	Net book value in LSG ASA 31.12
Lerøy Havfisk AS	3,090,920							3,090,920
Lerøy Vest AS	1,370,882							1,370,882
Lerøy Midt AS	1,135,230							1,135,230
Sjøtroll Havbruk AS	540,000							540,000
Lerøy Aurora AS	391,303							391,303
Rode Beheer B.V.	319,707							319,707
Lerøy Norway Seafoods AS	243,127					155,732	-136,137	262,721
Laks- & Vildtcentralen AS	115,000							115,000
Lerøy Sverige AB	80,349							80,349
Lerøy Fossen AS	74,188					1,652	-2,769	73,071
Lerøy Seafood AS	58,016					28		58,044
Lerøy Turkey	56,726						-11,073	45,653
Norsk Oppdrettsservice AS	25,000							25,000
Lerøy Delico AS	22,070							22,070
Lerøy Finland OY	20,581						542	21,123
Lerøy Processing Spain SL	20,151				104,397			124,548
Lerøy Trondheim AS	18,989						1,022	20,011
Preline Fishfarming Sys. AS	18,301						-1,479	16,822
Sjømathuset AS	13,925							13,925
Lerøy Alfheim AS	12,945					4,836	-4,869	12,912
Lerøy Portugal Lda	5,998						-5,997	1
Lerøy Ocean Harvest AS	5,470					460	-572	5,358
Lerøy Nord AS	2,206						840	3,046
Lerøy & Strudshavn AS	153					29	-29	153
Lerøy Seafood Italy SRL	97						-96	1
<b>Total</b>	<b>7,641,331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104,397</b>	<b>162,737</b>	<b>-160,617</b>	<b>7,747,848</b>

Shares in subsidiaries are valued based on the cost method. As a consequence subsidiaries with weak performance, receiving group contributions or increased equity, will obtain a higher net book value. Over time this may result in net book values (before impairments) higher than it would have

been by adapting the equity method. Due to this, all shares in subsidiaries that had a higher value (based on the cost method) compared with the equity method, have been impaired. The impairment will be reversed in a later period when the reason for the impairment is no longer present.

## NOTE 6

### Shares in associates and other shares

(All figures in NOK 1,000)

Associates	Place of business	Ownership/ voting share 01.01	Ownership/ voting share 31.12	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Norskott Havbruk AS	Bergen, Norway	50 %	50 %	163,273			163,273
Seistar Holding AS	Austevoll, Norway	50 %	50 %	61,500	25,000		86,500
Seafood Danmark A/S	Hirtshals, Denmark	33.33 %	33.33 %	77,170			77,170
Sporbarhet AS	Trondheim, Norway	22 %	27 %	135			135
Ocean Forest AS	Bergen, Norway	50 %	50 %	30			30
The Seafood Innovation Cluster AS	Bergen, Norway	20 %	20 %	16			16
<b>Total</b>				<b>302,125</b>	<b>25,000</b>	<b>0</b>	<b>327,125</b>

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

Other shares and investments	Net book value 01.01	Additions (+)	Disposals (-)	Net book value 31.12
Various minor shareholdings	10,037	2,049		12,086
<b>Total</b>	<b>10,037</b>	<b>2,049</b>	<b>0</b>	<b>12,086</b>

Lerøy Seafood Group ASA has committed a total of NOK10 million related to the investment in DnB Private Equity.

## NOTE 7

### Other receivables

(All figures in NOK 1.000)

Other long-term receivables	2020	2019
<b>Consists of</b>		
Loans to employees	1,588	0
Loans to others	164	0
Other long-term receivables	8,503	0
<b>Total</b>	<b>10,255</b>	<b>0</b>

Loans to employees and others are from 2020. Loans to employees concerns one employee, and is in euro. Other long-term receivables consists of a deposit account for leased

office buliding. In 2019 the deposit was classified as other receivables (short term).

Other receivables (short term)	2020	2019
<b>Consists of</b>		
Loans to employees	0	0
Loans to others	19,882	19,167
Other short-term receivables	2,515	6,140
<b>Total</b>	<b>22,397</b>	<b>25,307</b>

Loans to others includes a loan to the company Infront-X AS, amounting to NOK 19,715 included accumulated interests (NOK 19 million in 2019). The loan, which originally should have been settled, has been extended with one year. The debtor is a R&D company within programming, whitch

currently is developing a software that Lerøy Seafood Group finds interesting. Lerøy Seafood Group consider the company to be well positioned for future profits. The value of the loan is considered to be existent. The loan is convertible, and can fully or partly be converted to shares at a later stage.

**NOTE 8****Loans, mortgages and guarantees**

(All figures in NOK 1,000)

Long term loans	2020	2019
<b>Long-term interest-bearing debt</b>		
Loans from credit institutions	189,095	248,344
Leasing debt to credit institutions	53	0
<b>Total interest-bearing debt at 31.12</b>	<b>189,148</b>	<b>248,344</b>
Bank deposits	1,971,929	2,072,963
<b>Net interest-bearing debt at 31.12</b>	<b>-1,782,781</b>	<b>-1,824,619</b>
<b>Repayment profile interest-bearing debt</b>		
2020		70,492
2021	31,569	177,852
2022	31,516	
2023	31,516	
2024	31,516	
2025	31,516	
Later	31,516	
<b>Total</b>	<b>189,148</b>	<b>248,344</b>

**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.

Mortgages and guaranties	2020	2019
<b>Debt secured by mortgages</b>		
Loans from credit institutions	189,095	248,344
Leasing debt to credit institutions	53	0
<b>Total mortgage-secured debt at 31.12</b>	<b>189,148</b>	<b>248,344</b>
<b>Mortgaged assets</b>		
Shares in subsidiaries	<b>859,707</b>	<b>859,707</b>
Shares in associates	163,273	163,273
Lease included in fixed assets		
<b>Total book value of mortgaged assets 31.12</b>	<b>1,022,980</b>	<b>1,022,980</b>
<b>Guarantees and sureties</b>	<b>32,100</b>	<b>32,100</b>

**Guarantee and surety liability**

Lerøy Seafood Group ASA has posted a guarantee of NOK 30,000 for Lerøy Aurora AS in favour of Innovasjon Norge. Lerøy Seafood Group ASA has also posted a guarantee of NOK 2,100 in favour of VPS/Nordea.

Lerøy Seafood Group ASA also has joint and several liability for outstanding VAT together with Lerøy Seafood AS, which is included in the joint VAT registration.

**Other commitments**

Lerøy Seafood Group ASA has entered into a 10 year rental agreement for the office facilities, which started to run from November 2018, with an option for additional 10 years. Annual minimum rent is approximately NOK 12,000.

**Restricted funds**

Restricted funds included in bank deposits equals to NOK 2,899

Other short term debt	2020	2019
<b>Consist of</b>		
Salary and other personal expenses	17,476	9,334
Accrued interest expenses	5,574	3,468
Other short term liabilities	53	5,902
<b>Total</b>	<b>23,103</b>	<b>18,704</b>

## NOTE 9

### 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 (the hedging instruments) 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 during the complete period of 10 years. Hedge accounting (cash flow hedge) was therefore chosen as the accounting policy.

Due to repayment of the bank loans during the period, without drawing new loans of similar size, the remaining total bank debt (hedging object) became significant lower than the hedging instrument, resulting in the fact that the hedging relationship ceased, first for the first agreement, and later for the second agreement. From 2018 the change in fair value on both interest rate swap agreements are booked through profit and loss, as an financial item.

Interest rate swaps	Agreement 1	Agreement 2	Total
Nominal amount	500,000	500,000	1,000,000
Start date	17.11.2011	17.01.2012	
Expiry date:	16.11.2021	16.01.2022	
Duration	10 år	10 år	
Agreed fixed/average interest rate	3.55 %	3.29 %	3.42 %
<b>Book value 01.01.2019</b>			
Fair value of interest rate swaps as of 01.01.	-28,979	-26,481	-55,460
Deferred tax related to the interest rate swaps, 22 %	6,375	5,826	12,201
<b>Net (negative) value after tax, as of 01.01.</b>	<b>-22,604</b>	<b>-20,655</b>	<b>-43,259</b>
<b>Changes in 2019 booked through profit and loss</b>			
Change in fair value of interest rate swaps in 2019	13,071	11,798	24,869
Change in deferred tax related to the value change in the period, 22 %	-2,876	-2,596	-5,471
<b>Changes booked through profit and loss</b>	<b>10,195</b>	<b>9,203</b>	<b>19,398</b>
<b>Book value 31.12.2019</b>			
Fair value of interest rate swaps as of 31.12.	-15,909	-14,682	-30,591
Deferred tax related to the interest rate swaps, 22 %	3,500	3,230	6,730
<b>Net (negative) value after tax, as of 31.12.</b>	<b>-12,409</b>	<b>-11,452</b>	<b>-23,861</b>
<b>Interests on interest swap agreements 2019</b>			
Floating rate interests	7,239	7,289	14,528
Fixed rate interests	17,750	16,450	34,200
<b>Net paid</b>	<b>10,511</b>	<b>9,161</b>	<b>19,672</b>
<b>Changes in 2020 booked through profit and loss</b>			
Change in fair value of interest rate swaps in 2020	1,895	-596	1,299
Change in deferred tax related to the value change in the period, 22 %	-417	131	-286
<b>Changes booked through profit and loss</b>	<b>1,478</b>	<b>-465</b>	<b>1,013</b>
<b>Book value 31.12.2020</b>			
Fair value of interest rate swaps as of 31.12.	-14,014	-15,279	-29,293
Deferred tax related to the interest rate swaps, 22 %	3,083	3,361	6,444
<b>Net (negative) value after tax, as of 31.12.</b>	<b>-10,931</b>	<b>-11,917</b>	<b>-22,848</b>
<b>Interests on interest swap agreements 2020</b>			
Floating rate interests	4,115	4,255	8,369
Fixed rate interests	17,799	16,495	34,294
<b>Net paid</b>	<b>13,684</b>	<b>12,240</b>	<b>25,924</b>

The market to market value on the interest swap agreements as of 31.12 that comes from DNB, are applied as fair value.

Fair value is basically the difference between floating rate and fixed rate, that will be paid from 31.12 and until expiry date.

## NOTE 10

### Taxation

(All figures in NOK 1,000)

Calculation of tax payable cost	2020	2019
Profit before tax	695,864	2,058,589
Permanent differences	-122,658	-411,702
Change in temporary differences (through profit and loss)	-17,875	-44,402
<b>The year's taxation base for tax payable, before intragroup contributions paid</b>	<b>555,331</b>	<b>1,602,484</b>
Tax rate, nominal	22 %	22 %
<b>Tax payable cost</b>	<b>122,173</b>	<b>352,547</b>
Taxation base and alculation of tax payable	2020	2019
The year's taxation base for tax payable, before intragroup contributions paid	555,331	1,602,484
Intragroup contributions paid	-208,637	-216,292
<b>The year's taxation base for tax payable</b>	<b>346,694</b>	<b>1,386,192</b>
Tax rate, nominal	22 %	22 %
<b>Tax payable, after intragroup contributions paid</b>	<b>76,273</b>	<b>304,962</b>
Overview of temporary differences	2020	2019
Temporary differences where changes are recognised in profit and loss		
Intangibles	54,803	40,704
Buildings and other fixed assets	4,108	3,153
Financial instruments, total	-29,293	-30,591
Gain/loss account	-6,090	-7,612
<b>Temporary differences 31.12 where changes are recognised in profit and loss</b>	<b>23,529</b>	<b>5,654</b>
Change in temporary differences where changes are recognised in profit and loss	17,875	44,402
Permanent differences	2020	2019
Dividends received (including the 3 % added on the tax base)	-281,473	-561,150
Other permanent differences	158,815	149,448
<b>Total permanent differences</b>	<b>-122,658</b>	<b>-411,702</b>
Tax payable booked in the balance sheet	2020	2019
Tax payable cost	122,173	352,547
Tax payable reduction from intragroup contributions paid	-45,900	-47,584
Tax payable accrued for changes previous years	1,151	0
<b>Tax payable in the balance sheet</b>	<b>77,424</b>	<b>304,962</b>
Deferred tax	2020	2019
Total temporary differences	23,529	5,654
Tax rate, nominal	22 %	22 %
<b>Deferred tax liability (+) / asset (-)</b>	<b>5,176</b>	<b>1,244</b>

<b>The year's tax cost consists of</b>	<b>2020</b>	<b>2019</b>
Tax payable in the tax cost before intragroup contributions paid	122,173	352,547
Change in deferred tax where changes are recognised in profit and loss	3,932	9,768
Too much (-) or too little (+) allocated to tax previous year	1,193	865
<b>Total tax cost</b>	<b>127,298</b>	<b>363,180</b>
Effective tax rate	18.3 %	17.6 %
<b>Reconciliation of tax cost in the income statement</b>	<b>2020</b>	<b>2019</b>
22% of profit before tax	153,090	452,889
22% of permanent differences	-26,985	-90,575
Estimation deviation previous years	1,193	865
<b>Total tax cost</b>	<b>127,298</b>	<b>363,180</b>
<b>Estimation deviation previous years consists of</b>	<b>2020</b>	<b>2019</b>
Too little(+) / much(-) accrued tax payable previous year	42	865
Change in earlier years tax filing	1,151	0
<b>Total</b>	<b>1,193</b>	<b>865</b>



## NOTE 11

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

(All figures in NOK 1,000)

Payroll expenses	2020	2019
Salaries, holiday pay and bonuses	64,656	42,497
Employer's contribution	7,501	5,836
Hired personnel	10,106	10,275
Remuneration to the Board of Directors	1,245	1,200
Pension costs <sup>*)</sup>	3,053	2,399
Other remunerations / nomination committee	1,068	451
Other personnel costs	418	737
<b>Total</b>	<b>88,047</b>	<b>63,395</b>

<sup>\*)</sup> Defined contribution pension scheme.

Number of full-time equivalents:	43	30
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For a specification of remuneration of senior executives in Lerøy Seafood Group ASA, see note on payroll expenses in the consolidated financial statements. The Chairman of the Board is hired in from Laco. The cost related to the Chairman of the Board is included in the accounting item for hired personnel with NOK 5,6 million for 2020 and NOK 5,9 million for 2019. For total consulting fee paid to Laco, see note on

transactions with related parties.

#### Auditor

Fees from the Group auditor PricewaterhouseCoopers AS, the law firm PricewaterhouseCoopers AS and other foreign PriceWaterhouseCoopers firms, were as follows:

	2020	2019
Auditing fees Group auditor	1,194	1,040
Other services Group auditor	1,991	882
<b>Total</b>	<b>3,185</b>	<b>1,922</b>

Other services paid to PWC in 2020 consists of other assurance services (special purpose audits), legal advice and technical

assistance regarding restructuring, HR services and services related to financial reporting.

**NOTE 12****Items that are combined in the financial statements***(All figures in NOK 1,000)*

<b>Financial revenue</b>	<b>2020</b>	<b>2019</b>
Interest income from Group companies	29,867	14,265
Other interest income	17,850	20,476
Currency exchange gain	39,598	9,566
<b>Total financial revenue</b>	<b>87,315</b>	<b>44,307</b>
<b>Financial costs</b>	<b>2020</b>	<b>2019</b>
Interest cost	30,788	25,098
Currency exchange loss	45,574	5,395
Other financial costs	5,641	5,997
<b>Total financial costs</b>	<b>82,003</b>	<b>36,490</b>
<b>Other financial items , net</b>	<b>5,312</b>	<b>7,817</b>
Unrealised currency gain(+)/loss(-) included above <sup>*)</sup>	-9,825	2,957

<sup>\*)</sup> Relates to a long term foreign exchange loan in euro.

## NOTE 13 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:

2019	Ownership	Sales	Purchases	Receivables	Liabilities
<b>Transactions with parent company and its related parties</b>					
Laco AS	"Ultimate parent"		5,531		
Austevoll Seafood ASA	Laco AS (55.55%)				
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)		13		
<b>Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries</b>					
Ocean Forest AS	Lerøy Seafood Group ASA (50 %)		4,500		
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20 %)		704		
<b>Total transactions and intercompany accounts with all identified related parties</b>		<b>0</b>	<b>10,748</b>	<b>0</b>	<b>0</b>

Dividend received from associated companies is specified in the note on associated companies in consolidated accounts.

2020	Ownership	Sales	Purchases	Receivables	Liabilities
<b>Transactions with parent company and its related parties:</b>					
Laco AS	"Ultimate parent"		5,565		6,956
Austevoll Seafood ASA	Laco AS (55.55%)		120		
Austevoll Laksepakkeri AS	Austevoll Seafood ASA (100%)		1,289		
<b>Transactions with the Group's own associates and non-controlling interests (NCI) in subsidiaries</b>					
Sporbarhet AS	Lerøy Seafood Group ASA (27 %)		4,848		
Ocean Forrest AS	Lerøy Seafood Group ASA (50 %)		3,000		1,500
The Seafood Innovation Cluster	Lerøy Seafood Group ASA (20 %)		724		
<b>Total transactions and intercompany accounts with all identified related parties</b>		<b>0</b>	<b>15,546</b>	<b>0</b>	<b>8,456</b>

Dividend received from associated companies is specified in the note on associated companies in consolidated accounts.

## 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 2020 are prepared in conformance with current, applicable accounting standards, and give a good and fair view of the company's and the Group's assets, liabilities, financial position and profit or loss as a whole. We also declare that the annual report gives a fair view of the company's and the Group's development and position, together with a description of the principle risks and uncertainties facing the entity and the Group.

Bergen, 14 April 2021  
The Board of Directors of Lerøy Seafood Group ASA



Helge Singelstad  
Chair of the Board



Arne Møgster  
Board member



Britt Kathrine Drivenes  
Board member



Didrik Munch  
Board member



Karoline Møgster  
Board member



Siri Lill Mannes  
Board member



Hans Petter Vestre  
Board member



To the General Meeting of Lerøy Seafood Group ASA

### **Independent Auditor's Report**

#### *Report on the Audit of the Financial Statements*

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##### *Opinion*

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

- The parent company financial statements, which comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements, which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
  - The accompanying parent company financial statements give a true and fair view of the financial position of Lerøy Seafood Group ASA as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
  - The accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group Lerøy Seafood Group ASA as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
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##### *Basis for Opinion*

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

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##### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. Measurement and valuation of biological assets contain approximately the same complexity and risks as previous year and have been in focus for the audit also this year.

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*State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*



## Independent Auditor's Report - Lerøy Seafood Group ASA

## Key Audit Matters

## How our audit addressed the Key Audit Matters

*Measurement of biological assets*

As described in the financial statements Lerøy Seafood Group ASA values biological assets to their fair value according to IAS 41. At the balance sheet date, the fair value of biological assets was MNOK 4,914, of which MNOK 4,594 is historical cost and MNOK 320 is adjustment to fair value.

Biological assets comprise inventory of ova (eggs), juveniles, cleaner fish, brood stock and fish held for harvesting purposes (on growing stage) and relate to the segment Farming. Measured in fair value biological assets constitute close to 1/6 of the balance sheet as at 31 December 2020.

Due to the nature and location of the inventory, it is impracticable to attend the physical inventory counting. Consequently, we have performed alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory. The group has established well functioning control procedures for measurement of both number of fish and biomass. However, a certain inherent risk of deviations exists in the measurement. We have therefore focused on measurement of the inventory of biological assets (number and biomass) in the audit, with emphasis on fish for harvesting purposes, which constitutes the main part of the Group's biological assets.

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

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

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

In order to challenge the historical accuracy of the Group's biomass estimates we reviewed the harvest deviation for the period. Harvest deviation is defined as the difference between harvested biomass (in kilos and numbers) and estimated biomass according to the Group's biomass systems. We also reviewed harvest deviation after the balance sheet date to verify the correctness of fish ready to be harvested as at 31.12.2020. We found the deviations to be relatively limited overall and in accordance with expectations.



## Independent Auditor's Report - Lerøy Seafood Group ASA

*Valuation of biological assets*

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

We focused on the valuation of biological assets due to the size of the amount, the complexity and the judgement involved in the calculation and the impact of the value adjustment on the result for the year.

See the description of the measurement and valuation of biological assets in note 1 about accounting policies part I, note 3 about significant accounting estimates and assessments and note 11 about biological assets.

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

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

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

*Other information*

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

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

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

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

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

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

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





## Independent Auditor's Report - Lerøy Seafood Group ASA

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

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

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



Independent Auditor's Report - Lerøy Seafood Group ASA

*Report on Other Legal and Regulatory Requirements*

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*Opinion on the Board of Directors' report*

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

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*Opinion on Registration and Documentation*

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

Bergen, 14 April 2021

**PricewaterhouseCoopers AS**

Hallvard Aarø

State Authorised Public Accountant

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





“

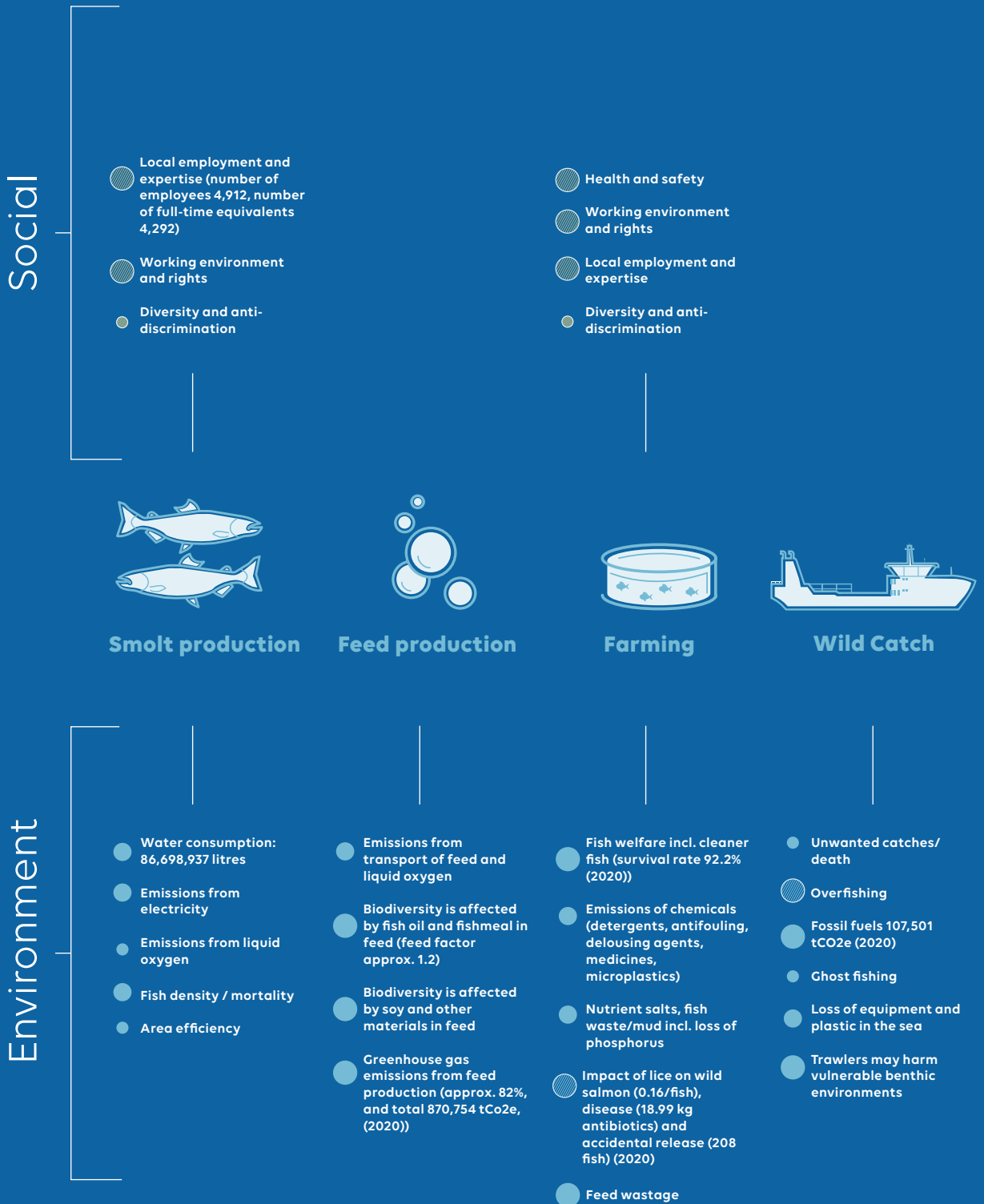
**WE ARE HIGHLY  
MOTIVATED FOR ALL  
PROJECTS, AND  
EVERYONE IS  
APPRECIATED.”**

# 04

## ESG information

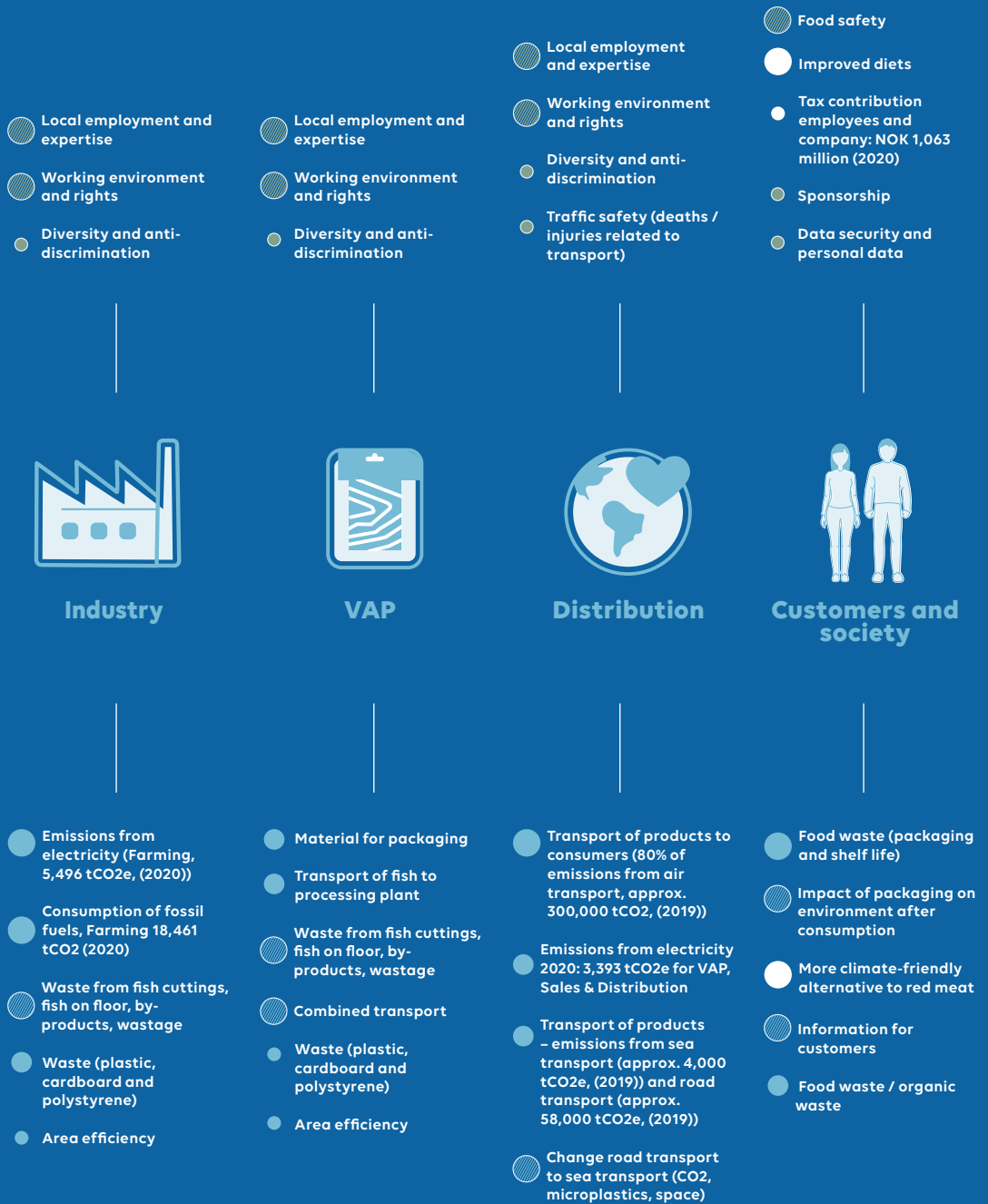
- 196-197** Sustainable Value Chain Analysis
- 198-199** Social Statement
- 200-201** Environmental Statement
- 202-202** Materiality assessment
- 204-217** Global Reporting Initiative (GRI)  
Content Index 2020
- 218-219** Auditor's Report
- 222-223** Addresses

# Sustainable Value Chain Analysis



## Key

- Low influence
- Medium influence
- High influence
- Positive influence
- Potential influence



## Key

- Low influence
- Medium influence
- High influence
- Positive influence
- Potential influence



# Social statement

for the period 1 January to 31 December

	2020	2019	2018
<b>Employees</b>			
Employees, total (number)	4,912	4,693	4,617
Employees, own (number)	4,366	4,217	4,214
Employees, hired labour (number)	546	576	403
Employees, men (number)	3,120	3,035	2,982
Employees, women (number)	1,792	1,658	1,635
Number of managers in the Group with responsibility for personnel	498	-	-
<i>Percentage of female managers (%)</i>	17.07	24.38	-
<i>Percentage of male managers (%)</i>	82.93	70.63	-
Percentage of employees who have left the company during the period, turnover (%)	13.64	-	-
<i>Percentage of women who have left the company (%)</i>	41.64	-	-
<i>Percentage of men who have left the company (%)</i>	58.36	-	-
<i>Percentage of employees younger than 30 who have left the company (%)</i>	37.31	-	-
<i>Percentage of employees aged 30-50 who have left the company (%)</i>	48.06	-	-
<i>Percentage of employees older than 50 who have left the company (%)</i>	12.69	-	-
<i>Percentage of employees who have taken out retirement (%)</i>	2.39	-	-
Percentage of new recruits (%)	15.64	-	-
<i>Percentage of new recruits, women (%)</i>	34.77	-	-
<i>Percentage of new recruits, men (%)</i>	65.23	-	-
<i>Percentage of new recruits younger than 30 (%)</i>	40.23	-	-
<i>Percentage of new recruits aged 30-50 (%)</i>	40.23	-	-
<i>Percentage of new recruits older than 50 (%)</i>	7.68	-	-
Percentage of employees with occupational injury insurance (%)	100.00	100.00	100
Members of trade unions (number)	1,635	-	-
Percentage of employees covered by collective wage agreement (%)			
Norway	73.00	77.00	-
Int.	61.00	54.3	-
Response rate to employee survey from GPTW, Great Place To Work (%)	86	82	-
<b>Training and further education</b>			
Employees who took part in training initiatives (number)	4,485	3,489	-
<i>Percentage of training focusing on HSE (%)</i>	12	-	-
<i>Percentage of training as external courses (%)</i>	62	-	-
<i>Percentage of training as in-house mandatory courses (%)</i>	5	-	-
<i>Percentage of training in local language (%)</i>	1	-	-
<i>Percentage of other training (%)</i>	21	-	-
Employees who have received language lessons (number)	100	135	-
Percentage of employees who have received training in business ethics (%)	100	100	100
Apprentices (number)	125	97	-
Trainees (number)	33	30	-
Internships (number)	27	18	-
Certificate of apprenticeship achieved with employer (number)	49	105	-

	2020	2019	2018
<b>HSE</b>			
Sick leave (%)	6.51	5.2	4.96
Short-term sick leave (%)	2.69	2.21	1.93
Long-term sick leave (%)	3.81	2.98	3.02
LTI-H value (%)	17.23	12.2	16.15
Injuries with absence (number)	129	84	90
Injuries without absence (number)	181	169	245
Undesired incidents, Near accidents (number)	652	746	626
Undesired incidents, Safety observations (number)	2,555	2,309	1,839
Fatal accidents (number)	0	0	0
Percentage of companies with working environment committee with employee representatives (%)	56	-	-
Risk assessment completed in relation to risk of employees developing antibiotic resistance	Yes	Yes	Yes
<b>Social responsibility</b>			
Feedback from stakeholders, positive/negative, (number)	27	14	5
Cases involving corruption (number)	0	0	0
Fines (number)	6	4	-
Whistleblowing cases (number)	8	2	-
Audits, supplier (number)	22	11	17
In-house audits (number) <sup>*)</sup>	593	532	356
Non-approved audits (number)	0	0	0
Product recalls (number)	0	0	0
Percentage of factories with GFSI certificate (%)	59.00	54.00	46.00
Markets without market access (number)	1	1	1
Total tax contributions (NOK million)	1,063	1,299	1,364,5
Purchases in Norway, excl. intragroup purchases (NOK billion)	15.1	14.8	16.9
Suppliers in Norway (number)	5,427	4,855	5,948
Municipalities in Norway where purchases are made (number)	304	258	306
Participation in collaborative groups for aquaculture	Yes	Yes	Yes
Participation in collaborative fora for fisheries	Yes	Yes	Yes
Support for humanitarian companies	Yes	Yes	Yes

*\*) Audits related to different certifications, authorities and internal routines.*

# Environmental statement

for the period 1 January to 31 December

	2020	2019	2018
<b>Survival</b>			
Survival in sea (%)	92.2	93.4	93.9
Survival on land (%)	93.5	91.5	92.8
<b>Antibiotics</b>			
Antibiotics used in sea (kg active substance)			
Florfenicol	18.99	0	0
Antibiotics used on shore (kg active substance)			
Oxalic acid	0	0	7.4
<b>Disease that has caused mortality</b>			
<i>Six significant mortality categories per year in sea:</i>			
Treatments (number of million fish/biomass tonnes)	1.2/3,373	1.5/3,790	1.2/3,108
Treatment for CMS (number of million fish/biomass tonnes)	1.1/4,543	1.2/4,848	0.5/1,474
Treatment for PD (number of million fish/biomass tonnes)		0.2/686	0.3/778
Treatment for HSMB (number of million fish/biomass tonnes)		0.2/621	
Treatment for bacterial wounds (number of million fish/biomass tonnes)	1.3/1,990	0.4/788	0.9/1,474
Treatment for puberty (number of million fish/biomass tonnes)		0.2/615	
Mechanical injuries (number of million fish/biomass tonnes)	0.7/1,818		0.4/827
Loss of circulation (number of million fish/biomass tonnes)	0.6/1,678		0.3/804
Gill infection (number of million fish/biomass tonnes)	0.6/1,440		
<b>Lice</b>			
Average number of fully grown lice per fish LSG Farming (number)	0.16	0.15	0.12
Number of cages treated for lice (number)	1,428	830	837
Volume of delousing agents used via feed (kg active substance)			
Slice	23.3	30.4	4.6
Volume of delousing agents used via bath (kg active substance)			
Alphamax	0.64	0.18	0.51
Azasure	20.78	5.39	0
Salmosan	6.3	0.75	0
Hydrogen peroxide	1,243,608	532,982	1,197,710

Average number of fully grown lice per fish per company	2020				2019				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lerøy Aurora	0.12	0.07	0.06	0.19	0.05	0.07	0.08	0.11	0.10	0.04	0.03	0.08
Lerøy Midt	0.12	0.08	0.23	0.17	0.08	0.11	0.19	0.19	0.11	0.08	0.10	0.05
Lerøy Sjøtroll	0.17	0.16	0.32	0.21	0.22	0.13	0.24	0.24	0.19	0.10	0.17	0.18
LSG Farming	0.14	0.11	0.22	0.19	0.14	0.11	0.19	0.19	0.14	0.08	0.11	0.11

	2020	2019	2018
Escapees (number)	208	85	115
Average density per cage in sea (kg/m <sup>3</sup> )	8.4	8.83	9.35
Average fallow period (number of days)	138	140	138
Average MOM B score	1.37	1.55	1.32
Percentage of localities with Global Gap/ASC certificate (%)	100	100	100
Percentage of localities taking part in zone collaboration (%)	100	100	100
<b>Fish feed</b>			
FFDRm, salmon	0.39	0.37	0.49
FFDRo, salmon	1.70	2.09	1.49
Percentage of marine raw materials/vegetable raw materials (%)	20/80	22/78	23/77
Percentage of Pro Terra certificate soy (%)	100	100	100
Percentage of traceable soy in value chain (%)	100	100	100
Share of deforestation-free soy protein concentrate from Brazil with traceability (%)	100	100	100
Total percentage of certified raw materials (%)	40.85	40.25	-
Percentage of certified marine raw materials (%)	90.27	89.53	-
<b>Wild Catch</b>			
Percentage of certified marine species caught (%)	86	91	90
<b>Water</b>			
Water consumption production facility (litres)	86,698,937	91,353,323	-
<b>Waste</b>			
Food waste, increase in kg fish for human consumption, factory	412,321	-	-
Percentage of non-organic waste, recycled, reused or recovered (%)	51.19	58.18	-
<b>Plastic consumption</b>			
Volume of plastic purchased (kg)	1,931,731	-	-
<b>Climate accounts</b>			
Scope 1 (tCO <sub>2</sub> e)	127,792	119,349	118,565
Scope 2 (tCO <sub>2</sub> e)	9,799	7,476	6,863
Scope 3 (tCO <sub>2</sub> e)	-	1,364,762	-
<b>Transport</b>			
Percentage transported by road (%)	69.25	68.46	78.24
Percentage transported by sea (%)	12.57	13.15	11.87
Percentage transported by air (%)	8.53	9.52	9.58
Number of breaches of legislation and regulations related to the environment	0	0	0

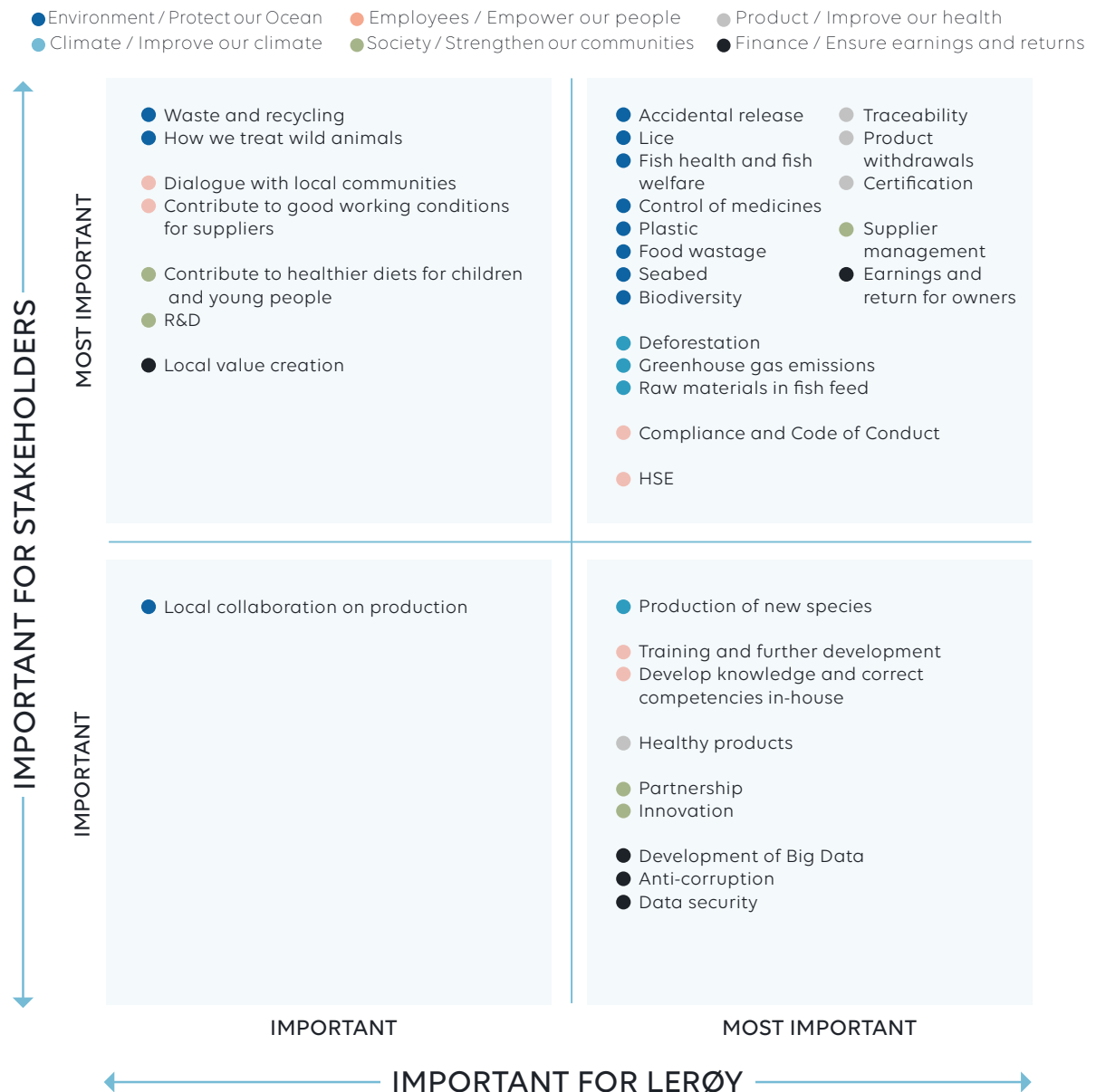
# Materiality assessment

In accordance with the GRI Standard, Lerøy carried out their first materiality assessment in 2016. This was updated in 2020. The purpose of the assessment is to identify those topics related to sustainability that are of most importance for the company and our key stakeholders.

The result is based on feedback from our external and internal stakeholders, provided via interviews, dialogue and meetings, in addition to feedback from customers, the authorities, NGOs etc. Interest in various types of sustainability has seen explosive growth in recent years, with a knock-on

effect on results regarding important areas where Lerøy must maintain focus. The results from the materiality assessment are divided into six areas. The importance of these areas will vary according to the different stakeholders. See the table on dialogue with stakeholders on page 207.

We have made a change to our materiality assessment this year in comparison with the report issued in 2019, by changing some of the items reported so that they are more specific within the different materiality areas. There are no significant changes in the table.







# Global Reporting Initiative (GRI) Content Index 2020

## Background

Lerøy Seafood Group has chosen to communicate their work on sustainability by reporting in accordance with the Global Reporting Initiative or GRI. The GRI standard is the leading standard for sustainability reports and comprises different principles, guidelines and performance indicators to be used by companies in order to measure and report on economic, environmental and social factors. This is an international standard frequently utilised for sustainability, and will therefore be familiar for many of our stakeholders.

The GRI standards are organised hierarchically, with two main components:

- Universal standards
- Topic-specific standards
  - Series 200: Economic
  - Series 300: Environmental
  - Series 400: Social



Universal standards are obligatory, while topic-specific standards are selected according to the nature of business and impact. The companies can choose between two levels of ambition, and Lerøy has chosen to report in accordance with the "Core" reporting practice. This entails issuing reports according to the standards in which elements such as type of operation, materiality, impact and executive risk management are described.

The UN's 17 Sustainable Development Goals have boosted sustainable development globally, particularly over the past years. As with many other businesses, Lerøy has an active approach towards sustainability, and is a member of UN Global Compact Norway.

## Scope

GRI reporting comprises all active companies with associated employees in the Group.

## Input

The information in the GRI Content Index is sourced from our different business systems for reporting figures within economy, society and the environment. If the information is sourced from other external sources, this is specified.

## External verification

The GRI Content Index is reviewed in house and presented to the Audit Committee and Board of Directors of Lerøy Seafood Group. To ensure that our reports comply with requirements for the GRI standard and are correct, Lerøy has contracted a third party to review and verify our reports. Our reports are reviewed by PWC, who are also the Group's independent auditors.

A selected number of our indicators have been verified during the audit. These are the following indicators:

- > Sick leave (%)
- > Undesired incidents, Near accidents (number)
- > Undesired incidents, Safety observations (number)
- > LTI-H value (%)
- > Escapees (number)
- > Average number of fully grown lice per fish in LSG Farming (number)
- > Antibiotics used in sea (kg active substance)
- > Volume of delousing agents used via bath (kg active substance)
- > Volume of delousing agents used via feed (kg active substance)
- > Survival in sea (%)
- > Average density per cage, in sea, (kg/m<sup>3</sup>)
- > Percentage of certified marine species caught (%)
- > Average MOM B score
- > FFDRm, salmon
- > FFDRo, salmon
- > Share of deforestation-free soy protein concentrate from Brazil with traceability (%)
- > Climate accounts, Scope 1 and Scope 2

## Management

Lerøy's vision is: "We shall be the leading and most profitable global supplier of sustainable high-quality seafood." By reporting in accordance with GRI-standards, we can demonstrate our work within three areas for sustainability: economy, society and the environment. By establishing specific targets within these different areas, we can continue to improve and manifest a clear direction in relation to achieving our goals and our vision.



## Focus areas relating to the materiality assessment

Focus areas	Comments	Governance tools
<b>ENVIRONMENT / PROTECT OUR OCEANS</b>		
- Number of escapees (units)	Impact on wild salmon strains is a possible environmental impact from our operation. We have a 0-vision, and a high focus on minimizing the risk for escapes	KPI Policy Procedures Risk analysis Reporting
- Number of cages treated for lice (number) - Average number of fully grown lice per fish in LSG Farming (number)	Impacts on wild salmon are defined as a possible environmental impact from our operation, were the authorities have set very strict requirements to the industry. Lerøy has a comprehensive framework for reducing lice	KPI Policy Procedures Risk analysis Reporting
- Average density per cage, in the sea (kg/m <sup>3</sup> ) - Survival in sea (%)	Good fish welfare is a prerequisite for good operation and profitability, and is closely followed through a number of management tools	KPI Policy Procedures Risk analyses Reporting
- Antibiotics used in sea (kg active substance) - Volume of delousing agents used via bath (kg active substance) - Volume of delousing agents used via feed (kg active substance)	We have a goal, not to use antibiotics. If we do this, it is completely for fish health reasons. We generally seek to minimize the use of medication or chemical treatments	KPI Policy Procedures Risk analysis Reporting
- Volume of plastic purchased (kg)	Plastic in the ocean is a global problem. Our Group is depending on what is produced in the sea, and we want to help to ensure that a minimum of plastic goes astray	KPI Policy Procedures Reporting
- Wild Catch: Increase production of meal, oil and ensilage - VAP, Sales & Distribution: Reduce number of fish on floor and volume of unsold products	Lerøy's goal is to use the whole fish, and minimize food waste through our value chain	KPI Policy Procedures Reporting
- Average MOM B score - Average fallow period (number of days) - Percentage of certified marine species caught (%)	We seek to minimize our impact during our operation, and have a range of KPIs and policies in this area	KPI Policy Procedures Risk analysis Reporting
<b>CLIMATE / IMPROVE OUR CLIMATE</b>		
- Share of deforestation-free soy protein concentrate from Brazil with traceability (%)	We seek to minimize the impact on our operation through our entire value chain. Including raw materials for fish feed	KPI Agreements Partnership
- Science-based targets: 46 % reduction by 2030	Lerøy works to cut climate emissions throughout its value and supply chain	SBT Policy Agreements Partnership Reporting
- Percentage of certified marine raw materials (%) - Total percentage of certified raw materials (%) - FFDRm salmon - FFDRo salmon - Share of deforestation-free soy protein concentrate from Brazil with traceability (%)	Lerøy works to cut climate emissions, especially in relation to raw materials for fish feed. The work includes own projects as well as various collaborative project	Policy Various collaboration projects

## Focus areas relating to the materiality assessment, cont.

Focus areas	Comments	Governance tools
<b>PRODUCT / IMPROVE OUR HEALTH</b>		
- Percentage of traceability tests conducted (%)	A vertically integrated value chain is an important part of Lerøy's strategy. Full traceability is a benefit of being vertically integrated	Policy Testing R&D activities
- Product recalls (number)	Food safety has the highest priority in the group, and is a prerequisite for consumer confidence. To ensure consumer confidence good routines for product recall is part of the measures implemented	Policy Testing R&D activities Risk analyses
- Number of localities certified in Farming in accordance with ASC/Global Gap (%) - Percentage of certified marine species caught (%) - Share of factories with GFSI certificate (%)	Lerøy has a high customer focus, and is happy to meet consumer needs both today and in the future. Certifications are an important part of this	KPI Policy Various certification schemes
<b>SOCIETY / STRENGTHEN OUR COMMUNITIES</b>		
- Audits, supplier (number) - In-house audits (number) - Non-approved audits (number)	Lerøy is focused on the footprint from our entire operation, including ours suppliers. Close follow-ups and cooperation with our suppliers are crucial for us to achieve our goals	Policy Agreements Evaluation Audit
<b>EMPLOYEES / EMPOWER OUR PEOPLE</b>		
- Share of employees who have received training in business ethics (%)	It is important to comply with legislation protecting human rights, and we have therefore prepared a Code of Conduct that is obligatory for all our employees and all persons who work at our facilities. Our suppliers and other partners shall also approve and comply with the Code of Conduct	Policy Supplier follow-up Procedures Internal routines
- Sick leave (%) - Undesired incidents, Near-accidents (number) - Undesired incidents, Safety observations (number) - LTI-H value %	Health, safety and the environment for all persons who work at Lerøy have high priority. We shall prevent injuries and provide a workplace where there is room for everyone, with a good working environment	Policy Values Procedures
- Cases involving corruption (number)	Compliance is a high priority, and we shall follow all acts and regulations at all times. This applies to all our employees and for hired personnel who work for Lerøy	Policy Values Procedures Code of Conduct
<b>FINANCE / ENSURE EARNINGS AND RETURNS</b>		
- ROCE % - Equity ratio % - Dividends over time %	To ensure that our operations are sustainable, we have to earn money and be able to pay a return to our owners. It is therefore important to also focus on this area	Policy Vision Values Procedures Code of Conduct

## Dialogue with stakeholders

Lerøy's values are open, honest, responsible and creative. It is therefore very important for us to maintain positive and open dialogue with all our stakeholders. As such, Lerøy obtains knowledge of and familiarity with those areas of interest to our stakeholders and can communicate how we work on the different areas. By maintaining regular and positive dialogue, we work together on improvements within individual areas, also reinforcing competencies in the different companies. Dialogue with stakeholders is important and helps Lerøy make progress towards the Group's goal to be the most sustainable supplier of high-quality seafood.

Lerøy carried out a materiality assessment in 2016 with a view to the company's reports in accordance with the Global Reporting Initiative's (GRI) standard. This project has covered interviews with external and internal stakeholders, and the work on the project has identified those aspects that are of importance for achieving Lerøy's goals and, at the same time, the aspects of interest to the stakeholders.

In recent years, there has been an explosion in interest from different stakeholders, particularly regarding sustainability

reporting. We respond to questions and take part in dialogues several times a week with different stakeholders. This is an ongoing process, where dialogue with different stakeholders is continuously updated throughout the year. The Group has therefore not implemented any special measures to identify our stakeholders as part of the report for 2020. We believe that our daily activities provide us with a good overview of our most important stakeholders.

Our overview of stakeholders is originally based on our review from 2016 and own experience over several years gained from various types of dialogue involving stakeholders. Examples of dialogue are collaboration projects, meetings, conferences, lectures, dialogue via different media, research by IPSOS on behalf of Lerøy, audits and other platforms.

The different stakeholders are selected on the basis of the impact they have with regards our operations and the impact Lerøy has on the stakeholders in terms of economics, society and the environment. In order to fulfil the requirements made by the different stakeholders for reporting, we have implemented indicators for the different areas. These are referred to in the GRI index.

Groups of stakeholders	Indicator principal focus	Collaboration platform	Year	Quarter	Week	
<b>Financial institutions</b>	Earnings	Meetings	x			
	Compliance	Seminars	x			
	Climate	Interim presentations		x		
	Sustainability	Visits to facilities	x			
		Web				x
	Dialogue	x				
<b>Insurance company</b>	Earnings	Meetings	x			
	Compliance	Seminars	x			
	Climate	Interim presentations		x		
	Sustainability	Visits to facilities	x			
		Web				x
	Dialogue	x				
<b>Shareholders Analysts Investors</b>	Earnings	Investor forum	x			
	Compliance	Conferences	x			
	Climate	Seminars	x			
	Opportunities	Interim presentations			x	
		Web				x
	Reputation	Dialogue	x			
	Sustainability					
Dividends						
<b>The Board of Directors</b>	Earnings	Meetings	x			
	Compliance	Seminars	x			
	Climate	Conversations	x			
	Opportunities	Web				x
		Risk				
Reputation						
Sustainability						
Dividends						
<b>Employees</b>	Sustainability	Intranet			x	
	Earnings	Web			x	
	Reputation	Newsletters			x	
	Working environment	Reports			x	x
		Development	Meetings	x		
	E-learning	x				
<b>Authorities</b>	Compliance	Meetings	x			
	Climate	Presentations	x	x		
	Sustainability	Various fora	x			
	Employment	Collaboration projects	x			
	Taxes and duties	Audits	x			
	Food safety	Web				x
	Framework conditions					

## ESG Information

### Dialogue with stakeholders, cont.

Groups of stakeholders	Indicator principal focus	Collaboration platform	Year	Quarter	Week
<b>Customers</b>	Product	Dialogue			x
	Food safety	Meetings	x		x
	Sustainability	Seminars	x		
	Earnings	Project collaboration	x		
	Expertise	Partnership	x		
	Ethics	Web			x
	Product quality	Presentations	x	x	
	Certifications	Audits	x		
		Trade shows	x		
		Visits	x		
<b>Suppliers</b>	Earnings	Dialogue			x
	Ethics	Meetings			x
	Long-term perspective	Seminars	x		
		Project collaboration	x		
		Partnerships	x		
		Web			x
		Presentations	x	x	
		Audits	x		
	Visits	x			
<b>NGOs</b>	Sustainability	Dialogue			x
		Meetings	x		
		Seminars	x		
		Presentations	x	x	
		Collaboration projects	x		
		Web			x
	Visits	x			
<b>Neighbours</b>	Local ripple effects	Dialogue	x		
	Employment	Meetings	x		
	Sustainability	Interim presentations	x	x	
	Contributions to infrastructure	Web			x

## Global Reporting Initiative (GRI) Content Index

## THIS REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE GRI STANDARDS: CORE OPTION

## GRI 102: GENERAL DISCLOSURES (2016)

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	Annual report p. 1	
102-2	Activities, brands, products and services	<a href="#">About us</a> <a href="#">Brands</a>	
102-3	Location of headquarters	Annual report p. 222-223	
102-4	Location of operations	<a href="#">About us</a> Annual report p. 20-21	
102-5	Ownership and legal form	Annual report p. 38-47; 76-77	
102-6	Markets served	<a href="#">About us</a>	
102-7	Scale of the organization	Annual report p. 20-23; 196-197 Annual report p. 83-91 Annual report p. 62-67	
102-8	Information on employees and other workers	Annual report p. 198-199 <a href="#">Our employees</a>	
102-9	Supply chain	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier evaluation</a>	
102-10	Significant changes to the organization and its supply chain	Annual report p. 14-15; 18-19 <a href="#">Supplier evaluation</a>	
102-11	Precautionary Principle or approach	Annual report p. 24-25; 70-75 <a href="#">Climate</a> <a href="#">External Initiatives</a>	Lerøy is a signatory of UN Global Compact (ref. principle no. 7 – business should support a precautionary approach to environmental challenges)
102-12	External initiatives	<a href="#">External Initiatives</a>	
102-13	Membership of associations	<a href="#">Membership of Associations</a>	
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	Annual report p.18-19	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behavior	Annual report p. 16-17 <a href="#">Business Code of Conduct</a>	
<b>GOVERNANCE</b>			
102-18	Governance structure	Annual report p. 24-25; 38-47	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	Annual report p. 206-208	
102-41	Collective bargaining agreements	Annual report p. 198-199	
102-42	Identifying and selecting stakeholders	Annual report p. 202-208	
102-43	Approach to stakeholder engagement	Annual report p. 202-208	
102-44	Key topics and concerns raised	Annual report p. 202-208	

## ESG Information

THIS REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE GRI STANDARDS: CORE OPTION

### GRI 102: GENERAL DISCLOSURES (2016)

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	Annual report p. 110-111	
102-46	Defining report content and topic boundaries	Annual report p. 202-208	The report represents the Group's consolidated companies with employees and workers
102-47	List of material topics	Annual report p. 202-208	
102-48	Restatements of information		No restatements of information
102-49	Changes in reporting	Annual report p. 202-208	Lerøy has conducted a thorough review of its GRI-reporting practice in 2020 and has established appropriate reporting routines to achieve compliance with GRI-reporting requirements
102-50	Reporting period	Annual report p. 1	
102-51	Date of most recent report	<a href="#">Annual Report 2019</a> ; <a href="#">Sustainability Report 2019</a> Date published 30.04.2020	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Annual report p. 222-223	
102-54	Claims of reporting in accordance with the GRI Standard	Annual report p. 208	
102-55	GRI Content index	Annual report p. 208-227	
102-56	External assurance	Annual report p. 204; 218-219	

## GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>PROTECT OUR OCEANS</b>			
<b>FISH HEALTH AND WELFARE</b> GRI Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	<a href="#">Policy Fish Health and Welfare</a> <a href="#">Fish Health and Welfare</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Policy Fish Health and Welfare</a> <a href="#">Fish Health and Welfare</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Policy Fish Health and Welfare</a> <a href="#">Fish Health and Welfare</a> Annual report p. 202-208	
Lerøy KPI	Average density per cage at sea (kg/m <sup>3</sup> )	<a href="#">Density</a> Annual report p. 200-201	KPI definition: Average density, per cage at sea (kg/m <sup>3</sup> )
Lerøy KPI	Survival in sea (%)	<a href="#">Fish Health and Welfare</a> Annual report p. 200-201	KPI definition: (1-12 months rolling mortality)*100 12 months rolling mortality = (total # of mortalities in sea last 12 month - total # of culled fish due to illness or similar and not in harvest figures)/ (closing # of fish in sea + total # of mortalities in last 12 months + total # harvested fish in last 12 months + total # of culled fish in sea)
<b>SEA LICE</b> GRI Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	<a href="#">Policy for Control of Sea Lice</a> <a href="#">Sea Lice</a> <a href="#">KPI Sea Lice</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Policy for Control of Sea Lice</a> <a href="#">Sea Lice</a> <a href="#">KPI Sea Lice</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Policy for Control of Sea Lice</a> <a href="#">Sea Lice</a> <a href="#">KPI Sea Lice</a> Annual report p. 202-208	
Lerøy KPI	Number of cages treated for lice, (number)	Annual report p. 200-201	KPI definition: Total number of cages treated for lice in 2020
Lerøy KPI	Average number of fully grown lice per fish in LSG Farming	<a href="#">Sea Lice</a> <a href="#">KPI Sea Lice</a> Annual report p. 200-201	KPI definition: Average result of all countings of adult female lice per fish, in all companies
<b>USE OF DRUGS AND CHEMICALS</b> GRI Management Approach (2016)			
103-1	Explanation of the material topic and its boundary	<a href="#">Policy for Use of Drugs and Chemicals</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Policy for Use of Drugs and Chemicals</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Policy for Use of Drugs and Chemicals</a> <a href="#">Antibiotics</a> <a href="#">KPI Use of Drugs and Chemicals</a> Annual report p. 202-208	
Lerøy KPI	Antibiotics used in sea (kg active substance)	<a href="#">Antibiotics</a> Annual report p. 200-201	KPI definition: Antibiotics used in sea (kg active substance)
Lerøy KPI	Volume of delousing agents used via bath (kg active substance)	<a href="#">Use of Drugs and Chemicals</a> Annual report p. 200-201	KPI definition: Amount of (kg), active substance used as delousing agent via bath
Lerøy KPI	Volume of delousing agents via feed (kg active substance)	Annual report p. 200-201 <a href="#">Use of Drugs and Chemicals</a>	KPI definition: Amount of (kg), active substance used as delousing agent in feed



## ESG Information

### GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>FISH ESCAPE (ACCIDENTAL RELEASES)</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Policy escapes</a> <a href="#">KPI Escapes (accidental release)</a> Annual report p.202-208	
103-2	The Management Approach and its components	<a href="#">Policy escapes</a> <a href="#">KPI Escapes (accidental release)</a> Annual report p.202-208	
103-3		<a href="#">Policy escapes</a> <a href="#">KPI Escapes (accidental release)</a> Annual report p.202-208	
<b>Lerøy KPI</b>	Escapes (number)	<a href="#">Policy escapes</a> <a href="#">KPI Escapes (accidental release)</a> Annual report p.200-201	Total amount of fish escaped
<b>FOOD WASTE</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Policy for Food Waste</a> <a href="#">50/50-5 Food Waste</a> <a href="#">KPI Food Waste</a> Annual report p.202-208	
103-2	The Management Approach and its components	<a href="#">Policy for Food Waste</a> <a href="#">50/50-5 Food Waste</a> <a href="#">KPI Food Waste</a> Annual report p.202-208	
103-3	Evaluation of the Management Approach	<a href="#">Policy for Food Waste</a> <a href="#">50/50-5 Food Waste</a> <a href="#">KPI Food Waste</a> Annual report p.202-208	
<b>Lerøy KPI</b>	Wild catch: Increase production of fishmeal, oil and silage	<a href="#">Policy for Food Waste</a> <a href="#">50/50-5 Food Waste</a> <a href="#">KPI Food Waste</a> Annual report p.200-201	
<b>Lerøy KPI</b>	VAP, Sales and Distribution: Reduce the amount of floor fish as well as amount of unsold products	<a href="#">50/50-5 Food Waste</a> <a href="#">KPI Food Waste</a> Annual report p.200-201	
<b>BIODIVERSITY - SEABED CONDITIONS</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">KPI Biodiversity</a> Annual report p.202-208	
103-2	The Management Approach and its components	<a href="#">MOMB</a> <a href="#">KPI Biodiversity</a> Annual report p.202-208	
103-3	Evaluation of the Management Approach	<a href="#">MOMB</a> <a href="#">KPI Biodiversity</a> Annual report p.202-208	
<b>Lerøy KPI</b>	Average MOM B score	<a href="#">MOMB</a> <a href="#">KPI Biodiversity</a> Annual report p.200-201	KPI definition: Average result MOM B samples
<b>Lerøy KPI</b>	Average fallow period (number of days)	<a href="#">KPI Biodiversity</a> Annual report p.200-201	KPI definition: Average number of fallow days
<b>BIODIVERSITY - SPECIES DIVERSITY</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Fisheries</a> <a href="#">KPI Certifications</a> Annual report p.202-208	
103-2		<a href="#">Fisheries</a> <a href="#">KPI Certifications</a> Annual report p.202-208	
103-3		<a href="#">Fisheries</a> <a href="#">KPI Certifications</a> Annual report p.202-208	
<b>Lerøy KPI</b>	Percentage of certified marine species caught (%)	<a href="#">KPI Certifications</a> Annual report p.200-201	KPI definition: Percentage of MSC certified species caught in 2020

## GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>PLASTIC MANAGEMENT</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Plastic Policy Annual report p. 202-208	
103-2	The Management Approach and its components	Plastic Policy 50/50-5 Plastic KPI Plastic Annual report p. 202-208	
103-3		KPI Plastic Annual report p. 202-208	
<b>Lerøy KPI</b>	Volume of plastic purchased (kg)	50/50-5 Plastic KPI Plastic Annual report p. 200-201	
<b>IMPROVE OUR CLIMATE</b>			
<b>DEFORESTATION</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">KPI Deforestation</a> <a href="#">Raw Material Requirements</a> <a href="#">KPI raw material fish feed</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">KPI Deforestation</a> <a href="#">Raw Material Requirements</a> <a href="#">KPI raw material fish feed</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">KPI Deforestation</a> <a href="#">Raw Material Requirements</a> <a href="#">KPI raw material fish feed</a> Annual report p. 202-208	KPI definition: Share of deforestation-free soy protein concentrate from Brazil, with traceability out of total volume of soy protein concentrate purchased from Brazil (%)
<b>Lerøy KPI</b>	Share of deforestation-free soy protein concentrate from Brazil with traceability (%)	<a href="#">KPI Deforestation</a> Annual report p. 200-201	KPI definition: Share of deforestation-free soy protein concentrate from Brazil, with traceability out of total volume of soy protein concentrate purchased from Brazil (%)
<b>RAW MATERIAL FISH FEED</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Fish Feed Policy</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Fish Feed Policy</a> <a href="#">Fish Feed</a> <a href="#">KPI Fish Feed Raw Materials</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Fish Feed Policy</a> <a href="#">Fish Feed</a> <a href="#">KPI Fish Feed Raw Materials</a> Annual report p. 202-208	
<b>Lerøy KPI</b>	Percentage of certified marine raw materials (%)	<a href="#">Fish Feed</a> <a href="#">Certified Marine Feed Ingredients</a> Annual report p. 200-201	KPI definition: Share of IFFO standard certified marine raw materials used in feed in 2020
<b>Lerøy KPI</b>	Total percentage of certified raw materials (%)	<a href="#">Certified Marine Feed Ingredients</a> Annual report p. 200-201	KPI definition: Total share of certified raw materials in feed
<b>Lerøy KPI</b>	FFDRm, salmon	<a href="#">FFDR Salmon</a> Annual report p. 200-201	KPI definition: FFDRm= (%fishmeal in feed from forage fisheries) * (eFCR)/24
<b>Lerøy KPI</b>	FFDRo, salmon	<a href="#">FFDR Salmon</a> Annual report p. 200-201	KPI definition: FFDRo= (% fishoil in feed from forage fisheries) * (eFCR)/ 5,0 or 7,0 depending on the species
<b>Lerøy KPI</b>	Share of deforestation free soy protein concentrate from Brazil with traceability (%)	<a href="#">KPI Deforestation</a> Annual report p. 200-201	KPI definition: Share of deforestation-free soy protein concentrate from Brazil, with traceability out of total volume of soy protein concentrate purchased from Brazil (%)

## ESG Information

### GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>EMISSIONS</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Climate Policy</a> <a href="#">Emissions 2020</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Climate Policy</a> <a href="#">Emissions 2020</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Climate Policy</a> <a href="#">Emissions 2020</a> <a href="#">Climate Scenario Analysis</a> Annual report p. 202-208	
<b>GRI 305: Emissions (2016)</b>			
305-1	Direct (Scope 1) GHG emissions	<a href="#">Climate Policy</a> <a href="#">Climate Emissions 2020</a> Annual report p. 35; 200-201	
305-2	Energy indirect (Scope 2) GHG emissions	<a href="#">Climate Policy</a> <a href="#">Climate Emissions 2020</a> Annual report p. 35; 200-201	
<b>EMPOWER OUR PEOPLE</b>			
<b>COMPLIANCE AND BUSINESS CODE OF CONDUCT</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> <a href="#">Human Rights Policy</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> <a href="#">Human Rights Policy</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> <a href="#">Human Rights Policy</a> Annual report p. 202-208	
<b>Lerøy KPI</b>	Percentage of employees who have received training in business ethics (%)	Annual report p. 198-199	KPI definition: Number of employees who have received training in business ethics
<b>ANTI-CORRUPTION</b>			
<b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> <a href="#">Anti-Corruption</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> <a href="#">Anti-Corruption</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Business Ethics and Anti-Corruption</a> <a href="#">Business Code of Conduct</a> <a href="#">Whistleblowing Policy</a> Annual report p. 202-208	
<b>Lerøy KPI</b>	Cases involving corruption (number)	Annual report p. 198-199	KPI definition: Number of registered and handled corruption cases

## GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>GRI 205: Anti-Corruption (2016)</b>			
205-3	Confirmed incidents of corruption and actions taken	<a href="#">Business Ethics and Anti-Corruption</a> Annual report p. 198-199	
<b>HEALTH, SAFETY AND ENVIRONMENT (HSE) GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">HSE Policy</a> <a href="#">HSE</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">HSE Policy</a> <a href="#">HSE</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">HSE Policy</a> <a href="#">HSE</a> Annual report p. 202-208	
<b>GRI: 403: Occupational Health and Safety (2018)</b>			
403-1	Occupational health and safety management system	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-2	Hazard identification, risk assessment, and incident investigation	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-3	Occupational health services	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-4	Worker participation, consultation, and communication on occupational health and safety	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-5	Worker training on occupational health and safety	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-6	Promotion of worker health	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
403-8	Workers covered by an occupational health and safety management system	<a href="#">HSE Policy</a> <a href="#">HSE</a>	
<b>Lerøy KPI</b>	Sick leave (%)	Annual report p. 198-199	KPI definition: Sick leave percentage – number of sick days x 100/number of possible working days
<b>Lerøy KPI</b>	Undesired incidents, Near accidents (number)	Annual report p. 198-199	KPI definition: Number of all registered near misses in Lerøy QMS (Quality management system)
<b>Lerøy KPI</b>	Undesired incidents, Safety observations (number)	Annual report p. 198-199	KPI definition: Number of all registered safety observations in Lerøy QMS (Quality management system)
<b>Lerøy KPI</b>	LTI-H value (%)	Annual report p. 198-199	KPI definition: Frequency of injuries H1/LTI = Number of injuries with absence x 1 000 000/ Total number of working hours
<b>IMPROVE OUR HEALTH</b>			
<b>PRODUCT TRACEABILITY GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	<a href="#">Food Safety Policy</a> <a href="#">Food Safety</a> <a href="#">KPI Traceability</a> Annual report p. 202-208	
103-2	The Management Approach and its components	<a href="#">Food Safety Policy</a> <a href="#">Food Safety</a> <a href="#">KPI Traceability</a> <a href="#">Traceability</a> Annual report p. 202-208	
103-3	Evaluation of the Management Approach	<a href="#">Food Safety Policy</a> <a href="#">Food Safety</a> <a href="#">KPI Traceability</a> <a href="#">Traceability</a> Annual report p. 202-208	

## ESG Information

### GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>Lerøy KPI</b>	Percentage of completed traceability tests	<a href="#">Food Safety</a> <a href="#">KPI Traceability</a> <a href="#">Traceability</a>	

### PRODUCT RECALL

#### GRI Management Approach (2016)

<b>103-1</b>	Explanation of the material topic and its boundary	<a href="#">Food Safety Policy</a> <a href="#">Product Recall</a> <a href="#">KPI Product Recall</a> Annual report p. 202-208	
<b>103-2</b>	The Management Approach and its components	<a href="#">Food Safety Policy</a> <a href="#">Product Recall</a> <a href="#">KPI Product Recall</a> Annual report p. 202-208	
<b>103-3</b>	The Management Approach and its components	<a href="#">Food Safety Policy</a> <a href="#">Product Recall</a> <a href="#">KPI Product Recall</a> Annual report p. 202-208	
<b>Lerøy KPI</b>	Product recalls (number)	<a href="#">Product Recall</a> <a href="#">KPI Product Recall</a> Annual report p. 198-199	

### CERTIFICATIONS

#### GRI Management Approach (2016)

<b>103-1</b>	Explanation of the material topic and its boundary	<a href="#">Food Safety Policy</a> <a href="#">KPI Certifications</a> <a href="#">Internal Audits and Certifications</a> Annual report p. 202-208	
<b>103-2</b>	The Management Approach and its components	<a href="#">Food Safety Policy</a> <a href="#">KPI Certifications</a> <a href="#">Internal Audits and Certifications</a> Annual report p. 202-208	
<b>103-3</b>	Evaluation of the Management Approach	<a href="#">Food Safety Policy</a> <a href="#">KPI Certifications</a> <a href="#">Internal Audits and Certifications</a> Annual report p. 202-208	
<b>Lerøy KPI</b>	Percentage of locations in farming with Global Gap/ASC certificate (%)	<a href="#">KPI Certifications</a> <a href="#">Internal Audits and Certifications</a> <a href="#">ASC and GlobalGAP</a> Annual report p. 200-201	
<b>Lerøy KPI</b>	Percentage of certified marine species caught (%)	<a href="#">Fisheries</a> <a href="#">KPI Certifications</a> Annual report p. 200-201	KPI definition: Percentage of MSC certified marine caught in 2020
<b>Lerøy KPI</b>	Percentage of factories with ready to eat production, with GFSI certificate (%)	<a href="#">Internal Audits and Certifications</a> <a href="#">KPI Certifications</a> <a href="#">Our Certifications</a> Annual report p. 198-199	

### STRENGTHEN OUR COMMUNITIES

#### SUPPLIER MANAGEMENT

#### GRI Management Approach (2016)

<b>103-1</b>	Explanation of the material topic and its boundary	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier Management</a> <a href="#">Procurement Policy</a> Annual report p. 202-208	
<b>103-2</b>	The Management Approach and its components	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier Management</a> <a href="#">Procurement Policy</a> Annual report p. 202-208	
<b>103-3</b>	Evaluation of the Management Approach	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier Management</a> <a href="#">Procurement Policy</a> Annual report p. 198-199; 202-208	

## GRI TOPIC SPECIFIC DISCLOSURES

Disclosure no.	Disclosure description	Response (page reference/ URLs)	Comment
<b>GRI 308: Supplier Environmental Assessment (2016)</b>			
308-1	Percentage of new suppliers that were screened using environmental criteria	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier Management</a> <a href="#">Procurement Policy</a>	Omission: 308-1 data for 2020 is not available. New evaluation system will be implemented in 2021
<b>GRI 414: Supplier Social Assessment (2016)</b>			
414-1	Percentage of new suppliers that were screened using social criteria	<a href="#">Sustainable Value Chain</a> <a href="#">Supplier Management</a> <a href="#">Procurement Policy</a>	Omission: 414-1 data for 2020 is not available. New evaluation system will be implemented in 2021
<b>ENSURE EARNINGS AND RETURNS</b>			
<b>ENSURE EARNINGS AND RETURNS</b> <b>GRI Management Approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Annual report p. 26-27; 54-59; 202-207	
103-2	The Management Approach and its components	Annual report p. 62-67	
103-3	Evaluation of the Management Approach	Annual report p. 38-49	
Lerøy KPI	ROCE (%)	Annual report p. 26-27; 62-67	
Lerøy KPI	Equity ratio (%)	Annual report p. 26-27; 62-67	
Lerøy KPI	Dividends over time (%)	Annual report p. 26-27; 62-67	
<b>GRI 201: Economic Performance (2016)</b>			
201-1	Direct economic value generated and distributed	Annual report 26-27; 28-29; 62-67; 83-91; 110-115 <a href="#">Local Communities</a> <a href="#">Involvement of Local Communities</a>	



To the Board of Directors of Lerøy Seafood Group ASA

### **Independent statement regarding Lerøy Seafood Group's sustainability reporting**

We have been engaged by Lerøy Seafood Group ASA to examine whether the Group's sustainability reporting is conducted in accordance with the Global Reporting Initiative (GRI) Standards Core Option, and to examine whether selected sustainability performance indicators are calculated, estimated and reported in accordance with the definitions and explanations provided in relation to each sustainability performance indicator.

- Lerøy Seafood Group ASA's GRI Content Index for 2020 is an overview of the principles, aspects and indicators from the GRI guidelines that Lerøy Seafood Group ASA has used to measure and report on sustainability. The Index also contains a reference to where the material sustainability information is reported within the Annual report for 2020 (Annual Report 2020) or at Lerøy Seafood Group ASA's website. We examined whether Lerøy Seafood Group ASA had developed a GRI Content Index for 2020 and whether mandatory disclosures were presented in accordance with the Standards published by The Global Reporting Initiative ([www.globalreporting.org/standards](http://www.globalreporting.org/standards)) (criteria).
- Performance indicators for sustainability are indicators that Lerøy Seafood Group ASA measure and control. These are included in the GRI Content Index together with the definition and explanation of how they are measured (criteria). We have for selected sustainability performance indicators examined whether these are calculated, estimated and reported in accordance with the criteria. Further, we tested the information against source data on a sample basis. The sustainability performance indicators selected for verification is presented on p. 204 Global Reporting Initiative (GRI) Content Index 2020, paragraph "External Verification" in the Annual Report 2020.

#### *Tasks and responsibilities of management*

Management is responsible for Lerøy Seafood Group ASA's Sustainability Reporting for 2020 and that the GRI Content Index for 2020 is developed in accordance with the Standards published by the GRI. Management is also responsible for the sustainability performance indicators and that these are calculated, estimated and reported in accordance with the definitions given. Their responsibility includes to implement such internal control as management determines is necessary to enable development and reporting of the GRI Content Index and to enable correct calculation, estimation and reporting of the sustainability performance indicators in the Annual Report 2020.

#### *Our independence and quality control*

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory requirements.

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PricewaterhouseCoopers AS,  
T: , org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap





#### *The Auditors responsibilities*

Our responsibility is to express an opinion on Lerøy Seafood Group ASA's sustainability reporting based on our work. We have performed our work in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that Lerøy Seafood Group ASA's GRI Content Index 2020 and selected sustainability performance indicators are developed and presented in accordance with GRI Standards Core Option and the criteria for reporting and measurement set out in the GRI Content Index 2020. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the GRI Content Index 2020 and the selected sustainability performance indicators. We design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our procedures also include an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the GRI Content Index 2020 and the selected sustainability performance indicators.

Our procedures include meetings and interviews with representatives from Lerøy Seafood Group ASA responsible for the key areas covered by the sustainability reporting, evaluating internal controls and procedures for reporting sustainability performance indicators, collecting and reviewing relevant supporting information and data, evaluating the completeness of the selected sustainability performance indicators and controlling whether the calculation and estimation of the selected sustainability performance indicators are accurate.

We believe that the evidence we have obtained is sufficient and appropriate to provide basis for our conclusion.

#### *Conclusion*

In our opinion the GRI Content Index 2020 is, in all material respects, developed and presented in accordance with the requirements of the Global Reporting Initiative Standards Core Option.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the calculation, estimation and reporting of the selected sustainability performance indicators presented on page 204 in the Annual Report for 2020 are not prepared, in all material respects, in accordance with the definitions and explanations provided in relation to each sustainability performance indicator presented in the GRI Content Index.

Bergen, April 26 2021

**PricewaterhouseCoopers AS**

Hanne Sælemyr Johansen

State authorised public accountant

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



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